



Strategic Planning, Autonomous Actions and Corporate Performance

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There has been a tendency to de-emphasize the role of strategic planning in recent years and instead focus on management autonomy and organizational learning. Yet most firms continue to plan for the future. This reveals a need to review the effects of strategic planning in conjunction with managers' autonomous actions. Past research on the performance effects of strategic planning has been inconclusive, and evidence of the strategic importance of adaptive actions taken by lower level managers remains somewhat anecdotal. What is more, contemporary scholars hold opposing views. Some argue that autonomous actions are imperative to strategic adaptation, while planning inhibits change. Conversely, others argue that centralized planning is needed to co-ordinate responsive actions and spur adaptive strategic thinking. To clarify this apparent dilemma, this article presents a recent research programme investigating the dual performance effects of strategic planning and autonomous actions in the strategy formation process. The results indicate that strategic planning has positive performance effects across industries, and exists in tandem with autonomous actions, where managers make responsive decisions that enhance performance under changing environmental conditions. © 2000 Elsevier Science Ltd. All rights reserved.

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Introduction

Several management scholars see organizational learning as the key to adaptive strategic change and support a trend that de-emphasizes the importance of strategic planning.¹ The view is appealing, but it begs for hard supportive evidence. For example, Ikea, the Swedish retailer of home furnishings, is known for empowered managers that are able to respond to changing market conditions. However, it is unlikely that the company would achieve its impressive global operational effi-

ciencies without a central master plan. In another industry, Microsoft, a leading international software company, is composed of free-spirited and creative managers, but again it is hard to conceive of the company's new product developments without a common strategy to guide these initiatives. In the financial services industry, United Services Automobile Association (USAA) is a successful organization with managers authorized to make policy decisions. None the less, the insurance group needed a centralized strategy and planning process to build its unique processing infrastructure and extend its services portfolio. These and numerous other examples make it appropriate to ask whether organizational learning, where individuals experiment and exchange information, is an isolated process, or is in fact complementary to strategic planning. Is learning from managers' autonomous actions associated with higher adaptability and performance? Does centralized strategic planning guide and co-ordinate autonomous actions to further economic performance? In other words, are strategic planning and learning really incommensurate processes? These issues constitute the main themes of this article.

A rational planning perspective is central to the conventional strategic management paradigm, where strategic decision-making is perceived as a sequential analytical process.² This perspective is ingrained in the frameworks of modern strategy textbooks, although prior empirical studies provide somewhat equivocal evidence on the performance effects of planning and this has led to the declared demise of strategic planning.³ However, newer research indicates that under certain conditions strategic planning is conducive to higher performance. This article comments on studies that have gauged the performance effects of strategic planning, and refers to strategic planning processes that have shown a positive association with organizational performance. The article outlines an integrative perspective of strategic planning and autonomous actions, where managers can make independent decisions. Autonomous actions enable the firm to react faster to changing conditions and learn from new experiences. This perspective is used to investigate the performance effects of strategic planning and autonomous actions simultaneously in different industrial environments. The study reveals that strategic planning is associated with superior organizational performance in all the industrial settings investigated, and exists in tandem with autonomous actions to enhance firm performance in dynamic industries.

Strategic planning

The strategic planning approach conceives strategic decision-making processes as logically sequenced activities that allow management to analytically determine an appropriate strategic path for the whole organization. Strategy has been defined as the determination of long-term goals and objectives by the cor-

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