RELATIONSHIP BETWEEN STRATEGIC PLANNING AND ORGANIZATIONAL PERFORMANCE: A CASE OF KENYA WATER INSTITUTE

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Abstract: The study sought to determine relationship between strategic planning and performance of Kenya Water Institute, Kenya. The study was guided by resource based theory and it posited a conceptual framework in which strategic planning was the independent variable, organizational performance the dependent variable. A correlational survey design was employed with population drawn from management and teaching staff in all the four campuses of Kenya Water Institute. The results showed that the correlation between developing mission and vision, drawing and implementation of strategic plan and resource allocation with growth and expansion and revenue generation were positive and significant with correlation coefficients of 0.675, 0.611 respectively. On the other hand, the correlation between developing organizational mission and vision, drawing and implementation of strategic plan, Resource allocation and the two constructs of organizational performance were positive and significant with correlation coefficients of 0.553, and 0.497 respectively, P<0.01. This implied that if the organization develops its mission and vision well, draws and implements its strategic plan, it will have a positive improvement in performance. The study recommends that KEWI should engage in more strategic planning practices in order to realize consistent improvement in performance.

Keywords: Strategic planning, Strategy, Mission, Vision, Organizational performance

INTRODUCTION

Strategic planning is an approach used by managements of organizations and it involves a set of decisions and actions established by managers of the organization to provide organizational long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the prevailing internal and external circumstances, and undertake to execute, monitor and control the chosen plans (Pierce & Robinson, 2007). It is a management technique intended to identify the strengths and weaknesses of the organizations, the challenges and opportunities facing it, and its vision of the future and how it will seek to achieve that vision. Harrison (1996) emphasizes that strategic planning and decision making is one of the most important aspects any manager will undertake in business. Strategic planning focuses on the organization’s long term goals, assesses its capabilities to achieve those goals, examines environmental factors that may affect the organization, and identifies strategies designed to move the organization forward.

The success of an organization will to a large extent depend on how well its strategists consider, address and outline proper approaches that will lead to solutions of the above strategic business questions. Strategic Planning assumes that an organization must be responsive to a dynamic and ever changing environment (Hussey, 1998). Claudio (1999) argues that strategic planning practice is a game plan that sets specific goals and objectives but unlike a game plan, it is capable of being changed in response to shifting market dynamics.
It is a process by which top management determines the long term direction and performance of the organization by ensuring careful environmental scanning and designing and selecting appropriate strategies that would give the organization a sustainable competitive advantage.

Strategic planning as a process helps organizations in making better strategies through the use of more systematic, logical, and rational approach to strategic choice and brings about understanding and commitment from all managers and employees (Thompson, 2007). When managers and employees understand what the organization does and why, they often feel a part of the organization and become committed to assisting it. The commitment usually makes the managers and employees surprisingly creative and innovative towards the achievement of the organizational goals and objectives. Besides helping firms avoid financial demise, strategic planning offers other tangible benefits, such as enhanced awareness of both external and internal threats, an improved understanding of competitors’ strategies, increased employee productivity, reduced resistance to change, and clearer understanding of performance-reward relationships. With a strategic approach the managers and employees of a firm will be in a position to view change as an opportunity rather than a threat (Greenley, 2000).

Strategic planning helps the organizations by first outlining the future organizational position or dream (vision) then defines the purpose of the organization (mission) and establishes realistic goals, objectives and detailed schedules (plans) consistent with the mission in a defined time frame within the institution’s capacity for implementation. It communicates those goals, objectives and plans to the institutions’ constituents and develops a sense of ownership of the plans, ensures that the most effective use is made of the available organization’s resources by focusing the resources on the key priorities. It also provides a base from which progress can be measured and establishes a mechanism for informed change when needed, brings together everyone’s best and most reasoned efforts, have important value in building a consensus about where the institution is headed for today and in future.

