

The Strategic Planning Formulation in Public Organization

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Abstract— The competition of investment destination among the free trade zones has encouraged the agencies and managers to be more creative and innovative in providing attraction for foreign investment to come into the region. The main objectives of a free trade zones were boosting foreign investment, creating jobs, transferring technology, and increasing foreign exchange flows. It might become an indicators for the success of the FTZ if the management can booster its function as an agent of change for the domestic economic growth. In order to achieve the target, it need a strategic planning mechanism from the manager to anticipate all changes that occur in the external environment and evaluate the implementation of activities and programs that have been prepared with other stakeholders. This study identifies several variables that support the strategic planning process and formulates it into a model that can help organizations managing FTZ to achieve effectiveness and organizational performance. These variables are goal setting, stakeholder involvement, resources and budget allocation, external environment, and performance measurement. By using the content analysis method of published scientific articles, this study has successfully formulated a strategic planning process model that can help organizations achieving their ultimate goals.

Keywords—free trade zone, strategic planning, organization performance

I. INTRODUCTION

The rapidly changing of global economic environment should be addressed by managers of free trade zone and special economic zones and local governments by making clearer strategic planning in the context of achieving improved regional performance and increasing regional competitiveness.

There is a logical thought that the free trade zones is likely to succeed and develop if the zones located or close to international trade routes and also provides seaports, airports and railroads that are connected to global shipping lines.

According to [1], currently 3,500 FTZ locations are operating in 135 countries (mostly in developing countries), employing more than 66 million workers, mostly in the manufacturing sector. The largest FTZ are in China, Singapore and the United Arab Emirates. For example, the Shanghai FTZ was inaugurated in 2013 and has an area of 11 square kilo meter and contains 4,600 companies including 280 foreign companies.

The concept of free trade zone began to play an important role in international trade since the early

1970s, where many countries have adopted the concept as a policy instrument in promoting foreign investment, expanding exports, spurring technology transfer, opening jobs, and facilitating economic liberalization in the country. Study from [2] and [3] concluded that FTZ is an instrument for developing countries to expand and modernize the economy through additional capital formation and foreign investment, technology transfer, job creation and economic growth.

Referring to these reasons, prior study by [4] found many developing countries that adopted the FTZ concept have not been able to achieve growth as expected, as the success of this concept when applied in Singapore, Hong Kong, Mauritius, Panama, Taiwan, Korea, Malaysia, and the Philippines. The FTZ is not always produce the economic impact as expected, in fact many countries fail to obtain benefits due to several factors such as the lack of strategic location, inadequate infrastructure, ineffective management and wrong policy strategies.

A study conducted by [5] concluded that the FTZ scheme is not the only instrument to increase export and economic growth. There are several other instruments that can be developed by a country in spurring growth in the context of economic liberalization including preparing a good management system and implementing policies and regulations that are right for business actors in the region.

In achieve economic growth and foster contribution of FTZ to the country, the management should preparing performance planning and measurement to deal with more complex governance and improve services to the public [6].

Study by [7] and [8] emphasized the need for a strategy to optimize the region's competitive advantage as an investment destination to achieve regional performance along with the objectives of FTZ. As FTZ can be more effective in dealing with rapidly changing environmental dynamics, the strategies must be flexible and able to adapt [9], and require integrated approaches to ensure organizations can learn effectively and be able to respond to internal and external changes.

Implementing a clear and directed strategy is a systematic approach to change management, by positioning the organization through strategic planning [10][11], responding to the management of emerging problems, and implementing the strategy [9] to help

increase competitive advantage over competitors and achieve superior performance [12].

According to [13], the failure of the management of special economic zones is mainly due to the initial planning factors, ineffective regulations, and institutional frameworks that have not been able to keep abreast of regional developments.

For more than 50 years, according to [14], strategic planning has been a standard feature in management thinking and practice in the business world and more than 25 years has been the standard practice for a large number of public and non-profit organizations. The main benefit of strategic planning is to increase strategic thinking, action, and learning [15].

Strategic planning makes the organization more proactive than reactive in preparing future plans, helping companies formulate better strategies by adopting a systematic, logical and rational approach to making strategic choices.

Strategic planning helps leaders from public and non-profit organizations to think and act strategically [14], [16]. The purpose of strategic planning is to maintain a balance between the organization and its business environment in the long run [17].

The purpose of this study is to develop a strategic planning model in the FTZ management agency by formulating the implementation steps in the strategic planning process. This model was developed through a literature review and then used content analysis to analyze several planning models identified from the literatures. In order to develop the model, this study analyzes the behavior of the free trade zone management bodies in implementing their strategic planning by looking at the best practices used in the planning model.

II. LITERATURE REVIEW

Free Trade Zones

The definition of free zones can be found in the Kyoto Convention - World Custom Organization which explains free zones as part of an agreed state area where goods introduced are generally considered to be outside the Customs territory. Therefore, according to the explanation, each type of special economic zone can basically be called a Free Zone [13][18].

Furthermore, [19]–[21] put together the term economic zones covering several related concepts, including free trade zones, free ports, foreign trade zones, export processing zones, special economic zones, free export zones, trade and economic cooperation zones, economic processing zones (economic processing zones), and free zones.

