

An analytical study of the impact of strategic scenario planning on competitive financial performance

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Abstract In today's highly competitive business environment, strategic decision-making has become more critical than ever before. Firms are continuously exploring new strategies to gain a competitive edge and enhance their financial performance. The present article aims to investigate the impact of strategic scenario planning on financial and competitive performance. The research used a qualitative analysis method and applied it to a sample of professors at Iraqi universities. The research used correlation analysis, simple regression, and structural analysis. The research reached a set of conclusions, the most important of which is that strategic scenario planning is an important tool for improving competitive financial performance. This proactive approach involves anticipating and preparing for a variety of possible future scenarios, allowing organizations to make informed decisions and adjust their strategies accordingly.

Keywords: expected scope, scenario analysis, future expectations, scenario evaluation, scenario transfer, financial and competitive performance

1. Introduction

The strategic scenario is a very important tool in developing formal alternatives to improve organizational design in all organizations. Researchers have noted a proliferation of specialized professions and references that highlight the importance and interest in this specialty (Schrader, Taylor, and Dalton, 1984). However, not everyone relies on the effectiveness of the strategic scenario as a factor influencing implementation. Many cases are viewed as rigid, bureaucratic, racist, and irrelevant to the strategic decision-making process (Salazar, 2005), while others support strategic planning as an indispensable process for guiding someone. An organization stabilizes its structure to make decisions and help in obtaining a long-term vision (Swindell et al, 2010). The long-term vision is what supports the organization with clarity in making strategic decisions that can directly affect the achievement of the organization's goals. Armstrong (1982), for example, asserted that the strategic scenario planning process helps individuals remember and interpret data that can maintain a balance between the organization and the environment, leading to positive outcomes for the organization. Similarly, many business owners view strategic scenario planning as essential to achieving superior design over competitors and that it is the point of engagement for obtaining successful leadership and direction (Forehand and Cheshonov, 2003). Pantouvakis et al. (2017) support that companies, due to their size, need a level of moderation and strategic direction. Conversely, Sooma (2020), the main critic of this management tool, argued that all organizations face a certain degree of uncertainty in the surrounding environment because clear strategies are not sufficiently developed, which obscures the general vision of the function and acquires the spirit of the innovative entrepreneur. According to Steiner (2010), strategic planning only generates extraordinary benefits because it is an asset that can be easily imitated and replaced, which provides an opportunity. Strategic scenario planning represents a competitive product (Ramírez, & Wilkinson, 2016). The large number of studies related to the impact on strategic planning and implementation was not sufficient to generate tangible results that support the benefit of strategic scenario planning as an appropriate tool for presenting alternatives, making strategic decisions, and creating a positive impact on organizational design (Salazar, 2005). On the other hand, the debate was not limited to the impact of strategic tools on financial investment but, through this concept, to the elements that constitute and method of operation of strategic planning; however, the use of the various variables brought about by financial design has generated different results depending on what is being used. This controversy arose because of an error in the appropriate theoretical basis for analyzing companies and their financial performance (Abuzaid, 2018). Since the relationship between strategic planning and implementation has been inconclusive, it is necessary to review the empirical research that has been developed to clarify the inconsistencies in the findings reported in

the literature, as well as potential variables that could influence the relationship between strategic scenario planning and performance.

(Alizadeh & Soltanisehat, 2020) pointed out that scenario planning is a major effective tool in finding alternative futures and developing competitive strategies. It presented a set of advanced scenarios called the 2035 scenarios and selected the best ones to support competitiveness. In the same field, the study of (Veshneva & Chernyshova, 2021) confirmed a competitive scenario perspective, indicating that the development of the future scene is a complex scene and contains many threats and opportunities, which are competitive challenges that can be reached by adopting scenario planning. (Varum & Melo, 2010) indicate that the scenario supports competitive decisions and allows predicting the consequences of future scenarios based on evaluation processes and awareness of future analytical methods.

Accordingly, this research aims to identify the impact of strategic scenario planning on competitive financial performance.

2. Literature Review

2.1. Strategic Planning

One way to think of strategic planning is as a management system that helps people in charge of making decisions obtain, process, and analyze relevant internal and external information. This helps them determine what the company is doing now and how competitive it is. to plan for the future and decide what direction the institution should take (Leal et al., 2011). Strategic planning is mostly about making a map that shows how each of the organization's goals will be met in each area. It also provides a good picture of how the organization is doing right now and allows you to make choices based on real data and information. Many businesses do not realize how important it is to plan for their management strategies that will help them do well in the future. To keep up with the changing needs of the market, managers must constantly obtain feedback and learn new management techniques. On the other hand, organizations make good progress when people shift their mindset from being conservative to being more open to change. This is why "strategic planning is a mental process that the management team generally carries out year after year, to design and implement the strategic plan that will allow it to successfully face organizational change" (Fernández et al., 2019). Strategic planning is of great importance because it allows organizations to find effective solutions to the problems they face at all levels of management, which contributes to improving performance and achieving the organization's goals. (Miranda et al., 2021).