A major benefit of strategic planning in higher educational institutions is that it lends stability to the organization in spite of increasingly frequent leadership changes (Simmons and Pohl, 1994). They further noted that the average length of leadership tenure has declining sharply with each year. Their observation was that strategic planning practice creates a broad decision-making group by actively involving middle and operational levels of management. By pushing decision-making down, a system for strategic planning practice can help the organization maintain a core purpose during times of changing leadership. Simmons and Pohl also pointed out that a broadly-based participative strategic planning practice can actually make the most of the frequent leadership changes by coupling a new leader’s external perspective with a stable core internal group that is committed to mutual goals and a shared vision of a successful future.

Keller, (2000) argues that traditional financial resources for the support of higher education are not likely to increase in the future due to dwindling capitation from the exchequer. Cut-backs are the norm in educational financing in institutions of higher learning yet demands for services continue to expand. Strategic planning is expected to give the higher learning institutions the opportunity to chart their own course and to focus on the future financial sustainability. Jurinksi (1993) calls strategic planning an intellectual exercise. As such, the process is uniquely, suited to higher education.

It can be perceived from strategic management literature that strategic planning is an effective way of improving corporate performance. Empirical literature on the subject reveals a more diverse picture. The results are not equivocal; some studies show that there is a positive relationship between strategic planning and organization performance (Hopkins & Hopkins 1997), while others show that the relationship is inconclusive.
(Fulmer & Rue 1974; Kallman & Shapiro 1978; Gable & Topol 1987; McKiernan & Morris 1994). Others again show that the relationship is negative (Sheehan 1975; Fredrikson & Mitchell, 1984; Whitefield & Gu 1985). These mixed results make it difficult to predict how strategic planning can actually relate with performance of higher institutions of learning like Kenya Water Institute.

**LITERATURE REVIEW**

**Resource-Based Theory of Strategic Planning**

Resource based theory at business level is used in explorations of the relationships between resources, competition, and profitability including the analysis of competitive imitation, the appropriatability of returns to innovations, the role of imperfect information in creating profitability difference between competing firms, and the means by which the process of resource accumulation can sustain competitive advantage. Together, these contributions amount to what has been termed “the resource-based view of the firm.” However the implications of this “resource-based theory” for strategic management are unclear for two reasons. First the various contributions lack a single integrating framework. Second, little effort has been made to develop the practical implications of the theory. This theory proposes a framework for resource-based approach to strategy formulation which integrates a number of key themes arising from strategic planning literature. The framework involves five-stage procedure for strategy formulation; analyzing the firm’s resource-base; appraising the firm’s capabilities; analyzing the profit-earning potential of firm; selecting a strategy, and extending and upgrading the firm’s pool of resources and capabilities for results in performance (Rumelt, 1984).

**The Concept of Strategic Planning**

Strategic planning is an approach used by management of organizations that involves a set of decisions and actions established by managers of the organization to provide organizational long-term direction, set specific performance objectives, develop sets of activities to be carried out, in a given time frame, to achieve these objectives in light of all the relevant internal and external circumstances, and undertake to execute, monitor and control the chosen plans (Pierce et al., 2007). It is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does and why it does it (Bryson (2004). It plays a crucial role in explaining how organizations both private and public put policies into practice and define clear objectives (Bebbington, 2007).

Strategic planning is older in the private sector, where it started during the second half of the nineties, facing alternating levels of popularity (Porter, 1996). In the public sector, strategic planning started to gain attention in the 1980’s (Bryson et al., 1988). The objective has been to manage changing and complex environments (Bracker 1980) in scarceness of resources and increasing competition in provision of services (Worral et al., 1998). Until the early 1980’s strategic planning practice was applied to military strategy and practice of statecraft on a grand scale (Bracker, 1980; Quinn, 1980). In 1982, research started owing to promote its application to the broad range of public and not-for-profit sector organizations (Olsen & Eadie, 1982).

