

## Chapter 42

# Using Strategic Planning to Improve Performance Management and Its Impact on Organizational Success: A Study of Private Sector in Iran

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### **ABSTRACT**

*This research investigated the use of the strategic planning process in improving the management performance of private sector in Iran. Measuring performance is a necessary management practice if action is to result in desired outcomes. An important objective of the Iranian private sector was to focus the attention of private servants on clear specified results rather than bureaucratic procedures. The development of performance management to date appears inadequate in that the most important component of results – outcomes is overlooked from the measurement. Primary data were collected through structured questionnaire with 100 respondents from 20 randomly selected private sectors in different environment. The findings showed the necessity of implementation of strategic planning in private sector concerning the use of appropriate performance management tools and strengthening the implementation of strategic planning functions in order to improve management performance. These findings suggest that specific management function-focused process should be designed and implemented.*

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## **INTRODUCTION**

### **Background of the Study**

A strategy is an overall approach and plan. Therefore, strategic planning is the overall planning that facilitates the suitable management of a process. Strategic planning is an organizational management activity that is used to determine priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals, establish agreement around intended outcomes/results, and assess and adjust the organization's direction in response to a changing environment. It is a disciplined effort that produces fundamental decisions and actions that shape and guide what an organization is, who it serves, what it does, and why it does it, with a focus on the future. Effective strategic planning articulates not only where an organization is going and the actions needed to make progress, but also how it will know if it is successful. Moreover, strategic planning takes people in the organization outside the day-to-day activities of their organization or project. It provides every one with the big picture of what they are doing and where they are going. Strategic planning gives them clarity about what they actually want to achieve and how to go about achieving it, rather than a plan of action for day-to-day operations.

For achieving competitive advantages position and enhancing firm performance relative to their competitors are the main objectives that business organizations in particular should strive to attain (Raduan, Jegak, Haslinda and Alimin, 2009). Hence, performance management can be helpful in this situation that defined as a process for ensuring employees focus on their work in ways that contribute to achieving the organization's mission is indispensable for a business organization. Performance management includes various types or system. Performance management system is a kind of performance management forms. Supervisors and managers are responsible for managing the performance of their employees. Each organization's policy should specify how the performance management system will be carried out. Organizations should adopt performance management practices that are consistent with the requirements of this policy and that best fit the nature of the work performed and the mission of the organization.

### **Statement of Problem**

The concept of strategic planning align with its effect on performance management can be described as relatively new both in terms of corporate experience and as object within scientific research. For the purpose of this paper problems and barriers concerning strategic planning have been divided into delimitation and definition related issues, issues related to corporate practices in private sectors and general planning related issues. Recently, the performance of organizations has been the focus of intensive research efforts among researchers and executives. How well an organization implements its functions and programs and accomplishes its strategic plans intent in terms of its mission and vision influences its success. Managers in both private and public organizations are becoming increasingly aware that a critical source of competitive advantage often comes from different strategic plans of competitors and the way that each of them manages their organization performance. Currently there is no clear answer whether or not strategic planning influences the bottom line performance for businesses. Several studies such as those by Ansoff (1988) and by Layton (1991) showed that a formal strategic planning system was an important factor in leading to corporate success, as measured by financial performance. Other

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