2.2. Strategic scenario planning

The word "scenario" is an Italian word derived from the word "scena", which means view or perspective. This term was widely used in Europe in the nineteenth century, and its use expanded throughout the world in the twentieth century. Many studies indicate that no term expresses successful planning better than a scenario, and thus, the use of this method expanded to include many sectors (Saadawi, 2016). The scenario is represented as a description of a possible, probable, or desirable future situation with an explanation of the features of the path or paths that could lead to this future situation, starting from the current situation or an assumed initial situation. In principle, all future studies end up with scenarios, that is, with future paths and alternative images. (Khorshid, 2010). This is the final product of all future research methods, and for this reason, some futurists consider the scenario the tool that gives future studies a kind of methodological unity, even though the methods that may be used in producing scenarios vary greatly (Ramírez, R., & Wilkinson). Strategic scenario planning can be built in any of the systematic ways, and it can also be built in other ways that it has not been exposed to, such as scenarios that rely entirely on science fiction, literary creativity, intuition, or foresight and that may be written exclusively by one person or a team of scientific researchers (Sam & Kalm, 2018). Scenarios are different visions of what the future could look like. Their data are based on an uncertain event that has a significant impact on a specific ambition or situation, but they are not speculations even if the actual future contains parts of it. or elements thereof, and some scenarios may seem more likely than others. Scenarios develop in different directions from now until the chosen point in time (Cooij et al., 2018). In general, a scenario is defined as a description of the desired goal in the future, in addition to a set of internally consistent and coherent assumptions about the main relationships and driving forces. The scenario can be illustrated through pictures and a model. Based on quantity, quality, assumptions, and analysis (Wilkinson, 2014). In general, scenarios describe alternative possibilities for the future and provide a presentation of the options available for human action, along with a statement of their expected results. Analysis of scenarios may include implicit or explicit recommendations about what should be done, but this depends on the approach taken by the scenario makers, that is, whether it is an exploratory approach or a targeted approach. From an administrative perspective, it is defined as a tool for organizing an individual's perceptions of alternative future environments in which decisions can be made. (Chermack & Walton: 2004). Additionally, scenarios are predictions that provide a dynamic view of the future and explore different paths of change that lead to an expansion of plausible alternative futures. (Gall et al., 2022), as shown in Figure 1.

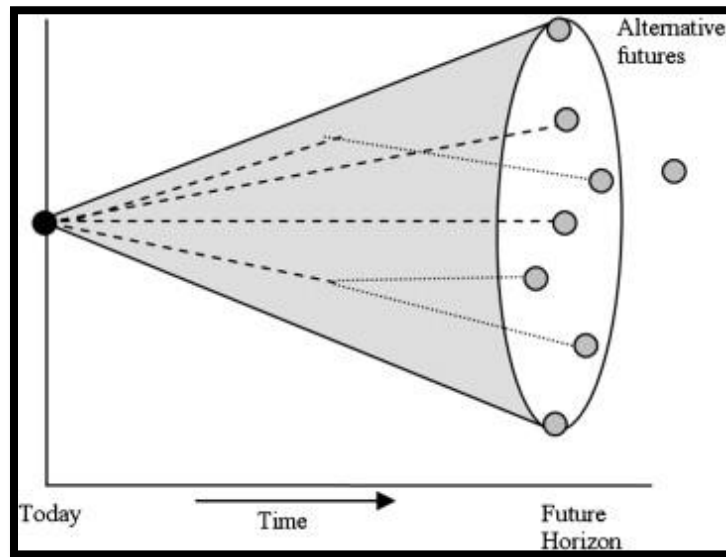


Figure 1 Scenario Funnel.
Source: Gall et al. (2022)

2.3. Strategic Scenario Planning Dimensions

Gossmeyer presented a scientific approach to the dimensions of strategic scenario planning, consisting of steps and agency dimensions as shown in Figure 2 (Sardesai et al., 2021):

- 1) Determine the expected scope, timeline and basic on-site analysis of the decision.
- 2) Conduct field scenario analysis to identify and describe key trends affecting the decision field.
- 3) Trends are collected to determine future expectations. These forecasts are combined into an interaction matrix to form a package of future expectations, resulting in an initial scenario (Kalaitzi et al., 2021).
- 4) Evaluate the consistency of scenarios by analyzing mutual influences to arrive at a final set of scenarios (Gausemeier & Plass, 2014).
- 5) Scenario transfer and aim to develop appropriate strategies for each scenario.

