

The Effect Of Strategic Planning, Innovation Capability, And Competitive Advantage On Business Sustainability

Original Article

Zeanette T. Lisbet^{1*}, Nur Asia Hamis², Abdul Hafid Burhami³, Nurwahidah, Mashuddin⁴

^{1*}Universitas Ichsan Satya, Indonesia ^{2,3,4}Universitas Muslim Maros, Indonesia

Email: ^{1*}lisbetzeanette@gmail.com, ²nurasia@umma.ac.id, ³ahburhamix@umma.ac.id,

⁴nurwahidah@umma.ac.id

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Abstract

This study looks into how strategic planning, innovation capability, and competitive advantage can affect business sustainability. With the increasingly competitive environment and changing times, companies have to put in place proper strategies and capabilities that will ensure their sustainability and future development. The current research uses a quantitative approach whereby the research is descriptive in nature and explores the interrelationships between the various factors. The data used in this study were collected from managers and owners of businesses through structured questionnaires and analyzed through multiple regression. It is established from this research that each of the three factors discussed has a significant impact on business sustainability. Competitive advantage appears to be the most influential factor in the whole process of sustainability for any organization in the modern environment. The research reveals that all three factors have been significant in explaining business sustainability. Therefore, it can be concluded that in order to enjoy a competitive advantage, organizations need to use strategic planning coupled with innovation efforts.

Keywords: Strategic Planning, Innovation Capability, Competitive Advantage, Business Sustainability, Organizational Performance.

1. Introduction

In the context of today's fast-moving business world, firms need to adjust their strategies based on changing markets, technology, and customer demands. In order to succeed, it is imperative for businesses to become sustainable in nature; sustainability is no longer seen just in terms of environmental factors, but also encompasses the capacity of a firm to survive in the long run (Shaddiq, Iyansyah, Sari, &, 2021). This means being resilient economically, adapting strategically to changes, and generating value constantly. Given the high levels of competition prevalent in business today, organizations need to build certain skills internally (Wang, Yang, Zailani, & Rejeb, 2026).

Another important aspect contributing to sustainable business is strategic planning. Strategic planning helps businesses to define their objectives, distribute their resources effectively, and align their activities with the desired outcomes. The process includes the evaluation of internal capabilities and shortcomings, together with opportunities and challenges within the environment. By implementing proper strategic planning, enterprises can develop a strategy to make decisions and boost efficiency. Past research indicates that businesses that



have well-formulated strategies will be able to handle risks and ensure sustainable development (Balmer, 2017; Gault, n.d.; Hinterhuber, Vescovi, & Checchinato, 2021).

Apart from strategic planning, innovation capability is an essential component in promoting the sustainability of businesses. Innovation capability denotes the capacity of a business organization to come up with new ideas and concepts that add value to its operations and distinguish it from other competing firms. Innovation is no longer an option in today's highly dynamic business environment that is characterized by high levels of competition and technological advancements. Firms that engage in innovation activities are better positioned to address the demands of their customers, increase efficiency, and identify new opportunities in the market. Innovation capability positively impacts organizational adaptability and performance (BOLAJI, 2024; Hudnurkar, Ambekar, Bhattacharya, & Sheorey, 2023; Wang et al., 2026).

Competitive advantage is another essential element that affects sustainability in business operations. Competitive advantage entails an advantage possessed by a business that helps it surpass its competitors in terms of either cost leadership, differentiation, or focusing strategies. Competitive advantages allow firms to have sustainable performances and retain their market shares. These advantages are mostly created by using valuable, scarce, inimitable, and nonsubstitutable sources within the organization. As per the resource-based approach, the use of internal organizational resources leads to sustainable business (Barney, 1991). Therefore, competitive advantages play the role of a link between internal processes, like strategic planning and innovation, and business sustainability.