According to [18], FTZ is also often referred to SEZ, which is defined as a tax-free area where goods are stored, processed, assembled / processed, and distributed as finished goods for re-export as tax-free finished goods.

Despite the many variations in names and forms, they can be broadly defined as 'geographical areas that are restricted within the national boundaries of a country where business rules differ from those that apply

nationally. These different rules mainly relate to investment conditions, international trade and customs, taxation, and a regulated business environment in which the zone is a business environment intended to be more liberal from a policy perspective and more effective from an administrative perspective than other national regions.

In general terms, according to [18], FTZ is managed through a legal regulation from the government in which the area is located. Most free trade zones are located with several advantages such as proximity to transportation facilities, infrastructure and water sources.

Strategic Planning

Strategy, according to [22] is the direct and scope of the organization's work in the long run through the configuration of its resources in changing external environments to meet market needs and stakeholder expectations. Strategy can be a tool that offers significant assistance in dealing with environmental turbulence.

Strategies also help provide long-term direction for organizations, in the form of perspectives for several activities over time that can help organizations achieve performance and at the same time be able to review the long-term implications for organizational success [23]. It similar with [12], the rules of strategy by emphasizing the purpose of strategy is to help competitive advantage over competitors.

Study of [24] define strategic planning as a systematic process so that organizations build commitment to stakeholders, to prioritize essential missions and responses to the environment. Strategic planning provides a reference to the allocation and acquisition of resources to achieve organizational priorities.

According to [25], strategic planning as an explicit process for determining the company's long-term goals, procedures for improving and evaluating alternative strategies, and systems for monitoring the results of the plans being implemented. Strategic planning provides an effort to strengthen companies related to how to deal with competitors in an effective and efficient manner [26].

Strategic planning involves the allocation of resources, priorities, and actions needed to achieve strategic objectives [27]. According to [28], strategic planning is focused and serious on the final outcome, a method used to position an organization through prioritizing resource use through goal identification, in an effort to carry out direction and development within a certain time period.

He felt that every management decision taken on a strategic plan, then the middle-lower level management would implement strategic planning through operational plans.

Strategic planning is often conceived as a system whereby managers go about making, implementing, and controlling important decisions across functions and levels in the firm. For example, any strategic planning

system must address four fundamental questions: (1) Where are we going? (mission); (2) How do we get there? (strategies); (3) What is our blueprint for action? (budgets); and (4) How do we know if we are on track? (control).

This concept approach helps organizations to understand the objectives of strategic planning by preparing appropriate strategies to achieve future targets.

III. METHODOLOGY

The study uses a Content Analysis methodology designed to develop a strategic planning model for the FTZ management agency. Content analysis is defined as an analysis of the contents of the entire communication material and evaluating key symbols and themes by ensuring the main theme's intentions and possible effects. This method empirically can be accepted, predicted and explored. Through methodology, content analysis allows researchers to plan, execute, communicate, and evaluate their analysis [29].

In this study, this analysis was conducted by analyzing published scientific articles about the strategic planning process in companies, government and non-profit organizations. Articles are selected based on relevance to the topic studied from the period of publication. Articles are read for understanding and analyzed using descriptive analysis, then cycle coding, namely classification, integration, and conceptual with the aim of segregating, grouping, and linking again to consolidate intentions and explanations [30].

IV. RESULT AND DISCUSSION

This section will analyze published scientific articles which serve as models in the strategic planning process through the Content Analysis method. The results of the article analysis are divided into two levels of the coding process used as a strategic planning model and developed from a literature review to be proposed as a model in this article.

First Level - Data Coding

At first level, strategic planning model developed from literature review were used to analyze the model developed from tested articles. The elements that appear are listed to compared with the elements in the proposed model, as attached in Table 1.

TABLE 1. THE ELEMENT CONTENT ANALYSIS OF STRATEGIC PLANNING

Author s	Goal Settinn g	Stake Invol v	Budge t & Resc. Alloc.	Externa l Enviro	Perfor m Measur.
[31]	√			√	
[32]			√		
[33]		√			
[34]		√			
[35]	√				
[36]					√
[37]			√		
[38]		√	√		

[39]	√		√	√	
[40]			√		√

Second Level - Data Coding

The coding process at the second level involves in-depth analysis of elements of the strategic planning model developed from the literature analyzed in this article. This analysis is based on the categories developed in the table 1.

1. Goal setting

Study from [31] [15], [41], [42] emphasized the importance of preparing a strategic plan with clear and measurable goals and results. Also [35] found the importance of strategic planning prepared after sector-by-sector analysis and public testing. As [39] conclude that the main objective of the strategic planning process is to achieve greater government focus in developing specific targets and expected outcomes. Meanwhile according to [43], strategic planning cooperation and participation of organizational members contribute to achieving successful performance.

However, [44] asserts managers and executives not to trapped in a linear goal-driven framework when develop strategic planning. This condition can make the goals, budget, and list of organizational activities no longer as a strategic planning [42].