Since integrated impact assessment is a purely mathematical approach, qualitative methods enhance the methodology by examining the plausibility of each scenario. Therefore, experts are invited to evaluate the likelihood of each scenario occurring and its impact on the supply chain. Finally, there is a detailed story for each overall scene that explains the scene settings and communicates the differences in each scene to the decision-making unit. When considering the impact of each scenario, conclusions should be drawn about how to prepare for and even influence the different alternatives (Sardesai et al., 2021).

2.4. Financial and Competitive Performance

Financial performance is a critical area of concern for businesses across industries, as it directly impacts their ability to thrive in a competitive marketplace. Understanding the factors that affect financial performance is therefore essential for businesses seeking to remain successful and profitable. Financial performance determines how well a company generates revenues and manages its assets and liabilities and the financial interests of its stakeholders and shareholders. There are many ways to measure financial performance, but all measures must be taken together (Den et al., 2021). It includes profitability, revenue growth, innovation, debt, the stock market, risk, and reputation. (Nikkanen, 2010).

Analyzing these factors and comparing them with a company's competitors is important for understanding competitive financial performance and making appropriate strategic decisions. The goal should be to improve these factors to enhance competitive performance.

3. Methodology

The research used the questionnaire as a tool to collect data and test the model in Figure 3, which includes the independent variable (strategic scenario planning (expected scope, scenario analysis, future expectations, evaluation of scenarios, scenario transfer) and the dependent variable (financial and competitive performance) and to test the hypotheses, where the first hypothesis and its subhypotheses are concerned with correlation relationships, and the second hypothesis and its subhypotheses are concerned with influence relationships.

The study used the random sampling method on a sample of professors in Iraqi universities. The number of questionnaires distributed was 75. The retrieved questionnaires were 68, including two invalid questionnaires, and the final sample size was 66.

Gausemeier-Approach		Applied Approach	
Step 1: Scenario-Preparation	<ul style="list-style-type: none"> Project description Decision-Field-Analysis 		<ul style="list-style-type: none"> PESTLE Approach Timeline until 2030
Step 2: Scenario-Field-Analysis	<ul style="list-style-type: none"> Identification of <ul style="list-style-type: none"> influence areas influencing factors key factors 		<ul style="list-style-type: none"> Megatrend-Analysis & Trend-Analysis according to PESTLE Dimensions
Step 3: Scenario-Projection	<ul style="list-style-type: none"> Preparation of the key factors Identification of future projections 		<ul style="list-style-type: none"> Projections based on megatrends Impact of a projection on the Supply Chain Evaluation of influences
Step 4: Scenario-Building	<ul style="list-style-type: none"> Projection bundles Prescenario-building Future mapping Scenario description 		<ul style="list-style-type: none"> Clustering of projections with cross-impact matrix Scenario Narratives for Macro-Scenarios
Step 5: Scenario-Transfer	<ul style="list-style-type: none"> Consequences Opportunities / Threats Strength / Weaknesses Strategies 		<ul style="list-style-type: none"> Discussion of Implications Discussion of Strategies

Figure 2 Strategic Scenario Planning Dimensions.
 Source: Sardesai et al. (2021)

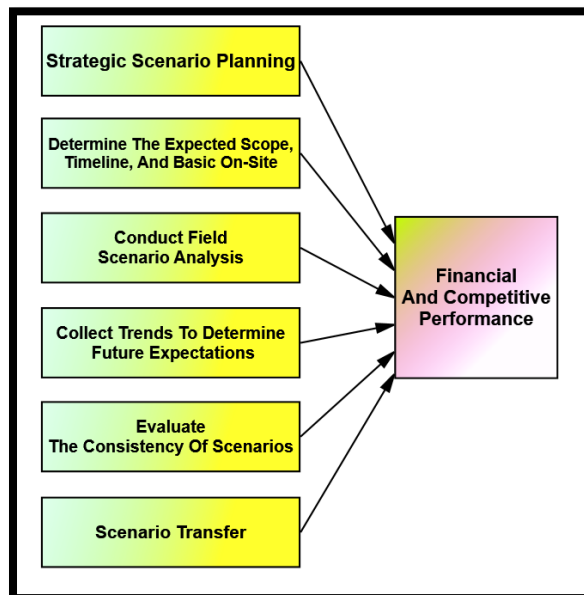


Figure 3 Research Model.