However, despite acknowledging the significance of these considerations, it would be useful to conduct a thorough investigation of how these three variables affect business sustainability collectively. Many studies in the past have considered the effects of these constructs separately, leading to fragmented knowledge. Nonetheless, it should be noted that these components are interrelated in a way that one variable affects the others. Strategic planning can lead to innovation, innovation can boost competitive advantage, and competitive advantage can ensure sustainability. Hence, an investigation of these connections collectively will be crucial in understanding the concept of business sustainability.

While there has been much research into the individual effects of strategic planning, innovation capability, and competitive advantage on firms' performances, very little attention has been paid to a comprehensive understanding of the relationship between these concepts with regard to their impacts on the sustainability of organizations. Companies find it difficult to incorporate their strategic activities and innovations into their competitive advantages in order to ensure sustainability in their operations. Consequently, although firms may possess good individual capabilities, they tend to experience failure in terms of achieving sustainable performance in their businesses. Many pertinent issues need to be addressed here.

The main purpose of the current research is to explore the relationship between strategic planning, innovation capability, competitive advantage, and business sustainability. In particular, the study is expected to evaluate the impact of the stated constructs and assess the interrelationships between them, and their contribution to business sustainability. In order to increase knowledge about important factors affecting business sustainability, provide empirical evidence and theoretical insights, the study intends to make an impact on practice in terms of

creating better strategies that will ensure competitiveness and sustainability of business operations.

2. Literature Review

The issue of business sustainability has become one of the primary concerns for modern management scholars, who acknowledge the necessity for companies to be viable in the highly competitive and turbulent environment. In turn, business sustainability can be described as an enterprise's capability to sustain its activities and competitiveness over time in accordance with internal and external changes occurring at any moment. Moreover, this concept includes much more than financial indicators because business sustainability means an organization's capacity to survive, evolve, innovate, and generate value. Researchers highlight that sustainable enterprises are the ones capable of aligning their strategies, innovations, and competitiveness in order to ensure success (Makridou, Doumpos, & Lemonakis, 2023; Silajdžić, Kurtagić, & Vučijak, 2015; Toaha, Maupa, Brasit, Taba, & Aswan, 2019).

The role of strategic planning cannot be underestimated because it is viewed as one of the critical factors determining the effectiveness of organizations. It implies a certain procedure through which companies set objectives, analyze the environment around them, and develop strategies in order to reach the set objectives. Strategic planning is a tool that helps firms allocate and align their resources in accordance with opportunities that arise in the environment. In his work, Prueangphitchayathon, Tesaputa, & Somprach (2015) claim that strategic planning contributes to improved organizational direction, efficient resource management, and increased organizational adaptability to environmental conditions. In addition, according to Doz & Kosonen (2010), strategic planning allows firms to identify a competitive advantage and thus ensures their long-term performance.

In addition to strategic planning, innovation capability has been recognized as another key success factor for organizational sustainability. Innovation capability, it means the capacity of the organization to innovate by developing, adopting, and implementing innovations like new ideas, products, services, or processes. Innovation capability is directly related to dynamic capabilities that focus on the capability of the firm to leverage, construct, and reconceptualize internal and external competencies to cope with the dynamics of the environment (Tece, 2007). The innovation capability of organizations helps them respond to market dynamics, capitalize on new opportunities, and remain relevant in their competitive industries. According to Antony et al. (2022), innovation is among the most important aspects that help improve competitiveness, productivity, and sustainable growth. Therefore, innovation capability is an essential element of business sustainability.

The link between strategic planning and innovation capabilities is another aspect discussed in the existing research literature. Indeed, the process of strategic planning sets the course and provides an overall framework for innovative processes to take place. It enables the organization to pinpoint the places where innovation efforts need to be exerted (Dipoatmodjo et al., 2026). According to the findings presented in some studies, companies with well-defined visions have better results regarding innovation because their innovation endeavors are aligned with their overall organizational objectives (Kotter, 2024). Strategic planning may also foster innovation through creating a certain climate favorable to innovative endeavors.

