

IMPACT OF STRATEGIC PLANNING ON ORGANIZATIONAL PERFORMANCE: A STUDY OF UNILEVER NIGERIA PLC AND MAY & BAKER NIGERIA PLC.

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This study examined the impact of strategic planning on organizational performance using a study of selected manufacturing organizations in Lagos, Nigeria. It appraises the effect of the concepts on the Nigerian manufacturing industry, using Unilever Nigeria Plc. and May & Baker Nigeria Plc. as case studies. A sample size of one hundred and seventy-one (171) respondents was used in this study, which was determined using Yards formula. The objectives of the study are to examine how external orientation influences the market share of an organization. To ascertain that internal orientation leads to improved market share of an organization. To determine how functional areas coverage in planning affects sales volume. To investigate if resources provided for the strategic planning affect sales volume. To determine the role of organizational culture in moderating the correlation between strategic planning and organizational performance. Research questions were set alongside five (5) hypotheses that were formulated and tested, descriptive statistics comprising the simple percentage and tables for a detailed presentation were used. The correlation and regression analysis were adapted for this study. The findings reveal that there is a positive relationship between the use of strategic planning and organizational performance in today's corporate environment. The researcher concluded by recommending that top management should be more active in the strategic planning process for attainment of set organizational objectives which will in turn facilitate the growth and development of organizations in Nigeria. It was also recommended that it is necessary for organizations to pay close attention to the environment in which they operate in and take it into full consideration when formulating and implementing strategic plans.

Keywords: strategic planning, organizational performance, organizational culture.

1.1 INTRODUCTION

The economic state of affairs is characterized by a competitive and unpredictable business environment which potentially affects the long term organizational performance and survival of businesses. The downward slope in performance, experienced by a major proportion of Nigerian businesses can be traced to but not limited to factors like; poorly defined corporate strategy, human resource challenges, poor financial management, and policy inconsistencies.

capital would likely boost economic growth, development and productivity [1]. It has been observed that there might be a relationship between corporate strategy and performance [2].

Strategic planning implies the performance to be measured while organizational performance measurement provides the feedback that keeps the strategic plan on the right track. Organizational performance is used to keep track on the performance of an organization against its strategic plan and specific performance goals. The consensus amongst scholars is that strategic planning is the process of using systemic criteria and thorough investigation to formulate, implement, evaluate, control, amplify strategy and formally document organizational intentions alongside expectations [3].

Nonetheless, there are certain problems highlighted in this research that may hinder strategic planning in the Nigerian manufacturing context, some of which include; the power challenge which is one of the greatest single problems (manufacturing) organizations face in Nigeria to the extent that some organizations are forced to quit business in Nigeria and relocate to other African countries. The unsteady nature of electricity in the country is the single most important factor that affects prices of goods and services. Several attempts

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Downfall of the many organizations in Nigeria, a trend that is now becoming common now threatens the fabric of national economy. Hence, investing in infrastructure and human

have been made to address the problem of low-productivity which has been a long standing concern in Nigerian organizations [4]. Consequently, due to poor leadership, most Nigerian organizations have recently suffered distress financially. This is owing to inability of leaders or managers in the various organizations to manage the vision for the desired results. The problem of leadership in organizations is as a result of the reluctance or inability of leaders to rise to accept responsibility, which is the hallmark of leadership [5]

Nigerian organizations continually face scarce resources, or low quality resources. Resources especially human resources is complex and difficult to manage because the individuals as workers hardly adjust or voluntarily embrace the objectives of the organization. As individuals, the employees have needs, aspirations, motivations, desires and interests which influence their behavior at work but unfortunately these are sometimes in conflict with organizational objectives [6]

1.2 Objectives of the study

The general objective of this study is to investigate the impact of strategic planning on organizational performance.

- I. To examine that external orientation influences the market share of an organization.
- II. To ascertain that internal environmental orientation leads to improved market share of an organization
- III. To determine how functional areas coverage in planning affects sales volume.
- IV. To investigate if resources provided for the strategic planning affect sales volume
- V. To determine the role of organizational culture in moderating the relationship between strategic planning and organizational performance.

