



AN EMPIRICAL INVESTIGATION OF STRATEGIC PLANNING AND ORGANIZATIONAL PERFORMANCE: EVIDENCE FROM NIGERIAN MANUFACTURING COMPANIES

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Abstract

The main objective of the study was to examine the impact of strategic planning on organizational performance with particular reference to selected manufacturing companies. Purposive sampling method was used to select five manufacturing companies operating in Ibadan metropolis, while simple random sampling technique was used to select one hundred and sixty five (165) respondents. A structured questionnaire was used to collect the data while analysis of data was performed with the aid of both descriptive and inferential statistical tools such as frequency, mean, standard deviation, and Linear Regression. The Result showed that strategic planning process awareness and involvement is low among the respondents. Result also revealed that strategic planning ($\beta = 0.617$; $t = 1.687$; Pns) has a positive impact on organizational performance but insignificant. Based on the findings, the study concluded that strategic planning process is major predictor of organizational performance.

Keywords: *Strategic planning, organizational performance, Awareness, Involvement, Manufacturing*

Introduction

The manufacturing industry plays a key role in the global financial system, and its contribution to gross domestic product (GDP) has been regarded by economists, scholars, and professionals as an alternative paradigm for

sustainable global economic growth and development. Paradoxically, the industry has witnessed several crashes in Africa, especially Nigeria. Strategic planning has been recognized as a tool to influence the survival of an organization in a globally competitive environment. Griggs (2003) also acknowledged that in for-profit and non-profit organizations, strategic planning leads to better organizational performance. This is because it can align the behavior of any organization with its future aspirations, and the rules that guide strategic planning strategies, tools, and theories apply to both types of organizations. Strategic planning enables an organization to better understand its external environment and then formulate a strategic plan aimed at achieving effective performance (Moxley, 2004).

According to Robert and Peter (2012), over time, the concepts and practices of strategic planning have been adopted all over the world and in all sectors because its contribution to organizational efficiency is considered to be a contribution. Today, organizations in the public and private sectors have taken strategic planning practices seriously as a tool that can be used to accelerate their performance. Strategic planning aims to help companies gain a competitive advantage. In the broadest sense, competitive advantage is to enable a company to gain an advantage over its competitors. Competitive advantage enables the company to achieve high performance over a long period of time. Therefore, strategic planning is part of the contemporary management toolset, which can not only deal with the inevitable uncertainty in the management environment, but also stimulate organizational performance (Alaka, Tijani, and Abass, 2011).

It is on this background that this study intends to examine that impact of strategic planning on organizational performance with particular reference to the selected manufacturing companies in Oyo State.

Specific Objectives

- i. To assess the extent to which the employees in the business organizations are aware of the Strategic Planning Process.
- ii. To determine the level of employees involvement in the Strategic Planning process.
- iii. To examine the impact of strategic planning on organizational performance.

Theoretical Framework

The literature on the application and conceptualization of Activity Theory is extensive. Scholars, academics and researchers have shown great interest in understanding the basic concepts of activity theory and building a practical framework in which a specific theoretical perspective can effectively understand the interaction between human behavior and the different components and, ultimately contribute to the relationship between the individual and their social environment (Foot, 2001; Johnson et al., 2003). Diaper (2008) pointed out that activity theory is a systematic study of the way in which the different components or factors intervene in the decision-making process and the planning process gradually interacts in the field of affecting human behavior in the social environment. Hasan (2002) has a slightly different point of view. He believes that activity theory is a general framework drawn from multiple disciplines, which focuses on studying people's behavior in the context of influence from multiple different aspects, such as personal points of view, interactions with other people, cultural and social infrastructure of the place where the action takes place, and the objective or goal of each activity. Yagamata Lynch & Smaldino (2007) define activity theory as an interdisciplinary framework, which attempts to study individual behavior and practice in the context of exploring the interaction between human beings and their social and cultural environment. Similarly, others describe activity theory, or more precisely the "activity theory of cultural history," as an interdisciplinary philosophical framework for studying the personal and social aspects of human behavior, because developmental processes are simultaneously interrelated (Engestrom, 1999).

Armstrong (2006) believes that strategic planning requires a clear process to determine the long-term goals of the company, procedures to generate and evaluate alternative strategies and a system to monitor the results of the plan during implementation. Strategic planning takes a "big picture" approach, integrating future thinking, objective analysis, and subjective assessment of values, goals, and priorities to plan directions and future courses of action to ensure vitality, efficacy and value or public of the (Poister, 2010). As Fiberesima and Abdul Rani (2013) point out, strategic planning is not only ensuring that the organization remains financially sound and capable of maintaining its reserves, but also predicting the expected objectives and goals of the organization in five, ten or fifteen years. It is a systematic planning

process that involves multiple steps to determine the current state of the organization, including its mission, future vision, operational values, needs (strengths, weaknesses, opportunities and threats), priority goals, actions and strategies, action plans and monitoring (Sajuyigbe, Adeyemo & Abodunde, 2015). Strategic planning can be referred to as a process that prioritizes what will be done in the future and allows all components of the organization to work together around a single execution plan to achieve a common goal (Sajuyigbe, Adeyemo & Abodunde, 2015). Farjoun (2002) concluded that strategic planning is a comprehensive statement of an organization's mission, objectives, and strategy, adding that it is a detailed roadmap that the organization intends to follow when carrying out activities. Hunt (1998) clarified that strategic planning provides a mechanism that can strengthen communication between organizational units about their strengths and weaknesses in the process of pursuing common goals. This will improve the organization's ability to prevent problems.

