

# Strategic Planning and Performance of Enterprises in Nigeria

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**Abstract:** - Regardless of the relevance and applicability of strategic planning practice to business organisation, the literature indicates very few studies have attempted to investigate the effect of strategic planning practice on the performance of enterprises mainly the relationship between strategic planning practice and performance of entrepreneurs. The literature suggests that there is not only limited information on the strategic planning practice of Enterprises but also little research in this important area of study. By using structural questionnaires, the data for the study were collected from 52 Enterprises. The findings of the study indicate a significant positive relationship between strategic planning practice and performance of Enterprises. The result of the study seems to demonstrate that the practice of strategic planning in Enterprises will not only be to improve their financial performance but also to increase its non-performance as well.

**Keywords:** Strategic planning, Enterprises, Performance.

## I. INTRODUCTION

Strategic planning practice has gained much recognition and acceptance as sound management practice as well as a process for improving organisational performance not only in the financial institutions but also business organisations at whole. Over the years, practitioners, consultant and scholars focus more intensively on strategic planning practice due to the pressure that require the financial institutions to offer better and new services to their clients. Strategic planning practices do not only improved organisational performance, but also found that managers that practice strategic planning with greater passion outperformed those that planned with less passion.

Even though a strategic planning practice has received much attention in recent years, but limited research emphasis has been given to investigate its relationship to organisational performance. The literature reveals limited empirical studies have attempted to examine the relationship between strategic planning practice and organisational performance, specifically among Enterprises in the Nigerian context.

More specifically, the review of the previous studies appear to suggest that pas studies primarily addressed issues such as corporate governance, intellectual capital, information, communication and technology (ICT) adoption, capital structure, and poverty reduction through entrepreneurship (Abraham & Balogun, 2012; Amoo & Kolawole, 2015; Augustine, Wheat, Jones, Baraldi, & Malgwi, 2016; Chinasa, 2015; Ene & Inemesit, 2015; Kamukama, Ahiauzu, & Ntayi, 2010; Okafor, 2016; Paul & Emesuanwu Catherine

Ebelechukwu, 2015; Solomon, Juliana, & Antonia, 2016; Tadele & Rao, 2014; Taiwo, Agwu, Aregan, & Ikpefan, 2016; Umar, Tanveer, Aslam, & Sajid, 2012). But neglect the factors that influence the performance of enterprises, specifically the influence of strategic planning practices on performance of such organisation. Based on this information and research gaps, the paper is presented in five sections. The following Section Two is literature review. Section Three is research methodology. Section Four is the result. Finally, Section Five presents discussion and conclusion of the paper.

## II. LITERATURE REVIEW

Evidence from the literature suggests that strategic planning practice can help organizations to achieve superior performance. For instance, findings of past studies have indicated that the adoption of strategic planning practices can result in better organizational performance (W. Hopkins & Hopkins, 1997; Pawliczek & Kozel, 2015; Rezamand, Zeinali, & Asadi, 2015).

Strategic planning can be described as the process of using systematic criteria and thorough examination to formulate, implement, and control strategy, and properly document organization expectations (Mintzberg, 1994; Pearce & Robinson, 1994; Ridwan, 2015).

Previous study by Hopkins and Hopkins (1994) shows that banks that practice strategic planning with greater passion (whether the process was informal or formal) outperformed those banks that planned with less passion.

The study by Hopkins and Hopkins (1997) further indicated that the relationship between strategic planning and performance is a reciprocal in nature the strategic planning causes superior performance and, in revolve, the superior performance causes better strategic planning intensity.

With regards to the organisational performance, in measuring the performance of an organization, it is necessary to identify as well as know its primary objectives. Organizations establish their primary objectives based on their business mission or the purpose they are created. Once the organizations have determined their specific objectives, they need to work on how best to achieve all of their objectives in a given period of time (Drucker, 1977).

Although the literature reveals that different organizations in different industries and countries tend to emphasize on different performance measurement, findings of past studies

indicated that financial profitability and growth to be the most common measures of organizational performance.