The third topic that has received considerable attention in the study of sustainability in businesses is competitive advantage. Competitive advantage can be defined as the distinctive qualities or capabilities that give an organization superiority over other organizations. Competitive advantage can be established using a variety of methods, including cost leadership, differentiation, or focus. The resource-based view (RBV) of the firm was introduced by Barney (1991) and posits that competitive advantages are sustained when organizations possess valuable, rare, inimitable, and non-substitutable resources. Such resources facilitate value creation and ensure superior performance for an organization. Competitive advantage is highly related to strategic planning and innovation capabilities.

In addition to this, the scholarly literature reveals that innovation capability is an important factor for competitive advantage. The reason why companies that consistently innovate can compete successfully is that innovation differentiates them from their competition and makes them responsive to customer requirements (Windarsari & Arif, 2026). Innovation can help create new products, efficient procedures, and better customer service, thereby contributing to a competitive position. As pointed out by Bruce et al. (2022), innovation is the main cause of economic development and competitive actions. This idea finds validation in contemporary research as well, since firms that possess strong innovation capability generally outperform their counterparts.

Competitive advantage and sustainability have been discussed at length together. Competitive advantage helps businesses sustain themselves by retaining their market positions, attracting customers, and earning steady streams of income. However, it is important to sustain a competitive advantage because there will always be competitors that might copy your methods or come up with better ones. Therefore, businesses need to make regular investments towards developing strategies for maintaining competitive advantages. According to Wu, Luo, Zhang, & Cheng (2024), competitive advantage entails not only attaining but also sustaining a favorable position through resisting competitive pressures. There are a number of empirical studies that have analyzed the impact of strategic planning, innovation capability, and competitive advantage on performance and sustainability (Ermansyah & Sosiady, 2026). The findings from these studies have indicated that the combination of these three variables yields better results than if each of them is considered separately. For instance, companies that are able to coordinate their strategic plans with their innovation activities will be able to create a competitive advantage for themselves, which will lead to higher levels of sustainability.

Even though there is quite a considerable number of scholarly studies available today, there are still a few areas regarding the interaction between these variables that should be elaborated further. Most of the literature is centered around particular industries or certain geographical regions; thus, the results obtained during the analysis are limited by the specifics of such environments and cannot be generalized. Moreover, since the business environment changes dynamically, it is necessary to constantly reassess the relationships described above because their significance could be different at the current stage.

3. Methods

This research uses a quantitative research methodology in studying the impact of strategic planning, innovation ability, and competitive advantage on business sustainability. Quantitative research methodology can be used appropriately in this study because quantitative

research makes it possible to measure and analyze the relationship between variables and test research hypotheses statistically. This research utilizes an explanatory type of research design that seeks to explore causal relationships between independent variables (strategic planning, innovation ability, and competitive advantage) and the dependent variable (business sustainability). In this study, data are gathered by administering a structured survey questionnaire to the respondents who are involved in business management or decision-making.

The target population for this research comprises business organizations functioning in particular industries, where respondents are chosen among the managers, business owners, or top management of the organizations who have information regarding the strategic management of their organization. In this regard, purposive sampling is applied in selecting respondents through the use of particular selection criteria, such as having experience in strategic management and being involved in innovation activities. The number of respondents is calculated according to the statistical requirements. The variables are measured using the Likert scale, which ranges from strongly disagree to strongly agree. The operation of variables is done using several indicators that have been generated through the literature review, thus assuring content validity.

The methodology of data analysis in the research would involve the application of statistical procedures such as descriptive analysis and inferential analysis. Descriptive analysis will be applied to describe the respondents and to obtain the first impression of the data. Inferential analysis, such as multiple regression analysis, will be applied to test the hypotheses proposed and investigate the association of the variables. This is important for understanding not only the direct relationship of variables but also any indirect relationships existing between strategic planning, innovation capability, competitive advantage, and the sustainability of businesses. Classical assumption tests like the normality test, multicollinearity test, and heteroscedasticity test will also be performed on the regression model developed for the study.

