



Strategic Planning As an Effective Tool on Organizational Performance in Nigeria: An Empirical Study of Some Firms in Delta State

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Abstract

This study was carried out to investigate the impact of strategic planning on organizational performance. A study of selected manufacturing firms in Delta State, Nigeria. A set of structural questionnaire was used as instrument for data collection and administered on 60 respondents of the firms under study randomly selected using Yaro yamane formula. Applying the formula, the sample size from a population of 70 is 60 respondents at 95% confidence level. Data analysis was made and the hypotheses formulated were tested using kruskal wallis one-way analysis of variance by rank. The findings revealed that positive and significant relationship exists between strategic planning and better organizational performance and organizational survival. It was concluded that strategic planning is necessary for the performance and survival of an organization. This study, however, recommend that organizations should accord priority attention to the elements of strategic planning, establishing high core values that is organizations rules of conduct, set realistic goals, establishment of long term objective, this has to be measurable and specific, the development of action (strategic) plans and its implementation, making adequate environmental analysis, suitable organizational structure and a host of other measures for effective strategic planning kin organizations.

Keywords: *Strategic, Planning, Organizational, Performance, Establishment, Empirical.*

Introduction

Strategic planning is inextricably interwoven into the entire fabric of management. Thompson and Stickland (2009) defined operating strategy as the even narrower and the more detailed approaches and moves devised by lower level functional managers and geographical unit managers to achieve the strategy support performance objectives established in their areas of responsibility.

They further defined strategic plan as a statement outlining an organization's mission and future direction, near-term and long-term performance targets and strategy in light of organization's external and internal situation. That means strategic plan can be termed as a collection of strategies. it is a function and responsibility of all managers at all levels in an organization.

However, planning responsibilities of managers vary significantly among types of organization and different organizational levels, strategic planning, in other words, is an umbrella term', within which there are other forms of plan. Strategic planning as defined by Kudla (2010) is the systematic process of determining the firms' goals and objectives for at least three years into the future and developing strategies that will govern the acquisition and use of resources to achieve these objectives. It is clear from this definition, that the objectives and elements of corporate strategic planning are identified, as time period, updating plans, types of objectives and identification of strategic variables affecting the firms. Predictions are made into the future. a guide is thus provided as to whether the plan should precede short-range operational planning, three, five or ten years ahead of present operations can be obtained by predicting the following; vulnerability, capital intensive facilities, financial structure and characteristics of industry, management executives will use these or similar factors in appraising their position in order to see the turning parameters for long-range planning. It is also necessary that firms should update their strategic plans for at least once a year. However, there are several exceptions. Conventionally, strategic planning objectives are developed from internal and external pressures other than selecting from a list.

The identification of strategic variables is outside the control of management, because of the business environment in which the firm operates. it is of basic necessity that, strategic planners should predict these variables first and then make decisions on the operating variables that the firms can control.

It is in the light of this assumption, that this study seeks to X-ray the impact of strategic planning on organizational performance—an empirical study of selected manufacturing firms in delta state.

The Problem

Nigerian business system has undergone a number of changes in recent years, fundamental economic restricting, accompanying growth in size and complexity of business organization have drastically altered the ways in which business executives can effectively manage a business. To cope with these changes, modern management techniques are used in contemporary organizations.

The strategy that has gained considerable importance in both private and public enterprises is strategic planning or interactive planning

- i. The development of comprehensive planning or perspective planning by the federal government to accelerate the pace of economic development through fundamental economic restructuring.

- ii. The increasing number of consulting firms and research institutions that render useful services in strategic planning areas such as environmental audit, management information system, manpower planning, opportunity scanning e.t.c.
- iii. The development and application of scientific tools to deal with complex organizational problems.
- iv. The growing emphasis of training programmes organized by institution like Center for Management Development (CMD), Administrative Staff College of Nigeria (ASCON) on management development programmes which are aimed at equipping the existing manpower with the required skill and experience needed to cope with the present and future challenges.

The main objectives of the study are:

- i. To identify the extent to which strategic planning enhances organizational performance and
- ii. To find out whether strategic planning contribute to organizational survival.

Research Questions

The following questions were raised to guide the study.

- i. Does strategic planning enhance organizational performance?
- ii. Does strategic planning contribute to organizational survival?

Research Hypotheses

For the purpose of this study, the following hypotheses are considered relevant.

1. Strategic planning significantly help in better organizational performance.
2. Strategic planning contributes to organizational survival.

Scope of the Study

The scope of the comprised of selected manufacturing organizations in Delta State located in Warri, Asaba, Ughelli and Sapele all in Nigeria. The task of this study was on strategic planning as a tool in enhancing organizational performance.

Conceptual Framework

According to Kramer (1987) strategic planning is considered as the formal process of determining long-run objectives and how to achieve them. Perhaps a more comprehensive definition of strategic planning is the one provided by a distinguished professor at Harvard Business School, Kenneth R. Andrew. He defined strategic planning as follows “corporate strategy is the pattern of decision

in a company that determines and reveals its objectives, purpose or goals and produces the principal policies and plans for achieving these goals.