**Review of Study variables**

Strategic planning entails environmental analysis, internal analysis, vision, mission, setting objectives, designing and selection of strategies (Pears et al., 2004). In institution of higher learning, different strategic planning practices are undertaken as discussed below:-
Strategic Planning and Organizational Performance

It is conceptualized that firms that have effectively embraced strategic planning, record better performance compared to those that have not. David (1997) argues that firms’ record improved performance once they effectively embrace strategic planning. Carrying out the various steps in the strategic planning process is expected to facilitate the realization of organizational effectiveness. By defining a company’s purpose and goals, strategic planning provides direction to the organization and enhances coordination and control of organization activities. The linkage between strategic planning and organizational performance needs analysis to get a better understanding how strategic planning is applied in practice and will improve organizational performance. Strategic planning often fails due to problems or barriers encountered at the implementation stage.

Bryson (1989) argue that strategic planning assists in providing direction so organization members know where the organization is heading to and where to expend their major efforts. It guides in defining the business the firm is in, the ends it seeks and the means it will use to accomplish those ends. The process of strategic planning shapes a company’s strategy choice through the use of systematic, logical and rational approach. It reveals and clarifies future opportunities and threats and provides a framework for decision making. Strategic planning looks ahead towards desired goals. Strategic plan defines performance to be measured, while performance measurement provides feedback against the planned target (Dusenbury, 2000).

Strategic planning applies a system approach by looking at a company as a system composed of subsystems. It permits managers to look at the organization as a whole and the interrelationships of parts. It provides a framework for coordination and control of organization’s activities, decision-making throughout the company and forces the setting of objectives, which provides a basis for measuring performance (Arasa and K’Obonyo, 2012). Kotter (1996) argues that the strategic planning process can be used as a means of repository and transforming the organization. Thompson Strickland and Gamble (2007) postulate that the essence of good strategy making is to build a strong enough market position and an organization capable to produce successful performance despite unforeseeable events, potent competitive and internal difficulties.
Conceptual Framework

![Figure 1: Expected interaction of strategic planning with institutional performance](image)

This conceptualization brings about the expected relationship that exists between the independent and dependent variables in an environmental framework influenced by other intervening variables. The study looks at such independent variables as vision and mission statement, the drawing and implementation of the strategic plan, and resource allocation and how these independent variables affect measurable outcomes like Growth and expansion, compliance and profitability.

This study was therefore undertaken to determine the extent of influence that the stated variables comprehensively or interactively have on the dependent variable constructs such as the growth and expansion of the higher learning institutions, expansion, and revenue. As theory and some empirical works postulate, it is expected that strategic planning has a positive relationship with performance among higher learning institutions, particularly KEWI.

The intervening variables include economic political, social, technological and environmental factors. The environment is key to the implementation of institute’s activities which leads to realization of mission, vision and goals resulting to high performance. The political environment may support the performance of the institute since having a good political will leads to the appointment of committed Governing Council members who will help in the realization of vision mission and the ultimate goal of the institute. The economic factors such as adequate funding by the exchequer may lead to sound financing of institute’s activities including infrastructure development and enhanced academic programmes. This leads to improved performance and a high score in the performance of the institute. The social factors accounts for loyalty of the students, sponsors and staff.
Empirical Literature Review

Various empirical studies have been done to establish the relationship between strategic planning and firm performance with varied conclusions. The initial studies include that done by Thune and House (1970). Thune and House studied 36 companies employing the approach of examining the performance of each company both before and after formal strategic planning was initiated. This covered both formal and informal planners. The comparison showed that formal planners outperformed the informal planners on all the performance measures that were used.

Herold (1972) in an attempt to cross-validate Thune and House (1970) study, surveyed 10 companies, comparing performance of formal and informal planners over a 7-year period. Based on the survey results, He concluded that formal planners outperform informal planners and hence, supporting the results of Thune and House (1970). Gershefski (1970) in his survey compared the growth of sales in companies over a 5-year period before strategic planning was introduced, and over a period of 5 years after planning was introduced. The results of the comparison led Gershefski to conclude that companies with formal strategic planning outperformed companies with little planning.

Study of El-Mobayed (2006) which was conducted with 185 completed questionnaires in Palestine (in Gaza Strip) showed a significant positive correlation between strategic planning and growth in sales/revenues. The study also showed a significant positive relationship between strategic planning and market share expansion. The results further showed a significant positive relationship between strategic planning and new sites expansion and increasing of staff in the firm. Falshaw, Glaister and Tatoglu (2006) conducted a study with data collected from 113 United Kingdom companies, and reported that there is no relationship between formal planning process and subjective company performance.