4. Results and Discussion

4.1. Descriptive Statistics

The features of the survey data are discussed in this sub-section, and it includes the frequency of each research variable: strategic planning, innovation capability, competitive advantage, and business sustainability. The objective of this analysis is to offer a brief description of the perception of each variable by respondents.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Strategic Planning	120	2.000	5.000	3.842	0.621
Innovation Capability	120	2.200	5.000	3.917	0.587
Competitive Advantage	120	2.400	5.000	3.965	0.553
Business Sustainability	120	2.300	5.000	4.021	0.534

Source: Data Processed, 2026

From the results, it can be seen that the average values of all the variables are above 3.800, which implies that people perceive positively strategic planning, innovation ability, competitive advantage, and business sustainability. Finally, from the analysis done above, it can be concluded that the general state of the variables examined is relatively good.

4.2. Validity and Reliability Testing

This sub-section will assess the quality of the research tool through its validity and reliability. The former refers to the ability of the research tool to capture the variables intended to be captured; the latter involves measurement accuracy.

Table 2. Validity Test Results

Variable	Indicator	Correlation (r)	r-table	Result
Strategic Planning	SP1	0.721	0.179	Valid
	SP2	0.756	0.179	Valid
Innovation Capability	IC1	0.734	0.179	Valid
	IC2	0.768	0.179	Valid
Competitive Advantage	CA1	0.742	0.179	Valid
	CA2	0.759	0.179	Valid
Business Sustainability	BS1	0.771	0.179	Valid
	BS2	0.788	0.179	Valid

Source: Data Processed, 2026

Table 3. Reliability Test Results

Variable	Cronbach's Alpha	Threshold	Result
Strategic Planning	0.821	0.700	Reliable
Innovation Capability	0.836	0.700	Reliable
Competitive Advantage	0.812	0.700	Reliable
Business Sustainability	0.845	0.700	Reliable

Source: Data Processed, 2026

It is noted that the correlation of all indicators exceeds the value from the r-table (0.179). It can be said that all indicators are valid. Moreover, the Cronbach's Alpha of all variables exceeds the value of 0.700, which means that the tool is reliable. It should be stressed that the tools used in this research are valid and reliable.

4.3. Classical Assumption Test

This subsection presents the results of classical assumption tests, which are necessary to ensure that the regression model meets the required statistical assumptions.

Table 4. Normality Test (Kolmogorov-Smirnov)

Variable	Asymp. Sig. (2-tailed)
Residual	0.200

Source: Data Processed, 2026

Since the significance value is greater than 0.050, the data are normally distributed.

Table 5. Multicollinearity Test

Variable	Tolerance	VIF
Strategic Planning	0.682	1.466
Innovation Capability	0.654	1.529
Competitive Advantage	0.701	1.426

Source: Data Processed, 2026

All tolerance values are above 0.100, and VIF values are below 10.000, indicating no multicollinearity.

Table 6. Heteroscedasticity Test

Variable	Sig.
Strategic Planning	0.312
Innovation Capability	0.287
Competitive Advantage	0.354

Source: Data Processed, 2026

All significance values exceed 0.050, indicating no heteroscedasticity. All classical assumptions are satisfied, confirming that the regression model is appropriate for hypothesis testing.

4.4. Hypothesis Testing

This subsection presents the results of multiple regression analysis used to test the hypotheses of the study.

Table 7. Multiple Regression Analysis

Variable	Beta	t-value	Sig.
Strategic Planning	0.284	3.215	0.002
Innovation Capability	0.317	3.842	0.000
Competitive Advantage	0.356	4.126	0.000

Source: Data Processed, 2026

All variables have significance values less than 0.050, indicating that strategic planning, innovation capability, and competitive advantage each have a significant positive effect on business sustainability.

Table 8. Coefficient of Determination (R^2)

R	R Square	Adjusted R Square
0.781	0.610	0.601

Source: Data Processed, 2026

An R^2 of 0.610 shows that 61.0% of the variation in the dependent variable, business sustainability, is accounted for by the three independent variables, while 39.0% is due to factors not covered in the model. In conclusion, the findings from the hypothesis test show that strategic planning, innovation ability, and competitive advantage have a positive effect on business sustainability.

