

STRATEGIC PLANNING, PLANNING OUTCOMES AND ORGANIZATIONAL PERFORMANCE – AN EMPIRICAL STUDY OF COMMERCIAL BANKS IN KENYA

Zachary Bolo Awino, Jemimah M. Muturia and Linet K. Oeba.

Corresponding Author: *Zachary Bolo Awino*

ABSTRACT

This study investigates the influence of strategic planning and planning outcomes; planning outcomes and firm performance. Measures of strategic planning were seven dimensions namely internal orientation, external orientation, functional integration, key personnel involvement in planning, use of planning techniques, creativity in planning, focus on control. Measures of planning outcomes comprised direction and focus, sustainable competitive advantage, firm-environment fit, efficiency in allocation of resources, improved innovation, greater organizational commitment, improved co-ordination and control of organization activities, improved organizational analysis. Measures of firm performance were both financial and non financial. Financial items composed of Gross Profit Margin, Return on Investment and Return on Asset. Non financial items comprised of ability to evaluate alternatives, ability to avoid mistakes, improved budget process. Commercial banks in Kenya were studied using both primary and secondary data. In this study, a census of 44 commercial banks in Nairobi Kenya was done. The majority (80 per cent) of the respondents were managers in charge of planning and 20 per cent were either heads of human resource departments or business and marketing department. Various data analysis procedures were applied including descriptive analysis, Pearson Moment Correlation Coefficient; F-statistics were used in order to accomplish the objectives of the study. Hypotheses H₁, H₂, H₃ were tested for correlation. The study found that there are a positive and significant relationship between strategic planning (seven dimensions of planning) and firm performance; strategic planning and planning outcomes and finally planning outcomes and firm performance. Thus, the study suggests that effective and focused strategic planning lead to positive change in firm performance. This study therefore is significant since it has contributed immensely to the body of knowledge more specifically in strategic planning where key variables of the study have been linked individually to organizational performance. The study also impacts positively to the readers and scholars where they are able to relate strategic planning, planning outcomes and performance in a real working environment and interrogate the existing theories and concepts in the area of strategic management in the African context.

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KEYWORDS: Strategic planning, Planning Outcomes; Firm Performance, commercial banks, Multidimensional Strategic Planning, Kenya.

INTRODUCTION

Strategy is positioning a business in a given industry structure, (Porter 1980, 1985). Strategic planning is to envision the future and develop plans for interacting with the competitive environment to achieve that future, (Pearce and Robinson, 1995, p.3). In management, strategy is a unified, comprehensive, and integrated plan designed to achieve a firm's objectives (Glueck 1980:9). The primary goal of strategic planning is to guide a firm in setting out its strategic intent and priorities and focus itself towards realizing the same (Kotter, 1996).

Ackoff's (1981) suggested four different approaches to planning: reactive, inactive, pre-active and pro-active. Reactive planning approach, which Ackoff's refers as to 'planning through the rear-view mirror' occurs in historically static environments where well-

established, conservative, traditional organizations have a long history of success behind them. They tend to focus on the past rather than the future, and thus, resist and resent the demands of the new dynamic environment. These organizations believe that their own actions shape their future. Their planning is either aimed at preventing the imminent changes around them or slowing them.

Inactive planning approach ignores the need for planning and relies on muddling through. This approach may work well for very small structured business, as it involves a high degree of risk (Miller and Cardinal, 1994). Pre-active planning approach involves the organization figuring out, as well as its future and how it will affect its operations and prepare for that set of events (Ansoff, et. al., 1970). Organizations with this approach presume that the future is guaranteed and thus their best strategy is to

figure that future and prepare for it. Hamel and Prahalad, (1989), term this approach as ‘maintaining the strategic fit’, which involves following on how things will be different in the future. Finally, is reactive or interactive planning approach, which organizations believe that their actions shape their future?

Mintzberg (1994) challenged the planning process by questioning the validity of the usefulness of the various approaches to strategy analysis. A large number of theorists have provided recommendations on the improvement of Strategic Planning process (Stonich, 1975; Hedley, 1976; Higgins 1976; Hobbs and Heany 1977; Paul et al. 1978). Hamel and Prahalad (1994), in their contributed said that strategy should be more active and interactive, with less ‘armchair planning’. Michael Porter, (1987), pointed out that although strategic planning had gone out of fashion in the late 1970s, it needed to be re-discovered, “rethought”, “recast”, and not discarded. He criticized the strategic planning process and not its concept.