Stoner (2010) defines strategic planning as the process of selecting an organization’s goals, determining the policies and strategic programmes, projects necessary to achieve specific objective route to the goals and establishing the methods necessary to assure that the policies and strategic programmes are implemented.

Badeian (2007) “strategic planning focuses on an enterprises long-term relationship to its environment”. Primarily, developed by top management, an enterprise strategic plan or strategy, service, defines its overall character, mission and direction. By focusing on an enterprise as a total system, strategic planning recognizes that all enterprise face many uncontrollable elements within the environment. These factors may however, help to determine whether an enterprise achieves its objectives or even whether it survives. Thus, strategic planning is concerned with shaping an enterprise in the accomplishment of its goals.

The Importance of Strategic Planning

Ezeokonkwo (2010) identifies the following importance of strategic planning

- i. It facilitates company growth.
- ii. Helps a company to capitalize on opportunities and cope with threats.
- iii. Leads a company to act rather than react.
- iv. Provide early indication [of financial needs.
- v. Ensures the setting and acceptance of common goals.
- vi. Provides a basis for measuring performance.
- vii. Trains manager to think ahead.

Onuoha (2009) listed the following barriers to successful implementation of strategic planning to include:

- i. Fear and suspicion by conservative managers that strategic planning might expose their weaknesses.
- ii. Intra-organizational politics in the workplacethat create difficulty in coming up with a well reason coordinated plan of action.
- iii. Presence of improper delegation of authority to subordinate for effective managerial decision making.
- iv. Lack of accurate, reliable and timely information.
- v. Socialization of Nigerians organizations into planning patterns of the government.
- vi. Dangerof creating staff unit can usurp the initiative and power of operating manager.
- vii. Companies invest heavily in o0bntaining consultant planning staff and sophisticated models and developing programmes which may take years to pay off.
- viii. It restricts organization to the most rational and risk free option.

Content of a Strategic Plan

According to Eayol (2007)the strategic plan rest on (1) the firm resources (buildings, tools, raw materials, personal productive capacity, sales outlets public relations, e.t.c. (2) the nature and importance of work in progress (3) the future trends which depends partly on technical’s, commercial, financial and other conditions all subject to change, whose

impotence and occurrence, cannot be pre-determined. the preparation of strategic plan is one of the most difficult and most importance maters for every business and brings into play all departments and all functions especially the management function. According to Kazmi (2010), a comprehensive strategic plan document could contain the following information.

1. A clear statement of strategic intent covering the vision, mission, business definition, goals and objectives.
2. Results of organizational appraisal, major strengths and weakness, and core competencies.
3. Results of environmental appraisal major opportunities and threats and critical success factor.
4. Strategic chosen and assumptions under which the strategies would be relevant contingent strategic to be used under different conditions.
5. Strategic budgets for the purpose of resources allocation for implementing strategic and the schedule for implementation.
6. Proposed organizational structure and the major organizational system for strategy implementation, including the top functionaries and their role and responsibility.
7. Functional strategies and their mode of their implementation.
8. Measures to be used to evaluate performance and assess the success of strategy implementation.

The formulation of a strategic plan provides a means not only to formalize the effort that goes into strategic planning but also for communicating to insiders and outsiders what the company stands for and what it plans to do in a given future time period.

A strategic plan is not always publicized rather, companies prefer to treat it as confidential primarily for protecting their competitive interest. But the main features of the plan are often spelt out for communication to outsider and for public relations purposes.

Methodology

All the manufacturing organizations in Nigeria constituted the population of the study. The number is somewhat infinite. Therefore, the researcher decided to limit the targets population to selected manufacturing organizations in Delta State namely. Warri, Asaba, Sapele, Ughelli. A sample size of 60 was selected from a population of 70 us in the Yaro Yameni's formula which is given as:

$$n = \frac{N}{1+(N)e^2}$$

Where:

N= Sample size sought

E= Level of significance = 0.05 or 95%

N= Population = 70

$$N = \frac{70}{1+(70.05)^2} = \frac{70}{1+0.025} = \frac{70}{1.25}$$

= 60 respondents

Applying the formula the sample size from a population of 70 is 60 respondents at 5% confidence level.

The simple random sampling method was used to select the respondents. The study was conducted using the survey research design. Survey research design according to Olaintan, Ali Eyo and Sowade (2000) is a plan, strategy structure that the investigator wants to adopt in order to obtain solution to research problems using questionnaire in collecting analyzing and interpreting the data, the design is suitable for the study because it uses questionnaire to seek information from respondents. The data used in this study were obtained from both primary and secondary sources of data. The instrument of primary data collected was the questionnaire and face-to -face interview. The instruments were validated by experts in strategic planning to authenticate the relevant of the instrument. Secondary data were collected from textbooks and publication on strategic planning.

Data collected were collected and analyzed using percentages. In addition, the hypothesis formulated were tested using Kruskal Wallis one-way analysis of variance by rank.