3.1. Normality

The research used the flatness and skewness tests to identify the normal distribution, and acceptance requires that the values be between (-1.96) and (+1.96). Table 1 indicates that the data followed a normal distribution, as the recorded values were between -1.96 and +1.96.

Table 1 Normality Test Results.

Variable	skew	kurtosis
Itemx_1	-0.737	-0.273
Itemx_2	-1.046	0.581
Itemx_3	-1.011	1.25
Itemx_4	-1.119	1.266
Itemx_5	-0.781	0.025
Itemx_6	-1.178	1.195
Itemx_7	-1.279	1.923
Itemx_8	-0.866	0.145
Itemx_9	-0.814	0.708
Itemx_10	-0.927	0.463
Itemx_11	-0.875	0.373
Itemx_12	-0.434	-0.215
Itemx_13	-0.261	-0.976
Itemx_14	-0.55	-0.311
Itemx_15	-0.513	-0.759
Itemx_16	-0.682	-0.702
Itemx_17	-0.768	0.647
Itemx_18	-0.755	0.229
Itemx_19	-0.525	-0.98
Itemx_20	-0.879	0.712
Itemx_21	-0.836	0.908
Itemx_22	-0.392	-0.981
Itemx_23	-0.806	0.324
Itemx_24	-0.508	-0.793
Itemx_25	-0.741	-0.532
Multivariate		88.243
Itemy_1	-0.972	1.397
Itemy_2	-1.079	1.367
Itemy_3	-1.147	1.001
Itemy_4	-1.093	1.159
Itemy_5	-1.252	1.881
Itemy_6	-1.276	1.727
Itemy_7	-1.91	4.354
Itemy_8	-0.816	0.537
Multivariate		50.621

4. Results

4.1. Correlation

Table 2 indicates that there is a significant correlation between SC1 and FCP, where the correlation coefficient is 0.991**. These results are significant, as the value of (Sig.) was less than the significance level of 0.05, which supports H1-1. The results also proved that there was a significant correlation between SC2 and FCP, where the correlation coefficient was 0.884**, which supports H1-2. The results prove that there is a significant correlation between SC3 and FCP, and the correlation coefficient is 0.797, which supports H1-3. Additionally, there is a positive correlation between SC4 and FCP, with a coefficient of 0.851, which supports H1-4. Finally, there is a positive correlation between SC5 and FCP, which supports H1-5. In general, there is a positive correlation between SC and FCP, which supports H1. All relationships were significant according to the (Sig.) value, which was less than 0.05.

4.2. Regression

Table 2 indicates that there was a significant effect of SC1 on FCP, where the constant alpha was 0.089, the regression coefficient beta was 0.989, and the interpretation factor was 98.1%. These results are significant because the value of (F) was lower than the table value, and these results are supported by a significance level value of less than 0.05, which supports H2-1. SC2 had a significant effect on FCP, where the alpha constant was 0.942, the beta regression coefficient was 0.895, and the interpretation factor was 78.2%. These results are significant because the value of (F) was lower than the table value, and these results are supported by a significance level less than 0.05, which supports H2-2. In addition, SC3 had a significant effect on FCP, where the alpha constant was 0.998, the beta regression coefficient was 0.826, and the interpretation factor was 63.6%. These results are significant as the value of (F) decreased. According to the tabular values, these results are supported by a significance level less than 0.05, which supports H2-3. SC4 had a significant effect on FCP, where the alpha constant was 0.805,

the beta regression coefficient was 0.806, and the interpretation factor was 72.5%. These results are significant because the value of (F) was lower than the table value, and these results are supported by a significance level less than 0.05, which supports H2-4. In addition, SC5 had a significant effect on FCP, where the alpha constant was 0.654, the beta regression coefficient was 0.806, and the interpretation factor was 72.5%. These results are significant as the value of (F) decreased. According to the tabular values, these results are supported by a significance level less than 0.05, which supports 2-5. In general, the results showed that there was a significant effect of SC on FCP, where the alpha constant was 0.091, the beta regression coefficient was 0.982, and the interpretation factor was 88.8%. These results are significant in terms of the value of (F). This value was lower than the table value, and these results are supported by a significance level value of less than 0.05, which supports H2. Figure 4 shows that at the general structural level, SC1 has a significant effect on FCP (0.587) and SC2 has a significant effect on FCP (0.874). SC3 also had an effect on FCP (0.319). For (SC4) in (FCP) (0.211) and (SC5) in (FCP) (0.314), there was an effect of (SC) in (FCP) (0.713).