Ramanujam and Venkatraman (1987); Kargar and Parnell, (1987), argued that planning is a multidimensional management system and strongly advocate for a multidimensional treatment (seven dimensions) of planning as effective strategic planning. They further argued that early research studies have generally tended to view planning as “planner” versus “non-planner” or “formal planner” (Thune and House, 1970; Herold, 1972). Although, these notions may have been appropriate in the early stages of formal planning, they are not quite apt in these later stages of formal planning in which almost all large corporations belong to a “planner” category. Additionally, many strategic planning processes tend to be either too narrow in focus to build a complete organizational strategy or too general and abstract to be applicable to specific situations. Ramanujam and Venkatraman (1987); Kargar and Parnell, (1987), in their studies established that multidimensional (seven dimensions) of Strategic Planning is an effective way of planning as it leads to increased Firm Performance.

Firm Performance

Firm Performance is how well or badly a firm is performing both financially and non-financially (Kargar and Parnell, 1986; Ramanujam and Venkatraman, 1987). Kaplan and Norton (2008) concur with these authors and argue that Balanced Scorecards Strategy considers financial indications as one of the critical measures of Firm Performance. They further argue that one of the goals of strategic planning is to make profits besides realizing other financial and non-financial benefits. Steiner (1979) contends that formal Strategic Planning links short, intermediate and long range plans. The author further

argues that a strategic effort should be able to align the organization with its short-term and long term goals. Strategic planning set-objectives that can be measured on weekly and monthly basis to predict, what the end of the period will be like. The direct impact on financial performance is also used as a general measure of a firm’s overall financial health over the specific period. Without financial success, virtually no business survives for long. Therefore, the use of strategic plans leads to improved financial performance (Kargar and Parnell, 1996).

The second measure of Firm Performance is non-financial (qualitative). In other words, these are intangible measures. Pearson and Robinson (2002) argue that the traditional measures of financial performance, give inadequate or in some cases, an inaccurate perspective to the status of the business and its ability to keep improving. They further contend that a company should relentlessly try to find ways to improve and enhance its qualitative measures. Kaplan and Norton (2008) concur with the view that quality improvement must be a process forever.

Muella and McCloskey, (1990), says, for a firm to survive in the dynamic and turbulent environment, it should not only focus on financial but also on qualitative factors. In this study, we used both financial and non-financial measures of firm performance. In the financial measures, we used Gross Profit Margins (GPM), Return on Investment (RoI) and Return on Asset (RoA). For Kargar and Parnell (1996), non-financial measures composed of improving ability to evaluate alternatives, improving ability to avoid mistakes and improvement in budget process. Ability to evaluate alternatives involves tradeoffs and compromises to evaluate the full range of workable alternatives to see what will best solve the problem in a given situation.

Schwenk and Shracder (1987) meta-analyzed 14 studies on formal strategic planning and performance in firms and found that planning provides for a structured means to identifying and evaluating strategic alternatives. A strategic plan provides for feedback and strategic learning, which assists to avoid mistakes. Sunhat (1990) in his study examined 1087 decisions made by 129 Fortune 500 firms between 1982 and 1986. He found that Strategic Planning contributes highly in the quality of decisions made by managers to avoid mistakes. He further argues that as a manager, you make mistakes while common managerial errors can be avoided by knowing where the common pitfalls are. Kargar and Parnell (1996) argue that strategic planning ensures that the budget allocations are based on sound and well thought out plans. This means that planning team should comprise heads of departments, who should identify strategic priorities and critical

operating needs for budgeting. It appears that the strategic planning process that embraces both financial and non-financial (qualitative) performance measures is a more balanced strategic plan than the one which focuses only on financial performance.

Firms that engage in Strategic Planning have better financial and non-financial performance than those that do not (Venkatraman and Ramanujam 1986; Kargar and Parnell 1996). The debate on whether strategic planning pay-off, has been the subject of numerous empirical investigations. A number of studies that have examined this relationship show that for decades strategic planning pays-off and organizations that use formal strategic planning outperform those that do not (Ansoff et. al., 1970; Kargar and Malik, 1975; Miler and Cardinal, 1994).