Findings and Discussion

Hypothesis one (1) was tested using Kruskal Wallis one-way analysis of variance by rank.

Test statistic Kruskal one-way analysis of variance by rank

Degree freedom = k-1 = 2-1 = 1

Table value = (0.05=3.841\

Level of significance = 0.05

Decision rule: reject H_0 of H calculated $>_{tab}$

Sampling Distribution

K

$$H = 12 \sum_{j=1}^k \frac{R_j^2}{n_j} - 3(N+1)$$

Where: k = Number of s ample

n_j = Number of cases in j^{th} sample

N= $\sum_{j=1}^k n_j$ the number of cases in all samples combined

R_j = Sum k of ranks in j^{th} sample (column)

k

Σ

j

Computation

Table 1: Strategic planning and better organizational performance

Response	Frequency	Percent
Strongly Agree	29	48.33
Agree	25	41.67
Undecided	3	5.00
Strongly Disagree	1	1.67
Disagree	2	3.33
Total	60	100

Source: Field survey, 2015

Ranking all the observations for the k groups in a series assigning ranks from 1 to N we have.

Table 2: Ranks of groups

Frequency	Percent
8	10
7	9
4	6
1	2
3	5
Total R₁ = 23	32 = R₂

Source: Field survey, 2015

R₁ = Sum of 1st column of rank

$$9+7+4+1+3 = 23$$

R₂ = Sum of 2nd column of rank

$$= 10 + 9 + 6 + 2 + 5 = 32$$

$$H = 12 \left[\sum_{j=1}^K R_j^2 - 3(N+1) \right]$$

$$= 12 \left[\frac{23^2}{5} + \frac{32^2}{5} - 3(10+1) \right]$$

$$\frac{12}{110} \left(\frac{529}{5} + \frac{1024}{5} - 33 \right)$$

$$= 0.10909 (105.8 + 8) - 3$$

$$= 31.3197$$

Decision

Since the calculated value of 31.3197 > X² table 3.841, we reject the null hypothesis and accept H₁ the alternative hypothesis. This implies that strategic planning help better organizational performance. This finding was supported by the view of Ezeokorkwo (2010) who stressed that strategic planning improved organizational functioning. Strategic planning helps an organization to be precise formulating its purpose missing and objectives. This situation helps organizations to pursue local and realistic objectives. These situations improve functioning of an organization. Organization that formulates ambiguous objectives may be wasting enormous resources in implementing growth and broadly based business strategies that lack common threat in strategy formulation.

Table 3: Strategic planning and better organizational performance

Response	Frequency	Percent
Strongly Agree	30	50
Agree	24	40
Undecided	3	5
Strongly Disagree	2	3.33
Disagree	1	1.67
Total	60	100

Source: Field survey, 2015

Table 4: Sample of group

Frequency	Percent
8	10
7	9
4	6
3	5
1	2
Total R₁ = 23	32 = R₂

Source: Field survey, 2015

$$= \frac{12}{10(10+1)} \left(\frac{23^2}{5} + \frac{32^2}{5} - 3(10+1) \right)$$

$$\frac{12}{110} \left(\frac{529}{5} + \frac{1024}{5} \right) - 33$$

$$= 0.1090 (105.8 + 204) - 3$$

$$= 95.123$$

Decision

Since the calculated value of $95.123 > X^2$ table 3.841, we reject the null hypothesis and accept H_1 the alternative hypothesis. This implies that strategic planning contribute to organizational survival.

This is supported by the view of Agbonifoh et al (2008) who stressed that through strategic planning an organization is able to understand its major role in the society and this is its legitimacy to exist in the society with ultimate recognition by the tasks environment. When an organization understands its role and business mission, its natural extension through the components of strategy and its overall concepts clearly, such organization can develop a sense of direction and purpose. It has reduced the level of uncertainty to certainty. This situation can improve organizational survival.

Conclusion

The study examines the impact of strategic planning on organization performance-A study of selected manufacturing firms in Delta State, Nigeria. The study revealed that there is positive and significant relationship between strategic planning and better organizational performance. There is also a significant relationship between strategic planning and organization survival.

To conclude strategic planning is imperative for better organization performance and survival.

Recommendations

In view of the findings and conclusion of the study, the following recommendations were proposed for effective implementation of strategic planning in organizations.

1. Having discoverer that organizational performance and survival is a function of strategic planning, organizations should accord priority attention to the elements of strategic planning for example, having a documented mission statement, a future picture (vision) of the organization.
2. Organizations should establish core values of conduct, set realistic goals, establishment of long term objectives this has to be measurable and specific.
3. The development of action (strategic) plans and its implementation and adequate follow-up.
4. Organizations should make adequate environmental analysis that is both the internal and external analysis, this can be done through the SWOT analysis which indicates the organizations strengths, weaknesses, opportunities and threats.
5. Suitable organizational structure must be developed for the strategic planning.
6. Organization must undertake strategic planning adaptable to the organizations.
7. Motivation of staffs to elicit their support.
8. Undertaking planning and decisions making which are opportunistic in nature that is every situation must be exploited as opportunity.

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