2.0 Literature Review

Strategic planning is a systematic process that involves predicting a desired future and interpreting this vision into broadly defined goals and sequenced steps to achieve them [13]. If strategic planning is practiced in an organization and properly implemented, then, challenges from the external environment faced by the organization will be curbed adequately and solutions will be proffered efficiently and effectively with speed (Vermeulen, 2001). There are external factors that can affect an organization, therefore, strategic planning process can be implied to create a balance between the product and technology of the organization in relation to the changes or demand in the market [9]

The process of strategic planning is the backbone of a successfully designed plan. It can be approached holistically by focusing on broad goals, such as assessing the needs,

scanning the organization, developing targets and implementing ideas [10]

Strategic planning and organizational performance

Organizational performance can be defined as an organization's ability to obtain and maximize its scarce resources and valuables as possible in the quest of its operational goals, whilst strategic planning is a progressive tool that managers should be engaged in. If strategic plan is accessible and well executed, organizations will have minute or no challenge in handling external changes [11] For organizations to survive, they ought to operate successfully with forces present in the environment that are unstable and uncontrollable which can have a great effect on decision making process.

Leadership and strategic planning

Leadership is the process of influencing people to work together towards achieving a group or organizational goals. It can also be defined as the ability to evaluate and or forecast a long term plan or policy and influence the followers towards the achievement of the said strategy. Strategic planning can help leaders and managers in organizations think, learn and act strategically. Managers are critical to executing daily activities and leaders are critical to motivating employees and guiding the organization's long-term direction. Some of the leadership traits include: desire to lead, honesty and integrity, self-confidence, emotional stability, cognitive ability, knowledge of the business and drive [12]

Human Capital and strategic planning

In order for HR to have an impactful significance on an organization's value creation, it has to expand its administrative role. It is the human capital that coordinates all other aspects of an organization. Thus, the HR department has the responsibility to ensure that the human resources is aligned effectively with selected organizational strategy. In order to properly capitalize on this leverage, organizations need to adopt a whole new perspective of HR [13]. [14] discovered investment in human resource activities results in increased organizational performance through the impact they have on employee skill development and motivation.

Organizational culture: a moderator between strategic planning and organizational performance

Organizational culture is defined as the assumptions, beliefs and values that members of a group in an organization are guided based on the rules and regulations, leadership styles, administrative procedures and customs [15] The behaviors of people in an organization both shape and are shaped by its culture Organizational culture is virtually the personality of

an organization, the values it lives by, its norms and its processes.

Resource Based View Theory

Resource-based theory explains the view that valuable, expensive to imitate organizational resources and capabilities provide the primary sources of sustainable advantage. According to [16] resources are the assets, which could be either tangible or not, and are linked to the organization semi-permanently. In a practical demonstration, the resource-based view concentrates on minimizing the cost of resources, with a certain level of profit given. A common interest that is best treated by the resource based view, referred to as the "sustainability of the competitive advantage," which was also titled by [17] as the "capability differential," which can be understood as maintained for a significantly long period. Moreover, the core idea of the resource based view is the analysis of an organization's internal strengths and weaknesses.

An organization therefore, should exploit existing business opportunities by using the present resources while developing and generating a new set of resources to sustain its competitiveness in the future market environments. There is always high uncertainty in the environment and for organizations to survive and stay ahead of competition, new resources become mandatory [18] Strategic planning process will provide the organization the needed opportunity to analyze the environment effectively and be able to prepare for any eventuality that may affect the plans and thence, negatively affect the organizational performance [21]

Empirical Framework

Babatunde and Adebola (2012), in their findings revealed that organization management pay more attention to environmental scanning and as such leading to positive organizational performance. They conclude that there is relationship between strategic environmental scanning and organization performance. The external environmental force has positive impact on organization performance. Thus, the use of strategic environmental scanning in seizing opportunities and avoiding threats and it leads to organization profitability. They also pointed out that the change in organization market share is caused by variation in environmental scanning. They thus recommended that organizations should endeavor to train and retrain their employee in areas of environment, so as to create a conducive working environment of the organization. Also, the management of the organization should continue to take environmental forces seriously as a way of controlling the impact of environment instability.

[19] reveal from their research carried out, there is a significant relationship between workers involved in strategic planning and how effective the plan will be. They further

discuss that strategic planning is vital for ensuring consistent improvement in corporate performance and only those organizations that practice some form of strategic planning will survive. They revealed that the university is also a part of the global economy and should not be exempted from what is happening and therefore should not feel it is not important to embark on strategic planning process. They discuss that the results from their research will help university management to see that strategic planning has a positive impact on corporate performance and therefore, it is necessary to carryout strategic planning. The university system can benefit from strategic planning in the long run and their output, the students are the ones to project the image of the institution. By planning, universities can have enough grants for researches which was put together, will ensure universities in Nigeria are ranked among the best in the world.