Strategic Planning and Firm Performance

On the other hand, a number of studies failed to establish a significant link between the perceived importance of planning and organizational performance (Fulmer and Rue, 1974; Kudla, 1980; Leontiades and Tezel, 1980; Unni, 1981). It seems that there is no consensus on whether strategic planning leads to increased firm performance. The inconsistency results motivated some scholars to come up with the concept of multidimensional Strategic Planning and identified seven dimensions of Strategic Planning in their study, which contribute to increase in Firm Performance (Venkatraman and Ramanujam 1986; Kargar and Parnell 1996).

Multidimensional Strategic Planning

In this study, multidimensional strategic Planning refers to the emphasis placed on seven dimension of Strategic Planning, which are believed to be an effective way of planning (Venkatraman and Ramanujam 1986; Kargar and Parnell 1996). Although there are many strategic planning dimensions, a study by Kargar and Parnell (1996) conceptualized seven key dimensions of strategic planning, which include internal orientation, external orientation, functional integration, key personnel involvement, use of analytical techniques in planning, creativity in planning and focus on control.

These dimensions are also well grounded in the existing literature as important ingredient in the strategic planning process. A study by Kargar and Parnell (1996) on small commercial banks in North Carolina in the USA, examined the level of performance in relation to the degree of emphasis placed on seven planning dimensions. They found that those firms that placed the greatest emphasis on the seven dimensions reported increased Firm Performance than those that did not.

Another study by Ramanujam and Venkatraman, (1986), in the USA on large manufacturing companies from Fortune 500 manufacturing firms,

examined the dimensions of planning that were associated with firm performance from a multiple perspective. They conceptualized six key planning dimensions, which include, the use of planning techniques, attention to internal facet, attention to external facet, functional coverage and integration, resources provided to the planning, resistance to planning. These dimensions are also grounded in literature. They found that those firms that emphasized the six planning dimensions performed better than their counterparts that did not. They thus, concluded that multidimensional Strategic Planning is an effective way of planning.

Planning Outcomes

Planning outcomes are self-evident of planning practices. Cameron and Whetten (1983) define planning outcomes as a goal of strategic planning. Ramanujam and Venkatraman (1986) have a similar definition and contend that planning outcomes are the result normally expected from strategic planning. Cameron and Whetten further argue that a focused assessment of strategic planning is through planning outcomes (goal-centered approach).

King's (1983) concurs with these scholars' views and suggests that the approach to the evaluation of planning is measurement against purpose, in this case, planning outcomes. In this study, the planning outcomes are adapted from Kargar and Parnell (1996), who conceptualized eight measures, which are directly related to the dimensions of strategic planning. These include; direction and focus, sustainable competitive advantage, firm-environment fit, efficiency in allocation of resources, improved innovation, greater organizational commitment, improved co-ordination and control of organizational activities and improved organizational analysis. They called them 'objective fulfillment', which is a consequence of strategic planning process.

CONCEPTUAL MODEL

The conceptual model in figure 1 shows the relationship between three variables under study; Strategic Planning, Planning Outcomes, Firm Performance. It is schematic diagram that captures the linkage between variables. In the model, Strategic Planning is the independent variable while Firm Performance is the dependent variable. Planning Outcome is the intervening variable.