For instance, the earlier study by Nash (1993) claimed that profitability is the best indicator to measure whether an organization is performing. According to the author, profitability can be used as the primary measure of organizational success. Doyle (1994) further considered profitability not only as the most common measure of performance but also claimed that western companies primarily used profitability measures to determine the extent to which their companies are performing.

However, in the case of Enterprises, practitioners and researchers agree that these firms need to adopt different measures of organizational performance. As social business, Enterprises have both financial as well as social objectives. Given this, the performance of Enterprises should be measured by using not only financial but also non-financial or social measures (Thomasa & Kumara, 2016).

Enterprises have different organizational objectives as compared to the nonprofit making. Their organizational objectives are not only confined to financial profitability but they also include sustainability. The need to measure the performance of Enterprises by using both financial and non financial also been supported by organizations such as the Consultative Group to Assist the Poor (CGAP), The Small Enterprise Education and Promotion Network (SEEP) and the impact network organization (Mustafa & Saat, 2013; Thomasa & Kumara, 2016).

### III. RESEARCH METHODOLOGY

The data for this study was collected through structural questionnaires. The structured questionnaires were addressed to the Managing Director/CEO, General Managers and Senior Managers of the Enterprises as the respondents. However, of the 80 Enterprises, only 52 completed and returned the questionnaires.

The structured questionnaire used in this study comprised three sections. In the first section, nine items were used to generate information regarding the background of the respondent. The 35 items in section two attempted to collect information regarding the features of the Enterprises. Section three has 113 items that focuses on the management practices of the Enterprises.

In the section three, the seven items used to measure strategic planning practices. Four items were used to measuring the performance of the Enterprises. Two of four items measure financial performance and the remaining two items measure social performance. The data for measuring the performance was collected for over a period of three years. The strategic planning practices were rated by using a five numerical scale ranging from "Strongly disagreed" (1) to "Strongly Agreed" (5).

This study used the Least Squares Structural Modeling (PLS-SEM) to analyze the data collected as well as to test the hypotheses of the study. The first part of the data analysis involved descriptive statistics. This involves determining the percentages, means, modes, standard deviations, minimum and maximum value of the items used in collecting the data for the study. In the second part, the partial least squares (PLS) regression modeling was used for testing the research hypotheses. The PLS analyses used in this study involves the assessment of measurement as well as the structural models. The following section briefly describes the statistical procedures used in this study.

In the PLS regression analysis, assessment of measurement model was required for testing hypotheses. The assessment of measurement model in this study involves examining the individual item reliability, ascertaining internal consistency reliability, ascertaining convergent validity as well as discriminant validity. More specifically, this method was employed for testing the reliability and validity of the items and the focal variables used in this study.

As shown in the results, the loading of all items is greater than 0.70 and the composite reliability value (CRV) of all constructs is greater than 0.70. The Average Variance Extracted (AVE) values of all constructs are also greater than 0.50, ranging from 0.520 to 0.665. The Composite Reliability (CR) values ranged from 0.759 to 0.959 Taken together, these results statistically fulfilled the convergent validity criteria recommended by Hair et al. (2011). In addition, **Error! Reference source not found.** shows that the Cronbach's Alpha scores of all the items are higher than 0.70. The scores ranged from 0.825 to 0.955. These results also suggest the reliability of the measures used in the study.

Having ascertained the measurement model, the study assessed the structural model. The assessment of the structural model involve the assessment of significance of path coefficients, the determinant of level of  $R^2$  values, the assessment of the effect size, the assessment of predictive relevance as well as the assessment of the moderating effect. In the assessment of significance of the path coefficients, the study applied 5000 bootstrap samples and 121 cases as required by the standard bootstrapping technique (Hair, Hult, Ringle and Sarstedt, 2014).

### IV. THE RESULTS

#### *Strategic Planning practice*

Strategic planning practice variable in this study were measured based on 11 items. The items are set on five point scale ranging from strongly disagree to strongly agree. The respondent in this research indicated the extent of their strategic planning practice in their organisation. Table 2 shown the mean and standard deviation score of each item for strategic planning practice.