Ansoff (1970) studied 93 firms using various variables of financial performance. The findings revealed that companies, which do extensive strategic planning, outperformed the other companies. Karger and Malik (1975), taking a similar approach to that taken by Ansoff, compared the values of a range of variables of planners to those of the non-planners and based on the results concluded that the planners outperformed the non-planners.

Greenley (1986) examining empirical data from nine surveys (8 in USA and 1 in UK within the manufacturing business) on the relationship between strategic planning and company overall performance noted mixed conclusions with five studies concluding the existence of the relationship while the rest conclude that higher levels of performance did not necessarily relate to the utilization of strategic planning.

Pealtie noted that managing a large business without a plan is like trying to organize a car rally without a map, not impossible, but difficult. Published research from Africa also indicated that strategic planning is an effective tool in improving firm performance. Imoisili (1978), studying indigenous and multinational companies in Nigeria, concluded that the more effective companies are found among organizations which maintain consistency between environmental perception and management practices, do long-term planning, use more flexible control systems and have smaller spans of control. Fubara (1986) did a survey in Nigeria and observed that companies that engage in formal planning experienced growth in profits.

Gibson and Cassar (2005) investigated causal relationships between planning and performance utilizing a longitudinal database with responses from the same 2,956 businesses over a four-year period with survey developed by the Australian Bureau of Statistics (ABS). Their results confirmed the association between activity of planning and performance and that is also evident in most extant literature. However they cast doubt...
on the traditional perception of the causal sequence of those associations. Dincer, Tatoglu, Glaister, Demirbag and Zaim (2006) in a study conducted in Turkey found that there is a strong negative relationship between formal strategic planning and firm performance.

Peel and Pridge (1998) in their study of small and medium sized British manufacturing companies found that strategic planning is crucially important for performance enhancement in small and medium sized British manufacturing companies. In their meta-analysis Schwenk and Shrader (1993) reviewed twenty-six researches of small businesses. The study found a positive relationship between appraisal of business environment and performance. Glaister et al., (2008) conducted a study in Turkey with 135 usable questionnaires received from largest manufacturing companies and reported the findings that there is a good deal of support for the study’s hypotheses. A strong and positive relationship was formed between formal strategic planning and firm performance.

Falshow et al., (2006), in a recent study among the UK companies, found no relationship between strategic planning and company performance. Additionally, Gibson and Cassar, (2005) found no positive relationship between strategic planning and company performance. Shrader et al., (1989) observed that the direction of the relationship between strategic planning practices and company performance depends on the industry. Greenley (1986), in a review of effectiveness of strategic planning in manufacturing companies concluded that there was lack of proper empirical evidence between strategic planning and organization performance. Yet other studies found a positive relationship (Whitehead and Gup 1985; Fredrickson and Mitchel, 1984, Robbison and Pearce, 1993). Armstrong (1982) noted that most of the studies generally addressed performance difference between firms and formal strategic planning systems and those without and did not distinguish adequately between performance related characteristics of the planning processes and the planning situations of the firms.

Kraus et al., (2006) proposed that in order to streamline strategic management literature regarding strategic planning and performance a critical look at their dimensions and consistent use of the same be done. With the inconsistent approaches to strategic planning, its status remains unclear. Further its relationship with performance requires streamlining and is markedly unclear among public higher learning institutions.