2. Stakeholder involvement

The research of [45] and [15] concludes a significant relationship between stakeholder involvement in the formulation of strategic planning so that it contributes to achieving better organizational performance.

The participation of stakeholders in organizational decision making provides many benefits for the organization, especially when major changes are implemented in the organization [46]. Public sector research shows that ranging from employees to low-level employees and management level, in decision making it helps to take consensus in difficult conditions [46], building interpersonal trust in organizations [47], and increasing employee job satisfaction [48].

Research of [33] found the effectiveness of strategic planning will occur if through the participation of all elements in the organization. Whereas [34] said stakeholder involvement in strategic planning was seen as important by the manager of Metro Ekurhuleni City. Likewise [38] found stakeholder involvement encourages managers to ensure that strategic and operational directions are well delivered.

3. Budget and Resource Allocation

Financial support, especially finance, has an important role in the strategic planning process and its implementation [37]. Study of [32] also emphasizes that planning plays an important role in determining the financial resource allocation process proposed by each unit in the organization. In addition, performance data are also closely related to strategic targets and objectives playing an important role in determining the allocation of organizational financial resources.

An indication of the importance of resource allocation, especially finance, to achieve organizational goals [38]. Study of [37] asserts that planning is closely linked to fiscal resources and annual regional budgets and results in efficient financial planning [39]. Strategic planning has a strong influence on the budget allocation proposed by the unit / department, and regional leaders consider strategic objectives when reviewing the annual budget [15].

4. External Environment

The external environment variables including the political conditions of external stakeholders who interact with and influenced on organizations [31]. Other researchers such as [49], [50], [51] support Hendric's conclusions and the importance of understanding environmental variables that can influence strategic planning.

External environmental variables broadly consist of technological, political, legal, economic, demographic, ecological, and cultural conditions [51]. Budgeting mechanisms, competing for priorities, public opinion, the electoral cycle, and the political system are additional external factors that can affect the organization's size, scope of work, objectives, and planning.

Relevant with the conclusion of [14] and [52] reminded leaders of public organizations not to underestimate external environmental variables because if it not anticipated, it can change the organization and strategic plans.

5. Performance Measurement

Some literature recommends strategic planning including quantitative and qualitative matrices to measure the performance of work programs in progress towards achieving goals and results. With the help of the performance matrix, decision makers can test the organization's activities and objectives.

Study of [31] found a quantitative performance matrix that could measure resource allocation, program achievements, budget expenditures, and organizational financial reserves. He considered the qualitative and quantitative performance metrics as a reflection of the work of the organization. Performance appraisal can be carried out to evaluate programs and find out the extent of achieving targets and the importance of strategic planning to assess performance [32] [6][36].

As in [53] defined success in managing and monitoring performance in public organizations is closely related to the success or failure of other management processes. The author finds the integration of strategic plans and performance with the objectives to be achieved and accurately measures the progress of the implementation of the plan.

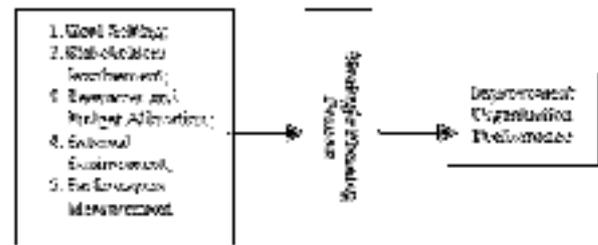


FIGURE 1. FORMULATION MODEL OF STRATEGIC PLANNING

Source: Developed by author

V. CONCLUSION AND LIMITATION

The purpose of this study is to develop a strategic planning model for the Free Trade Zone Management Agency in Indonesia. This study uses a content analysis method by identifying scientific articles that are relevant to the model and strategic planning process in the context of public and government organizations.

Literature reviews confirmed that management of the FTZ Agency should consider to conduct strategic planning process through several action occur in this study. These action are goal setting, stakeholders involvement, budget and resources allocation, external environment, and performance measurement.

The competition and changing environment among the zones encourage the organization to simultaneously improving the strategic goals to achieving better performance.

This study proposed the strategic planning formulation model to improve organizational effectiveness that can be implemented in the Free Trade Zone Management Agency in Indonesia.

Surveys and interviews with the leaders of the Free Trade Zone Management Agency in Batam, Bintan, Karimun, and Sabang, will provide an overview of the current situation and strategic planning practice within the organization. Future research can proposed to test the implementation of strategic planning by comparing current conditions.

The model proposed in this study at the implementation and practical level will require a lot of resources. This means that organizations must devote resources to do planning process. The organization should consider the mechanism to periodically assess its strategic plan before start to work, making decision, and allocate available resources.

Finally, as conclude by [54], research must explore a number of theoretical and empirical issues in order to advance the knowledge and practice of public strategic planning. In particular, contingent models for public strategic planning must be developed and tested.

These models should specify key situational factors governing use; provide specific advice on how to formulate and implement strategies in different situations; be explicitly political; indicate how to deal with plural, ambiguous, or conflicting goals or

objectives; link content and process; indicate how collaboration as well as competition is to be handled; and specify roles for the strategic planner.

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