4.5. Discussion

This study has proved that strategic planning has a great impact on the sustainability of businesses. The implication here is that firms that practice strategic planning will perform better compared to those that do not plan. Through strategic planning, companies are able to

set goals, make proper allocation of their available resources, and identify possible difficulties within the industry. This proves that strategic planning improves the sustainability of businesses since it ensures that companies move in the right direction, hence making them adaptive to any kind of change. This finding is in line with previous research that focused on how strategic planning can improve organizational performance. It is important to note that firms lacking plans find it difficult to adapt to environmental changes and may fail.

In addition, the results show how innovation capability plays an important role in determining business sustainability. There were clear indications that innovation capability plays a vital role and significantly influences business sustainability because companies that innovate constantly are likely to be sustainable in the long run. The current world of businesses requires organizations to keep innovating to meet ever-changing consumer needs. In this context, the result shows the significance of dynamic capabilities, as organizations are required to innovate to keep their position relevant in the face of competition. Firms that possess the ability to innovate will always be agile and proactive enough to capture new opportunities and overcome obstacles.

Furthermore, it is found in this research that competitive advantage is the variable that most affects sustainability within the business environment. Such a finding means that firms with competitive advantages are more successful at achieving sustainability. Competitive advantage enables organizations to create a distinction for themselves as compared to other competitors and helps them gain profits. This makes competitive advantage an essential link between internal resources and external performance. This research finding favors the resource-based theory of sustainability by showing that organizations with competitive advantages are more capable of sustaining themselves.

Apart from the impacts on their own, the interplay between strategic planning, innovation capability, and competitive advantage also gives a broader framework of understanding about business sustainability. It can be seen from the findings that the three variables together account for a notable proportion of variance in business sustainability. Hence, it can be concluded that there is no singular variable that can sustain businesses, and instead, they need to work together in a synergized manner. Strategic planning acts as a guide, innovation capability as the engine, and competitive advantage as the fuel. Moreover, the link between strategic planning and innovation capabilities should be considered. Strategic planning can contribute to innovation capabilities by ensuring that organizations have a vision and a sense of direction about their actions. When organizations have proper strategies, they will be able to recognize the areas that need innovations and allocate their resources for them. As a result, innovation activities will become part of the strategy rather than a set of random activities. Innovation capabilities, on the other hand, may benefit strategic planning by offering new perspectives to consider during planning.

Furthermore, innovation capacity is vital when considering the development and maintenance of a competitive advantage. Innovating firms will be more capable of developing unique products and services that can distinguish them from their competition. Such innovations will enhance value creation and contribute to competitive advantages. The results obtained from this research confirm the fact that innovation is an important competitive advantage that organizations derive from it. Organizations that do not engage in innovation activities risk losing their competitive advantage and being outshone by others.

It is also essential that the significance of competitive advantage on business sustainability brings forth another important aspect of external positioning. Although internal elements like strategy and innovation are vital, they still have to ensure a company's external strength to be sustainable. Competitive advantage helps companies earn a steady stream of income, cultivate customer loyalty, and protect themselves from threats from other companies. On the other hand, competitive advantage needs to be sustained, since other companies continuously try to adopt similar strategies or even outshine them.

5. Conclusion

The research indicates that strategic planning, innovation ability, and competitive advantage all have critical and interrelated impacts on the sustainability of enterprises. It is evident from the study that companies with effective strategic plans can address uncertainties more efficiently and focus their resources on achieving their objectives. Also, having the ability to innovate gives firms the chance to adjust and evolve according to changing circumstances and sustain their competitiveness. In relation to the variables analyzed in the paper, competitive advantage stands out as the key determinant in determining the sustainability of businesses. In conclusion, the study shows that strategic planning, innovation ability, and competitive advantage all contribute immensely to the sustainability of companies.

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