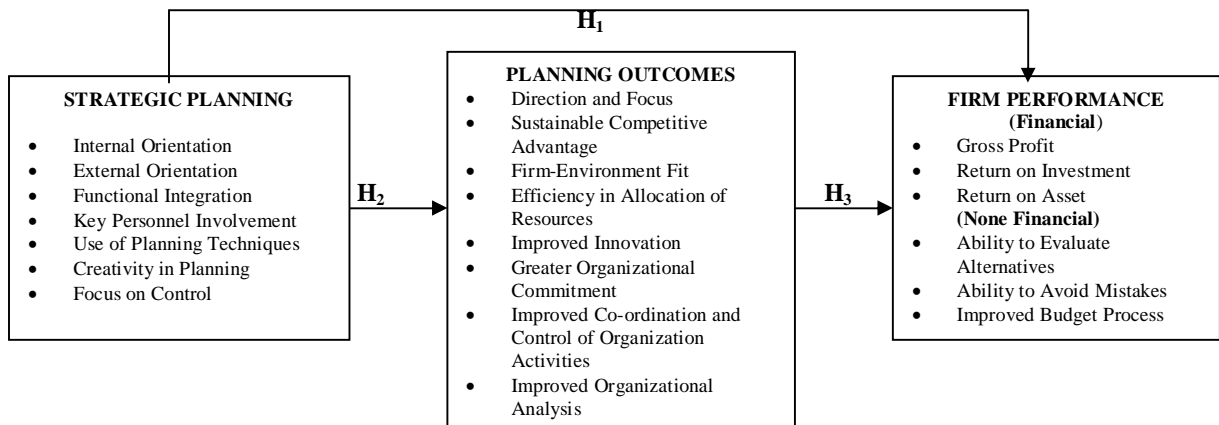


Figure 1: Conceptual model interactions

HYPOTHESES

The following hypotheses were drawn from the conceptual framework in Figure 1

H₁ There is a relationship between Strategic Planning and Firm Performance.

H₂ There is a relationship between Strategic Planning and Planning Outcomes.

H₃ There is a relationship between Planning Outcomes and Firm Performance.

METHODS

We pursued a quantitative design and analytical approach in an attempt to address the main objectives of the study, which was to investigate the relationship between Strategic Planning and Firm Performance, Outcomes and Planning Outcomes and Firm Performance. To effectively address this, there was need to translate concepts into a measurable form to facilitate testing of the formulated hypotheses, hence the application of parametric techniques. Appropriate statistical techniques were applied on each hypothesis, and finally, the method used in this study assumed a positivist philosophical orientation. All commercial banks operating in Kenya as at 2010 were studied. The complete lists of commercial banks was obtained from the Central Bank of Kenya (CBK) indicates that there are 44 Commercial banks as at February. The Kenyan banking sector consists of large and small multinationals and local institutions which largely operate in urban areas. According to the ownership structures of these banks, some are wholly private and local, while others are private and foreign, partly state and public, and partly public and privately. A census of commercial banks in the City of Nairobi was carried out to ensure that all the banks are included in the study. They were deliberately chosen for study because they have complied with stringent regulatory requirements to publish financial statements and other disclosures. The objective and reliable data on bank performance was readily available from Nairobi Stock Exchange and the

Central Bank of Kenya. Additionally, the focus of the study was on the commercial banks in the City of Nairobi and other financial institutions were considered outside the scope of this study. Both primary and secondary data was sourced and utilized for purposes of addressing the study objectives. Secondary data was extracted from Central Bank of Kenya on performance of commercial banks on Gross Profits Margins, Return on Investments, and Return on Assets. The branches of 44 banks in were used for pilot study while the main research was conducted on the banks' headquarters. The respondents of the commercial banks' headquarters were the managers in charge of corporate planning, human resource and marketing. Primary data was obtained through questionnaires 44 commercial banks headquarters in the City of Nairobi with the help of the research assistants, who were trained on the questionnaire, which was piloted on fifteen (15) commercial bank branches prior to the data collection.

This was done to help the researcher identify any ambiguous and unclear questions on the questionnaire. The research assistant was available to clarify any questions that were unclear to the respondents. The questionnaires was submitted to the participating banks after the pilot test with a letter of introduction from the Department of Business Administration, School of Business, University of Nairobi requesting the respondents to participate in the research. This was done with the help of research assistants who administered the questionnaires in the sensor. The researcher/research assistants made prior appointments with the managers in charge of corporate planning/marketing/human resource in the respective banks to take him/her through the questionnaire before completing it. The researcher/research assistants assured the participants of a high degree of confidentiality and anonymity in the exercise. The questionnaires were then picked

later for data processing. To ensure content validity and reliability, the preliminary questionnaire was pre-tested with a sample of fifteen (15) respondents from branch managers of commercial banks in Nairobi for comprehension, logic and relevance. The reliability of the instrument was then estimated using Cronbach's Alpha Coefficient which is used to assess the internal consistence or homogeneity among the research instrument items. All the measurement scales for the five constructs obtained an acceptable level of a Coefficient Alpha above 0.70, an indication that the measurement scales are reliable and appropriate for further data analysis.