[22] strategic planning is a useful tool of help in managing the enterprise, especially if the strategy and strategic plans can be successfully deployed throughout the organization. Thinking and managing strategically are important aspects of senior managers' responsibilities. All these are part of what it takes to manage the enterprise. None of them is sufficient. This is because for no other reason, there is usually an existing book of business to manage. For most established organizations, this can easily amount to 80% of the action. Thus, strategic issues, regardless of their importance, typically consume no more than 20% of the organization's resources. "The strategy wheel gets the executive grease." Senior management should focus on the strategic issues, on the important issues facing the business as a whole, including where it is headed and what it will or should become.

From the findings of the various authors, organizations operate in an inevitable environment, thus, they must pay rapt attention in order to maximize the opportunities and benefits that are available and minimize the threats existing in the environment. The main aim of engaging in business is to meet consumers' needs and achieve competitive advantage over other organizations and this can be achieved through effective strategic planning in the organization. Organizations that seek to achieve positive organizational performance need to train employees on sensitivity to the external environment and in return work together as a team to attain strategies. Strategic planning that is thoroughly followed up and effectively implemented has a high probability to effect the desired growth and development that is worked toward. It has been concluded also, that there is a positive relationship between strategic planning and organizational performance.

Hypotheses Development

[23] observed that the precise managerial roles contribute to acquainting the organization to environment. Organizations

adopt strategic planning when the complexity and instability of the business environment is heightened. [24]

H1: There is a significant relationship between external orientation and market share.

Structural issues that are related to company size (number of employees), age (years) and through aspects meant to identify the organization, in reference to flexibility and adaptability of functions and positions [25] emphasizes on internal orientation. [26] studied the relationship between innovation and performance, using Sony as an example, a leader in innovation that has significantly increased market share through means of diverse new products to clients. In addition, most often, management decisions may generate feelings of anger, frustration, grievance and distrust among employees that may contribute to a potentially detrimental effect on the general organizational performance [27]

H2: Internal orientation affects the market share of an organization.

During the implementation phase of the strategic planning, there must be synergy between all the functional areas of the organization, all workers and members of the organization must partake in the process, because this is likely to guarantee success [4]. Organizational members are connected in such a way that the exchange of information throughout the organization is highlighted to show the significance and value of personnel within the context of an organization. Communication process produces similar perspectives grounded in two forms, which are; common views on performance and shared views as regards the organization. The performance aspect relates to specific actions taken by specific people as part of the routine. This can be exemplified by a strategic planning and business development department, which sends out guidelines to its business units that will enable them to contribute [28]

H3: Functional coverage in planning enhances sales volume.

Resources are required for the implementation of strategies or processes. In order for the most important phase of strategic planning to be executed successfully. It is highly mandatory that the organization ensures that all the necessary resources required are provided and managed effectively to avoid wastage and misuse rather, they each resource provided must be fully utilized. The strategic planning process is one of the internal processes that is often scrutinized by external consultants. Some organizations admit to using external resources to develop, change or correct its planning process [29]. In addition, HR assembles other resources in the right manner to formulate appropriate strategies for the accomplishment of the desired objectives of the organization [30]

H4: Resources provided in planning leads to improved sales volume

Hypothesis Five

Organizational culture is virtually the personality of an organization, the values it lives by, its norms and its processes. The elements of an organization's culture will determine how much employees throughout an organization are aligned to the strategic plan, how much they support it with their actions and thus, the degree of its success. Originally the movement of culture described the rituals, myths, languages, values, beliefs and practices of distant people that are often in unusual places.

H5: Organizational culture moderates the correlation amid strategic planning and organizational performance.

3.0 Methodology

Descriptive survey method was adopted in carrying out this study. Data were obtained through the use of questionnaires. The population for this study is 480 and 520 employees of Unilever Nigeria Plc, Ikeja and May & Baker Nigeria plc. Ikeja. Yard formula was used to determine the sample size which was rounded off to 200 respondents duly for the above listed companies. However, for the purpose of this research study, the non-probability sampling technique was adopted. Which is judgmental sampling, such that the managerial staffs and permanent staffs are the main focus observed. The self-administration of questionnaires was adopted by the researcher and collected on the basis of individualism.