Table 2 Correlation Matrix.

Var.	SC1	SC2	SC3	SC4	SC5	FCP
SC1	1	.866**	.783**	.818**	.860**	.991**
Sig.		.000	.000	.000	.000	.000
SC2	.866**	1	.733**	.821**	.869**	.884**
Sig.	.000		.000	.000	.000	.000
SC3	.783**	.733**	1	.860**	.915**	.797**
Sig.	.000	.000		.000	.000	.000
SC4	.818**	.821**	.860**	1	.938**	.851**
Sig.	.000	.000	.000		.000	.000
SC15	.860**	.869**	.915**	.938**	1	.892**
Sig.	.000	.000	.000	.000		.000
SC	.923**	.915**	.915**	.949**	.980**	.942**
Sig.	.000	.000	.000	.000	.000	.000

Table 3 Regression Analysis Results.

IV	B0	B1	R ²	Adj-R ²	F	Sig.
SC1	0.089	0.989	0.981	0.980	386.369	0.000
SC2	0.942	0.895	0.782	0.778	235.22	0.000
SC3	0.998	0.826	0.636	0.630	98.714	0.000
SC4	0.805	0.806	0.725	0.720	157.14	0.000
SC5	0.654	0.806	0.769	0.762	233.145	0.000
SC	0.091	0.982	0.888	0.556	370.15	0.000

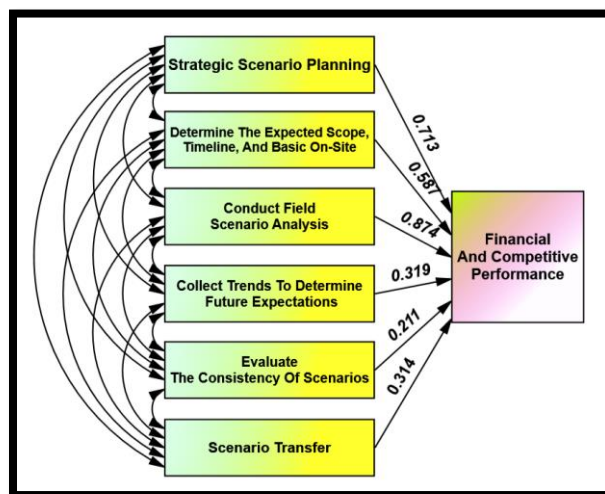


Figure 4 Effect at the Structural Level.

5. Discussion and Conclusion

The results proved that there is a positive impact of the strategic scenario on competitive financial performance. The results demonstrated that there is a positive impact on determining the expected scope, timeline, and basic on-site analysis of decisions related to competitive financial performance. The scenario contributes to supporting competitive capabilities in many industrial and service fields (Rudychev et al., 2023), as the scenario provides an in-depth analysis of competitive forces in the



market, which enables us to identify areas in which the project has unique competitive advantages. Accordingly, the scenario helps us develop specific strategies to excel in those areas and maintain our competitive edge. This is reflected in the capabilities in making strategic decisions, which reflects positively on achieving strategic goals (Varum & Melo, 2010). The scenario contributes to supporting competitiveness by giving a clear picture of the future. This scenario planning enhances the project's ability to be flexible and adapt to changes, giving it Long-term competitive advantage. (Cordova & Rouette, 2023).

To make informed decisions regarding financial and competitive performance, businesses must conduct impact assessments and scenario analyses. There are positive impacts of determining the expected scope, timeline, and basic on-site analysis of the decision on competitive financial performance. Furthermore, creating field scenarios has positive effects on financial performance and competitiveness. This analysis is very useful for identifying and explaining the main trends that affect financial performance and competitiveness. Through scenario analysis, companies can analyze the business impact of potential events and strategic decisions, including decisions about choosing a facility. Such an analysis can identify the potential financial consequences of decisions.

In addition, there are positive impacts of driving range scenarios on financial performance and competitiveness. To determine future expectations for competitive financial performance, it is important to collect trends and forecast their impact. These forecasts are then combined into an interaction matrix, which forms a set of future forecasts. There are positive impacts when evaluating and examining the suitability of scenarios for competitive financial performance. To arrive at a final set of scenarios on financial performance and competitiveness, it is important to evaluate the suitability of the scenarios by analyzing their mutual influences. Moreover, scenario transfer has positive effects on competitive financial performance. Scenario transfer can lead to better financial performance by implementing successful strategies or best practices from one scenario to another.

Ethical considerations

The authors declare that the interviewees consented to the research being carried out.

Conflict of Interest

The authors declare no conflicts of interest.

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