DATA AND RESULTS

Collected data was analyzed using descriptive and inferential statistics. Descriptive statistics namely, frequency distributions, cross-tabulation and measures of central tendencies such as means and standard deviations were used to describe the characteristics of the collected data. Hypothesis H₁, H₂ and H₃ was tested using Pearson's Correlation Coefficients to determine the strength and direction of the hypothesized.

Analysis of Data on Firm Performance

The measurement scale of Firm Performance in this study consisted both financial and non financial items. Financial measures comprised gross profits margins, return on investment, and return on assets. Non-financial items comprised improved ability to evaluate alternatives, improved ability to avoid mistakes and improved budget process. This analysis is presented on Table 1 The mean score statistic revealed that Firm Performance ranges from average to almost very large (Mean=3.07 to Mean= 4.75). It suggests that commercial banks were performing above average despite the turbulent environment. The result also indicated that the highest mean was on the improved budgeting (M= 4.75, SD = 0.576) followed by improved ability to evaluate alternatives (M = 4.49, SD = .568), and finally, improved ability to avoid mistakes (M = 3.68, SD = 1.537). These findings suggested that commercial banks in Kenya were putting more emphasis on budget improvements and ability to evaluate alternatives (non-financial performance).

The mean score statistic also revealed that financial items reflect a relatively lower mean score than non-financial items with gross profit margins having the lowest mean score followed by Return on Investment and Return on Assets with the highest mean statistic. It seemed that commercial banks were putting more emphasis on improving non-financial performance as oppose focusing on financial performance alone.

Table 1: Descriptive Statistics on Firm Performance

Descriptive Statistics				
Variables	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Gross Profits Margins	44	3.07	0.226	1.500
Return on Investment	44	3.16	0.223	1.478
Return on Assets	44	3.66	0.203	1.346
To what extent has the bank improved the ability to evaluate alternatives?	44	4.49	0.086	.568
To what extent has the bank improved the ability to avoid mistakes?	44	3.68	0.232	1.537
To what extent has the bank improved its budgeting?	44	4.75	0.087	0.576

Results on Strategic Planning

The results of descriptive statistic for Strategic Planning are presented in Table 2. The Strategic Planning comprised internal orientation, external orientation, key personnel involvement, use of techniques in planning, creative planning, control focus and functional coverage (Kargar, Parnell, 1986). The mean score statistics obtained from this result, revealed that Strategic Planning practices in commercial banks involved all seven dimensions of Strategic Planning. The descriptive analysis result also revealed that five dimensions of Strategic Planning were highly emphasized namely; internal orientation, key personnel involvement, creative planning, functional coverage, and control focus. However, two dimensions of Strategic Planning namely; external orientation and use of techniques in planning were moderately emphasized. The result suggests that all dimensions of Strategic Planning are practiced in commercial banks in Kenya, and indication that the banks in Kenya practice effective and focused Strategic Planning.

Table 2: Descriptive Statistics for Strategic Planning

Descriptive Statistics				
Variables	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
1. Q.6-9 Internal Orientation		4.0682	0.12680	0.84110
2. Q.10-13 External Orientation	44	3.4830	0.11985	0.79497
3. Q.18-20 Key Personnel Involvement	44	4.2045	0.10686	0.70881
4. Q.21-23 Use of Techniques in planning	44	3.8409	0.15075	0.99997
5. Q.24-32 Creative planning	44	3.9328	0.08327	0.54602
6. Q.14-17 Functional Coverage	44	4.4489	0.0711	0.4718
6. Q.33-42 Control Focus	44	4.1477	0.09778	0.64861

Statistics for Planning Outcomes

Descriptive statistics for Planning Outcomes are presented in Table 3. Planning Outcomes is composed of direction and focus, sustainable competitive advantage, firm-environment fit, efficiency in allocation of resources, improved innovation, greater organizational commitment, improved co-ordination and control of organizational activities and improved organizational analysis. From the, the four items indicated relatively higher mean score statistic namely, improved co-ordination and control of organizational activities, direction and control, improved innovation, and firm-environmental fit. However, the other four items; efficiency in allocation of resources, sustainable competitive advantage, organizational commitment by employees, improved organizational analysis, had average mean score statistic.

