

Strategic Planning, Planning Outcomes and Organizational Performance

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 coordination 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.