Empirical Review and Hypothesis Development

The normative literature on strategic management claims that there is a positive correlation between strategic planning and organizational performance. However, due to the mixed results found in empirical research, the extent to which strategic planning can help improve business performance is still controversial. For example, Burugo and Owour (2017) examine the influence of strategic management practices on business profitability with particular reference to the Chai trading company limited in Kenya. The result of the analysis indicates that organizational performance has a significant relationship with strategic management practices. Another study conducted in Nairobi City of Kenya by Gure and Karugu (2018), they used descriptive statistics such as frequencies, percentages, mean scores to establish the influence of strategic management practices on the organizational performance of SMEs. The results show that strategic management practices have a positive influence on SMEs' performance.

Abosede, Obasan, and Alese (2016) examine the relationship between strategic management and SMEs development. The conclusion drawn was that the implementation of strategic management is a veritable tool for SMEs survival and development. Another study carried out in the North Central Zone of Nigeria by Aremu, Aremu, and Olodo (2015), examine the impact of internal

and external SM variables on the performance of SMEs and indicates that internal and external variables of strategic management have a significant effect on SMEs performance. In the same line, Makanga and Paul (2017) evaluate the influence of strategic management practices on organizational performance with particular reference to Kenya Power and Lighting Company Ltd, Nairobi County, Kenya. The result reveals that strategic management practices have an influence on organizational performance. Vitkauskait (2017) also evaluates the impact of strategic management practices on organizational performance with particular reference to independent film companies. The study establishes that the process of strategic management have impacted on the companies' competitive advantage. Birinci and Eren (2013) investigated the impact of strategic management processes on Turkish university performance. The study concluded that the strategic management, planning, control, and flexibility phases of the process have a positive impact on performance. Fiberesima and Abdul Rani (2013) also studied the impact of strategic management on Nigeria's business success. The study concluded that it was found that strategic management is positively correlated with business success, and that strategic management practices can improve business success. Muogbo (2013) discussed the impact of strategic management on the organizational growth and development of selected manufacturing companies in Anambra State, Nigeria. The analysis results show that the adoption of strategic management has a significant impact on competitiveness and employee performance, and significantly improves organizational productivity.

Amurle, et. al. (2013) examine the effect of strategic planning on the performance of Information and Communication Technology (ICT) SMEs in Kenya. The study results revealed that strategic planning has significant and positive influences on performance of ICT SME's in Kenya. Umar (2005) also discussed the impact of strategic management as an effective and efficient acquisition tool for organizational performance. The study concluded that strategic management plays a very important role in the company's success. Glaister, Dincer, Tatoglu, and Demirbag (2009) also found that there is a strong positive correlation between the formal planning process and the performance of Turkish manufacturing companies. Similarly, Elbanna (2008) noted that the practice of strategic planning is positively correlated with the effectiveness of strategic planning of Egyptian private companies. Aldehayyat and Twaissi (2011) also established that there is a positive correlation between strategic

planning and financial performance. Arasa and K`Obonyo (2012) also studied the relationship between strategic planning and company performance. The results of the correlation analysis show that there is a strong correlation between strategic planning and company performance. Kraus, Harms and Schwarz (2006) found that the formalization of the plan has a positive effect on the performance of small Austrian companies.

Sajuyigbe, Adeyemo and Abodunde (2015) also studied the impact of strategic management on corporate performance of selected small businesses in Nigeria. The results show that strategic management practices have improved the company's organizational performance. Singh (2005) also studied the impact of changes in the strategic planning process on the organizational excellence of non-profit human service organizations that provide mental health services. The main finding of this research is that strategic planning is highly correlated with excellent organizational performance. Moghaddam (2012) also revealed that the implementation of the balanced scorecard can affect the company's value and the transparency of financial performance. Greenley (1994) found evidence supporting the relationship between strategic planning and financial performance. Miller and Cardinal (1994) also confirmed that strategic planning has a positive impact on company performance. In the same perception, Arabzad and Shirouyehzad (2012) reaffirmed that strategic planning has a positive impact on company performance. Owolabi and Makinde (2012) also used Babcock University in Nigeria as a case study to study the impact of strategic planning on corporate performance. The hypothetical results show that there is a significant positive correlation between strategic planning and corporate performance. Ridwan and Marti (2012) tried to understand the link between the strategic planning practices and performance of all banks in the Indonesian regional government. The research results concluded that corporate culture and decision-making types influence effective strategic planning.