Table 3: Descriptive Statistics for Planning Outcomes

Descriptive Statistics				
Variables	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
To what extent does your bank strategy achieve direction and control?	44	4.50	.089	.591
To what extent does your bank's strategy achieve sustainable competitive advantage?	44	3.73	.212	1.404
To what extent does your bank's strategy achieve firm-environmental fit?	44	4.18	.118	.786
To what extent does your bank's strategy achieve efficiency in allocation of resources?	44	3.86	.183	1.212
To what extent does your bank's strategy achieve improved innovation?	44	4.34	.134	.888
To what extent does your bank's strategy achieve greater organizational commitment by employees?	44	3.68	.220	1.459
To what extent does your bank's strategy achieve improved co-ordination and control of organizational activities?	44	4.73	.105	.694
To what extent does your bank's strategy achieve improved organizational analysis?	44	3.41	.221	1.468

TEST OF HYPOTHESES

Hypothesis 1: There is a relationship between Strategic Planning and Firm Performance

Hypothesis one addressed the influence of Strategic Planning (predictor variable) on Firm Performance (dependent variable). Strategic planning varied in terms of its degree of comprehensiveness the result is

presented on Table 4. As indicated in the, correlation between Strategic Planning and Firm Performance was positive and significant ($r = 0.489, p < 0.01$). This result implied that the more comprehensive the Strategic Planning the greater the positive change in Firm Performance. As used in this study comprehensiveness refers to the number of Strategic Planning dimensions considered.

Table 4: Correlation Analysis of the Relationship between Strategic Planning and Firm Performance

Variables		Firm Performance	Strategic Planning
Firm Performance (FP)	Pearson's Product Moment Correlation (r)	1	0.489**
	N	44	44
Strategic Planning(SP)	Pearson's Product Moment Correlation (r)	0.489**	1
	Sig. (2-tailed)	0.001	
	N	44	44

** $p < 0.01$ (two tailed)

Hypothesis 2: There is a Relationship between Strategic Planning and Planning Outcomes

Hypothesis four addressed the influence of Strategic Planning (predictor variable) on Planning Outcomes (intervening/dependent variable). This was tested using Pearson's Product Moment Correlation statistic (r). The result is presented on Table 5. As indicated, the correlation between Strategic Planning and Planning Outcomes was strong, positive and significant ($r = 0.937, p < 0.01$). This result implies that Planning Outcomes are a reflection (goals) of the seven dimensions of strategic planning. It means that the stronger the relationship between Strategic Planning and Planning Outcomes, the more focused the Strategic Planning.

Table 5: Correlation Analysis of the Relationship between Strategic Planning and Planning Outcomes

Variables		Firm Performance (FP)	Strategic Planning(SP)
Planning Outcomes (PO)	Pearson's Product Moment Correlation (r)	1	0.937**
	N	44	44
Strategic Planning(SP)	Pearson's Product Moment Correlation (r)	0.937**	1
	Sig. (2-tailed)	0.000	
	N	44	44

** $p < 0.01$ (two tailed)

Hypothesis 3: There is a relationship between Planning Outcomes and Firm Performance

Hypothesis One addressed the influence of Planning Outcomes (intervening/predictor variable) on Firm Performance (dependent variable). The result is presented on Table 6 and the correlation between Planning Outcomes and Firm Performance was positive and significant ($r = 0.489$, $p < 0.01$). This result implies that the more forecast the Strategic Planning, the greater the positive change in Firm Performance. It means that Planning Outcomes are the goals through which Strategic Planning influences Firm Performance for effective Strategic Planning.

Table 6: Analysis of the Relationship between Planning Outcomes and Firm Performance Correlations

Variables		Firm Performance	Planning Outcomes
Firm Performance (FP)	Pearson's Moment Correlation (r)	1	0.489**
	N	44	44
Planning Outcomes (SP)	Pearson's Moment Correlation (r)	0.489**	1
	Sig. (2-tailed)	0.003	
	N	44	44

** $p < 0.01$ (two tailed)

CONCLUSION

Descriptive analysis result revealed that the general performance across the commercial banks was above average (Mean=3.07 to Mean= 4.75) despite the turbulent economic environment. The result also indicated that the highest mean was on the improved budgeting, followed by improved ability to evaluate alternatives. This indicates that commercial banks in Kenya were putting more emphasis on non-financial performance as compared to financial performance. Further, Return on Assets had the highest mean score followed by Return on Investment and gross profit margins among the financial items. It seems commercial banks were placing more emphasis on improving non-financial items of performance as opposed to focusing on profits.