Table 2 Strategic planning practice

Item	Mean	SD
Strategic plan	3.87	0.645
Business vision	3.87	0.706
Business mission	3.85	0.615
Stating objectives	3.9	0.663
Internal environment assessment	3.85	0.715
External environment Analyses	3.67	0.735
Strategy formulation	3.83	0.699
Strategy implementation	3.87	0.718
Performance assessment	3.64	0.753
Strategy evaluation	3.86	0.636
Strategy control	3.9	0.688

*Performance*

In this study, the average of the performance is used to assess the performance of the Enterprises. The performance measures consist of profit increase, customers increase, employees increase, and general performance increase for the period of three years. The respondents are requested to provide the actual performance figures. The average were

computed using the figures provided. Table 3 shown the minimum, maximum, mean, and standard deviation scores for the average of performance in Naira.

Table 3 Performance measures

Item	Mean	SD
Profit increases	3.54	0.745
Customers base increase	3.11	0.506
Increase in employees	3.83	0.515
Increase in general performance	3.93	0.693

*Relationship Between Strategic Planning Practice and Performance*

Table 4 below presents the regression results between the business practices and the performance of the 121 Enterprises that participated in the study. The results indicate that there were positive significant relationship between business practices and the performance. Specifically, the regression between strategic planning practice and the performance of Enterprises. The results ranged from ( $\beta = 0.155$ ,  $t = 3.316$ ,  $p < 0.001$ ).

Table 4 Regression between strategic Planning Practice and Performance

Hypothesis	Beta	Standard Error	T-Statistics	P-Value	Decision
H: SPP -> P	0.175	0.067	6.116***	0.000	Supported

Note: \*\*\* $P < 0.01$ , \*\* $P < 0.05$ , \* $P < 0.1$

The result of the regression analysis appears to provide some support for the hypothesis that the greater the application of the practice of strategic planning the high will be the performance of the Enterprises.

As far as strategic planning is concerned, the results suggest the Enterprises in the study emphasized on this business practice. As shown in Table 2, the results indicated that 92.0 percent (mean score of 3.82 and standard deviation of 0.57) of the 52 Enterprises had at least given some attention to the strategic planning in their institutions.

V. CONCLUSIONS

This study attempted to examine the relationship between strategic planning practice and performance of Enterprises. At general level, the results of the regression analyses as presented in table4 indicate significant positive relationship between strategic planning practice and performance of Enterprises. The result of this study provides some empirical evidence that suggest positive relationship exists between strategic planning practice and the performance of Enterprises.

These findings add support to previous studies that suggest positive relationship between strategic planning practice and performance of Enterprises. This finding is consistent with the earlier observations made by Bracker (1982), Bracker and Pearson (1986), Covin and Slevin (1989), Pleitner (1989) and Shrader et al. (1989) as well as the previous studies by Auka and Langat (2016), Dibrell, Craig and Neubaum (2014) and Kylaheiko et al. (2016).

The findings of the present study also suggest the theoretical relevance of strategic planning to the study of Enterprises. Strategic management theorists such as Gilmore (1966 and 1971), Tourangeau (1981), Curtis (1983), Hunger and Wheelen (1993 and 1995), Scarborough and Zimmerer (1993,1996 and 1998) and David (1993 and 1999) have long acknowledged the theoretical relevance as well as the applicability of strategic management to Enterprises .

The results of this study support findings of previous studies that found positive relationship between strategic planning practice and performance ( Hopkins & Hopkins, 1997; Pawliczek & Kozel, 2015; Rezamand et al., 2015). The findings of the study further appear to correspond with the general view presented in the literature that suggests the

connection between strategic planning practice and organisational performance. The result of the study seems to demonstrate that the practice of strategic planning in Enterprises will not only be to improve their financial performance but also to increase its social performance as well.

This study offers implications for owners and managers of Enterprises. The study is able to demonstrate that the strategic planning practice improves the performance of Enterprises. Without this strategic planning practice, Enterprises cannot function proficiently and successfully.

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