**Summary of Literature and Gaps**

There is a positive association between strategic planning and company’s performance with the direction of causation from strategic planning to performance. This is as far as prescriptive strategic management literature is concerned. The empirical evidence has provided mixed results. Not all published studies of strategic planning and performance identified a positive association (Wheenely, 1994). Whereas the empirical evidence above is from companies and other organizations, public higher learning institutions have not been sufficiently explored. It is unclear what their strategic planning entails, how they perform as a result and the relationship between their strategic planning and performance. Organizations including universities worldwide have embraced strategic planning as a tool for development due to many challenges they are facing (Chacha, 1998). According to AAU, 2003 – 2010, higher education has been at a critical juncture since the 1980s as a result of economic austerity and beginning neglect in most countries. In Kenya, higher education institutions have adopted different strategic planning approaches depending on their uniqueness. Mwiria (1993), argues that though a majority of these institutions have instituted reforms, some did not base them on planning and proper coordination of activities but their performance is still unsatisfactory. It is for that reason that the study ventured to still explore the reason behind mixed results for the same study and further investigate unsatisfactory performance despite engaging in strategic planning and strategy implementation.
METHODOLOGY

Research Design

This study adopted a correlational survey design. The design was expected to help meet the objectives of the study. According to Nachmias and Nachmias (2008), survey study helps to gain deeper insights into a study. Correlational approach helps determine whether and to what degree a relationship exists between the quantifiable variables (Mugenda and Mugenda, 2003). This design was also deemed appropriate for the study because it will give the researcher a profile of relevant aspects of the phenomena of interest from an individual, organization and industry perspective. This research design is therefore relevant for the study as it will enable the researcher to take control over the research process (Saunders et al., 2007).

Population

The population of the study consisted of Management staff including One Director, Three deputy directors, 3 principals, 8 heads of departments and 96 teaching staff from all the campuses which include Nairobi, Chiakariga, Kitui and Kisumu totaling to 111. This population was chosen for the study because they are the ones that engage in strategy formation and implementation at their various levels.

Sample and Sampling Techniques

Due to a small number of staff, the whole population was used for the study. This implies that census enquiry technique was appropriate and was employed for this study.

Validity and Reliability of Instrument

An instrument is valid if it measures what it is intended to measure and accurately achieves the purpose for which it was designed (Patten, 2004; Wallen & Fraenkel, 2001). According to Patten (2004) validity is a matter of degree and no test instrument is perfectly valid. The instrument used should result in accurate conclusions (Wallen & Fraenkel, 2001). Validity involves the appropriateness, meaningfulness, and usefulness of inferences made by the researcher on the basis of the data collected (Wallen & Fraenkel, 2001).

To establish the construct validity of the research instrument, the researcher sought the opinions of experts on the constructs of the independent variables and how they relate with performance. This information was gathered majorly from the top management who have a broader view of the organization. This helped in the revision and modification of the research instrument prior to the study thereby enhancing validity. To check the reliability of the instrument in this study, Cronbach’s Alpha was used (Cronbach, 1951). According to suggestions by Hair et al., (1998), the study is deemed acceptable if a reliability coefficient above 0.6 is attained. A test of the constructs of this study was done in three stages; the first with two independent variable constructs, the second test contained all the independent variables and the last test was done with a combination of all the independent and dependent variable elements. The results of the reliability test are shown in the table below:

Table 1: Reliability Statistics

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<tr>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
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<tr>
<td>0.741</td>
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<tr>
<td>0.663</td>
<td>4</td>
</tr>
<tr>
<td>0.698</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2016
Data Analysis and Presentation

The primary data collected from the field was edited and screened for errors and omissions, accuracy, uniformity and completeness. The data was then coded, tabulated and entered into a spreadsheet for analysis using descriptive statistical methods. Correlation Analysis was used to analyse relationship between strategic planning and organizational performance.

RESULTS AND DISCUSSION

Relationship between strategic planning practices and firm performance

The study conceptualized that performance of Kenya Water Institute was a function of strategic Planning practices (Developing organization’s mission and vision, drawing and implementation of strategic plan and effective resource allocation). Consequently, a correlation analysis was done and the coefficients of the correlation studied and interpreted to find out how the constructs of strategic planning used in this study relate with performance.