Commercial banks of Kenya involved all seven dimensions of planning as revealed by descriptive statistic mean score results. There was more emphasis on the five dimensions of planning; internal orientation, key personnel involvement, creative planning, functional coverage, and control focus, than the two dimensions; External Orientation and Use of Techniques. Nevertheless, this result suggests that the seven dimensions of Strategic Planning are involved in Strategic Planning practices in the commercial banks in Kenya with varying levels of emphasis. Planning Outcomes had a mean score ranging from average to above average in commercial banks in Kenya. Although there was little disparity in mean

score of Planning Outcomes, the eight items of Planning Outcomes were the focus (goal) of planning in the banks. However, four items indicated a relatively higher mean score statistic; Improved Co-ordination and Control of Organizational Activities, Direction and Control, Improved Innovation, and Firm-Environmental Fit. This suggests that more emphasis was placed on these four items of planning outcome compared to other four items of Planning Outcome, namely; Efficiency in Allocation of Resources, Sustainable Competitive Advantage, Organizational Commitment by Employees, Improved Organizational Analysis. This result suggests that commercial banks in Kenya practiced effective and focused Strategic Planning.

The correlation between Strategic Planning and Firm Performance was positive and significant ($r = 0.489$, $p < 0.01$). This implies that the more comprehensive the Strategic Planning the greater the positive change in Firm Performance. The study concurs with Kargar and Parnell, (1986); Ramanujam and Venkatraman, (1987) who found in their study that effective Strategic Planning lead to increased Firm Performance. The seven dimensions of Strategic Planning are practiced at varying levels of emphasis in the commercial banks in Kenya.

The correlation between Strategic Planning and Planning Outcomes was positive and significant ($r=0.937$ $p < 0.0001$). Thus, there is a strong positive and significant relationship between Strategic Planning and Planning Outcomes. This result concur with Baron and Kenny (1986) findings that independent variable significantly predicts the intervening (mediator) variable, thus, intervening variable serves as a function of the independent variable in helping to conceptualize and explain the relationship of the independent variable on the dependent variable (Sekaran, 1992). This study finding also concur with Sekaran (1992) who says Strategic Planning is significantly associated with Planning Outcomes and thus, serves as a perfect mediator in the relationship between independent variable (Strategic Planning) and dependent variable (Firm Performance). This implies that Strategic Planning practice with Planning Outcomes is an effective and comprehensive way of planning.

The correlation between Planning Outcomes and Firm Performance was positive and significant ($r=0.444$, $p < 0.05$). This therefore indicates that there was a positive and significant relationship between Planning Outcomes and Firm Performance. The result also concurs with Sekaran (1992), who says the intervening variable serves as a function of the independent variable in helping to conceptualize and explain the relationship of the independent variable on the dependent variable. In this study, Planning Outcomes served as a perfect mediator in the

relationship between independent variable (Strategic Planning) and dependent variable (Firm Performance). The result suggests that Planning Outcomes are a reflection (goal) of planning dimensions.

IMPLICATIONS OF THE STUDY ON THEORY AND PRACTICE

This study contributes to the strategic management literature by bringing into the study the concept of multidimensional (seven dimensions of planning) Strategic Planning, which is viewed as an effective way of planning (Kargar and Parnell, 1996). It will therefore, make a significant contribution to the understanding of key dimensions for effective and focused Strategic Planning. It will also be useful to scholars and managers of organizations, in providing a greater understanding of the levels of commitment critical to achieving quality Strategic Planning practices and the influence this will have on their organization's Firm Performance.

LIMITATIONS OF THE STUDY AND CONTRIBUTION TO KNOWLEDGE

This study assumed a linear interaction between independent and dependent variables as depicted in the conceptual framework and explained by the various hypotheses and ignored the intervening and moderating variables which would have given different results altogether. The individual effect of the variables and test of hypotheses in the study may not be the same in all cases. This is a major contribution to knowledge.

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