4.0 Data Analysis

Test of Hypotheses

H1: There is no significant relationship between external orientation and market share.

Table 4.30. Correlations

| | | External orientation | Market share |
|----------------------|---------------------|----------------------|--------------|
| External orientation | Pearson Correlation | 1 | .173(*) |
| | Sig. (2-tailed) | | .024 |
| | N | 171 | 171 |
| Market share | Pearson Correlation | .173(*) | 1 |
| | Sig. (2-tailed) | .024 | |
| | N | 171 | 171 |

* Correlation is significant at the 0.05 level (2-tailed).

Table 4.33. Coefficients (a)

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | |
|---------------------|----------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | B | Sig. |
| 1 | (Constant) | 2.590 | .368 | | 4.479 | .000 |
| | Internal orientation | .369 | .082 | .328 | 2.622 | .010 |
| R | | .328(a) | | | | |
| R ² | | .108 | | | | |
| Adj. R ² | | .103 | | | | |
| F | | 20.435 | | | | |
| Overall sig. | | 0.000(a) | | | | |

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------|----------------------|-----------------------------|------------|---------------------------|-------|------------|
| | | B | Std. Error | Beta | B | Std. Error |
| 1 | (Constant) | 2.590 | .368 | | 7.041 | .000 |
| | Internal orientation | .369 | .082 | .328 | 4.521 | .000 |

a. Dependent Variable: Market share

Table 1 shows that the simple coefficient correlation between external orientation and market share is 0.173 values indicating a significant relationship ($p < 0.05$). Thus obtained from the table ($r = 0.173$, $P < 0.05$, $n = 171$). The Pearson correlation of $r = 0.173$ therefore it signifies

Hypothesis Two

For the second hypothesis test, we attempted to find out the extent to which internal orientation affected a firm's market share and it was investigated through linear regression model. The model of the effect of internal orientation explained the extent to which it affects market share as 10.8% (0.108) at 0.000 level of significance. Therefore the null hypothesis was rejected.

Hypothesis Three

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 4.294 | .310 | | 13.862 | .000 |
| Sales volume | -.096 | .072 | -.102 | -1.339 | .18 |
| R | .102(a) | | | | |
| R ² | .010 | | | | |
| Adj. R ² | .005 | | | | |
| F | 1.792 | | | | |
| Overall sig. | 1.82(a) | | | | |

The third hypothesis testing disclosed that functional coverage in planning enhances sales volume which was investigated using linear regression model. The model of the effect of functional coverage in planning explained the extent to which it affects organizational sales volume as 10.2% (0.102) at 0.000 significant level. Therefore the null hypothesis was also rejected.

Hypothesis Four

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|--------------------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 3.662 | .254 | | 14.420 | .000 |
| Resources provided in planning | .156 | .065 | 1.81 | -1.339 | .18 |
| R | .181(a) | | | | |
| R ² | .033 | | | | |
| Adj. R ² | .027n | | | | |
| F | 5.745 | | | | |
| Overall sig. | 0.18(a) | | | | |

The fourth hypothesis analysis revealed that resources provided in planning does not lead to improved sales volume

and it was investigated using linear regression model. The model explained the extent to which resources provided in planning increases sales volume as 3.3% (0.033) at a significance level of 0.18 thus the null hypothesis will be accepted.

CONCLUSIONS/ RECOMMENDATIONS

From the overview of the research literature and analysis it is hence realized that organizations that practice strategic planning unavoidably incorporate external orientation, internal orientation and resources provided in planning, into their organizational activities. Subsequently the notion that organizational performance is the yardstick for sales volume and market share is accurate in conjunction with the fact that organizational culture creates a balance between strategic planning and organizational performance. However, organizational culture has been identified in the literature review as a significant component of organizations' success.

Based on the findings the following recommendations are proffered:

- External environmental orientation should be encouraged and thoroughly considered in organizations, which can be achieved through situational analysis for strategic planning.
- Organizational members should carefully manage resources in ways that do not jeopardize future opportunities by clearly clarifying the objectives of each task.
- Top management or executives should pay more attention to the strategic planning process, make necessary contributions and support in order to achieve goals and objectives.
- Top management should make sure at every point in time employees are carried along in strategic decision making of the organization at functional areas of the organization as these increases the confidence of employees thereby working towards enhancing organizational performance
- The need for strategic planning should be properly reviewed throughout the organization and the process continually reviewed.

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