<table>
<thead>
<tr>
<th></th>
<th>DMV</th>
<th>DISP</th>
<th>RA</th>
<th>GE</th>
<th>RG</th>
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<tr>
<td>GE</td>
<td>.675**</td>
<td>.553**</td>
<td>.372</td>
<td>1</td>
<td></td>
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<tr>
<td>RG</td>
<td>.611**</td>
<td>.497**</td>
<td>.283</td>
<td>.462</td>
<td>1</td>
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</tbody>
</table>

Source: Survey Data (2016)

KEY

DMV- Developing mission and vision

DISP- Drawing and implementation of strategic plan

RA- Resource allocation

GE- Growth and expansion

RG- Revenue generation

The table above shows that the correlation between developing mission and vision, drawing and implementation of strategic plan and resource allocation with growth and expansion and revenue generation are positive and significant with correlation coefficients of 0.675,0.611 respectively. This implies that if KEWI develops its mission and vision effectively by involving all the stakeholders in crafting their vision and mission statements, then better organizational performance will be realized in terms of growth and expansion and revenue generation. On the other hand the correlation between developing organizational mission and vision, drawing and implementation of strategic plan, Resource allocation and the two constructs of organizational performance were positive and significant with correlation coefficients of 0.553, and 0.497 respectively, P< 0.01. The highest correlation coefficient however was realized between developing mission and vision and growth and expansion with a correlation coefficient of 0.675 implying that when KEWI involve both internal and external stakeholders in crafting their mission and vision, the institution is likely to experience fast growth and expansion in terms of student admission, increase in the number of both teaching and non teaching staff and even improvement in infrastructure. The positive correlation coefficients mean that enhancing strategic planning activities would improve organizational performance of Kenya Water Institute measured in terms of
growth and expansion and revenue generation. The above findings are in agreement with the studies carried out by El-Mobayed (2006) which was conducted with 185 completed questionnaires in Palestine (in Gaza Strip) and the results showed a significant positive correlation between strategic planning and growth in sales/revenues. The study also showed a significant positive relationship between strategic planning and market share expansion. The results further showed a significant positive relationship between strategic planning and new sites expansion. To support these findings also, Peel and Pridge (1998) in their study of small and medium sized British manufacturing companies found that strategic planning is crucially important for performance enhancement in small and medium sized British manufacturing companies agreeing with the findings of the current study.

Another study which had similar results to support the findings of the current study was done by Schwenk and Shrader (1993). In their meta-analysis Schwenk and Shrader (1993) reviewed twenty-six researches of small businesses. They found out that there is a positive relationship between appraisal of business environment and performance which concurs with the findings of the current study. Glaister et al., (2008) conducted a study in Turkey on largest manufacturing companies and reported in their findings that there is a strong and positive relationship between formal strategic planning and firm performance. Other similar findings were from the study of Owolabi and Makinde (2012) in Nigeria conducted on employees of Babcock University. It revealed that there was a significant positive correlation between strategic planning and corporate performance. Their study therefore, concluded that strategic planning is beneficial to organizations in achieving the set goals and recommended that universities and other corporate organizations should engage in strategic planning in order to enhance corporate performance.

Contradictions to the above findings were studies carried out by Falshow et al., (2006), among the UK companies, they found no relationship between strategic planning and company performance. Additionally, Gibson and Cassar, (2005) found no positive relationship between strategic planning and company performance. Shrader et al., (1989) observed that the direction of the relationship between strategic planning practices and company performance depends on the industry. Others again show that the relationship is negative (Sheehan 1975; Fredrikson & Mitchell, 1984; Whitefield & Gu 1985).

CONCLUSION OF THE STUDY

From the findings it can be concluded that Kenya Water Institute practices strategic planning to a greater extent. It can also be concluded that the strategic planning practices that KEWI engage in positively contribute to its performance in terms of growth and expansion and stakeholder satisfaction.

RECOMMENDATIONS

In the light of the findings, the study recommends that KEWI should engage in more strategic planning practices in order to realize consistent improvement in performance. The management should also involve all the stakeholders of Kenya Water Institute when developing its mission and vision so that the mission statements can easily be understood by every person in the organization as this will make it easier to implement the strategic plan drawn. Moreover, for the organization to realize fast and uniform growth in all the campuses of KEWI, the management team should adequately and uniformly allocate the available resources to their campuses and monitor or follow up on the effective utilization of the allocated resources.

REFERENCES


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