However, the study carried out by Falshaw et al. (2006) found that there is no relationship between the formal planning process of British companies and company performance. In a similar study, Sajuyigbe, Adeyemo and Abodunde (2015) also confirm that frivolous implementation of strategic management among the business organizations in Nigeria has not impacted positively and significantly on the growth and success of business organizations. AlQatamin and AlQatamin (2012) also conducted a business strategy performance evaluation on a sample of Jordanian banks. The results show that profitability

has a weak positive discriminatory effect, while productivity has no statistically significant contribution to strategic performance. Based on the empirical conflicting results, the following hypothesis is formulated:

H₀₁: Strategic planning has no significant impact on organizational performance

Model specification

To examine the impact of strategic planning on organizational performance; mathematically, the model is expressed as follows:

$$Y = f(X_1,)$$

$$Y = \beta_0 + \beta_1 X_1 + \mu_i$$

Where;

Y= Organizational performance

X₁ = Strategic planning

μ = Disturbance Term

β = Intercept

β₁ = Coefficient of the independent variable.

β₁ >0

Methodology

The study adopted a descriptive research design. Mugenda and Mugenda (2003) describes descriptive research design as a systematic, empirical inquiring into which the researcher does not have a direct control of independent variable as their manifestation has already occurred or because the inherently cannot be manipulated. Thus, it is more appropriate because the study seeks to build a profile about the relationship between strategic planning and organizational performance. Purposive sampling method was used to select five manufacturing companies operating in Ibadan metropolis, while simple random sampling technique was used to select one hundred and sixty five (165) respondents. The research instrument used in this study was submitted to a panel of experts for validation. Thus, their constructive criticisms, advice, and suggestions were seriously considered to ensure the validity of the instrument. Internal consistency reliability test was also conducted with the aid of Meaning Bartlett, the Eigenvalue of the Principal Component, Kaiser-Meyer-Olkin (KMO), Percentage of the Variance and Cronbach Alpha to determine their

psychometric soundness. Data collected was analysed with aid of both descriptive and inferential statistical tools such as frequency, mean, standard deviation, Pearson Product Moment Correlation and Linear Regression.

Level of Strategic Planning Awareness among the Respondents

Table 1: Level of Strategic Planning Awareness

Level of Awareness	Frequency	Percentage
Very High	5	3
High	35	21.2
Low	95	57.5
Very low	30	18.3

Source; Field Survey, 2019

Table 1 revealed that majority of respondents with 95 (57.5%) agreed that the level of strategic planning awareness is low, thirty (18.3) agreed that strategic planning awareness is very low, thirty five (21.2) agreed that the level of awareness is high while only five (3%) agreed that the level of awareness is very high. This indicates that majority of respondents do not aware of strategic planning process in their respective companies.

Level of Involvement in Strategic Planning Among the Respondents

Table 2: Level of Involvement in Strategic Planning among the Respondents

Level of Awareness	Frequency	Percentage
Very High	2	1.2
High	26	15.7
Low	102	61.8
Very low	35	21.3

Source; Field Survey, 2019

Table 2 revealed that the level of involvement in strategic planning is low with majority 102 (61.8%). While only few respondents agreed that the level of involvement is high. This implies that only management of the selected companies involved in strategic planning process, while other staff were excluded.

Table 3: Regression analysis on the impact of strategic planning on organizational performance.

Model 1	R	R ²	Adj.R ²	Std. Error of the Estimation
	0.131	0.017	0.011	.32222
	Sum of square	of df	F	Sig
Regression	1692.409	1		
Residual	29.566	163	2.848	0.093
Total	1727.976	164		
	B	Std. Error	t-value	p-value
Constant	1.902	1.611	1.180	0.240
Strategic Planning	0.617	0.366	1.687	0.093

Source: Data Analysis, 2019

Table 3 revealed that strategic planning ($\beta = 0.617$; $t = 1.687$; Pns) has positive impact on organizational performance but no significant. Furthermore, result indicates that strategic planning has 17% decisive influence on organizational performance. The study is in line with Muogbo (2013); Birinci an Eren (2013); Fiberesima and Abdul Rani (2013) and Umar (2005) that strategic planning is positively related to profitability. This implies that strategic planning will engender high profit levels.

Therefore, the null hypothesis which states that strategic planning has no impact on profitability of business organization is rejected, while the alternative hypothesis is rejected.

Conclusion

This study examined the impact of strategic planning on organizational performance with specific reference to selected manufacturing companies operating in Ibadan metropolis. Based on the findings, the study concluded that strategic planning process is only done at management level. The study confirmed that strategic planning has positive impact on organizational performance in terms of profitability and customer satisfaction. The deduction

to be made from these findings is that strategic planning tends to make organization wax stronger in a global competitive environment.

Recommendations

Arising from the findings of this study the following recommendations are made;

- i. Managers should ensure that junior staff members are involved or adequately informed in the strategic planning process to be able to contribute effectively to the process.
- ii. Management should motivate staff members to align their performance to the planned goals in the strategic plan. This can be done by sending junior staff members to attend workshops, seminars or conference that will enhance their understanding.
- iii. All business organizations are expected to have strategic plans in place as guiding tools for their operations and ensure that such plans are implemented successfully to achieve their objectives.

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