The Influence of Strategic Planning on Organizational Performance; Case Study Cogebanque Rwanda

Claudine Uwambayingabire, Dr. Patrick Mulyungi

Jomo Kenyatta University of Agriculture and Technology, Kenya

Corresponding Author: Claudine Uwambayingabire

ABSTRACT

The study examined the influence of Strategic Planning on organizational Performance using Cogebanque as case study. It further explores into how this has an influence on its management. Efficiency and effectiveness as strategic planning is essential in organization’s performance. Primary and secondary data have been used for the study. The study used questionnaire to elicit information from employees of Cogebanque limited. Data collected have been analyzed by using descriptive and inferential statistics. The hypotheses have tested using the Pearson’s Product Moment Correlation Coefficient to establish the significance of relationship between the various variables used in measuring performance. The results of the hypotheses revealed that there is a significant positive correlation between strategic planning and organizational performance. Mission of the organization, training of human resources, right leadership and technology were found are great strategies to good performance of an organization. Researcher recommends that all factors of various dimensions should be put into the right perspective, so as to help the general workforce of the organization to understand the main objectives and the strategic plans in place to achieve them. This will enlighten the employees of the organization to jeer towards delivering services to enhance the general strategy of the organization and to raise its performance. It is also recommended that lines of communication between managerial and non-managerial staff should be improved in order to encourage and support the flow of information and feedback mechanisms.

Key words: Strategies, Strategic Planning, Performance, Organizational Performance.

INTRODUCTION

Over the past two decades, the strategic plan has become a common management tool in both developed and developing countries. Much have been written and published in the field of strategy and consequently on strategic planning. At its peak in the 1970s and 80s, planning was the central activity of modern organizational, which they thought enabled them to achieve a competitive advantage. Much influential literature stems from this time, shaping the way managers thought about strategic plans. Over the past two-decade research has increasingly identified the pitfalls of planning (Mintzberg, 1994a as cited by Marie Nauheimer, 2007).

Strategy purpose is to determine the basic objectives of an organization and allocating resources to their success. Strategy specifies the necessary direction that an organization needs to move to meet its mission. A strategic plan acts is a road map and long-term approach to achieve the organization goal and objectives. It helps organization to decide whether to expand operations or diversify and whether to enter international market or merge and form a joint venture and how a hostile takeover.
Strategic planning is a forward-looking exercise and all managers should be involved with it. If strategic plan is available and well implemented, an organization will have little or no challenge in managing external changes. For businesses to survive, it should be able to operate successfully with environmental forces that are unstable and uncontrollable and which can greatly affect decision making process. Organizations adapt to these environmental forces as they plan and carry out strategic activities. It is through strategic planning that an organization can predict changes in the environment and act pro-actively. (Adeleke, Ogundele and Oyenuga, 2008; Bryson, 1988 in Uvah, 2005).

In addition, strategic planning and its link to organizational performance have led to inconclusive findings and have made a synthesized stream of research difficult to achieve. Porter (1985) also distinguished that despite the criticism leveled against strategic planning during the 1970s and 80s, it was still useful and it only needed to be improved and re-casted. Over time the concept and practice of strategic planning has been embraced wide-reaching and across sectors because of its perceived contribution to organizational performance.

Now day’s organizations from both the public and private sectors have taken the practice of strategic planning critically as a tool that can be employed to fast track their performances. Strategic planning is arguably important ingredient in the conduct of strategic management. In this regard, (Steiner 1979 as cited by Robert, 2012) noted that the framework for formulating and implementing strategies is the formal strategic planning system.

Moreover, Greenley (1986) noted that strategic planning has potential advantages and intrinsic values that eventually translate into improved organizational performance. It is, therefore, a vehicle that facilitates improved organizational performance. The grand promise of strategic planning has been to increase the efficiency and effectiveness of organizations by improving both current and future operations. Strategic planning provides a framework for management ‘s vision of the future. The strategic planning process is used by management to establish objectives, set goals, and schedule activities for achieving those goals and includes a method for measuring progress. The process determines how the organization will change to take advantage of new opportunities that help meet the needs of customers and clients.

The idea of strategic planning has historical roots in the military concept of strategy. The literature of formal strategic planning for organizations emerged in the 1960s.

However, most theory and practices have been focused on the private sector, specifically in businesses and for the purpose of improving competitive position in the market. Strategic planning for public organizations is a more recent innovation first introduced in the 1980s. It has steadily grown as an academic endeavor and tool for public managers but is not nearly as robust as its private sector predecessor.

However, it has been observed that most organizations are more concerned with the formulation of strategic plan and not how to implement them (Douglas (2003). He therefore concluded that “plan without effective and measurable implementation is no plan at all.”

No matter how super a plan is, it has to be well implemented to achieve the desired result (Phillips and Petterson, 1999). St-Hilaire (2011) believes that the usage of strategic plan is very important to organization’s ability to achieve and maintain competitive advantage over other organizations.

Overview of Past Studies

According to Kaplan & Norton, (2009) strategic planning is the process of developing and maintaining consistency between the organization’s objectives and resources and its changing opportunities. Wendy further argues that strategic planning
aims at defining and documenting an approach to doing business that will lead to satisfactory profits and growth. Hofer and Schendel (2008) defined strategic planning as an evolution of managerial response to environmental change in a focus moving from internal structure and production efficiency, to the integration of strategy and structure and production innovation, multinational expansion and diversification.

Hax and Majluf (2006) explains that strategic planning process comprises of three main elements which helps turn an organization’s vision or mission into concrete achievable choice and strategic implementation. The strategic analysis encompasses setting the organization’s direction in term of vision, mission and goals. Therefore, this entails articulating the company’s strategic intent and directing efforts towards understanding the business environment. Strategic choice stage involves generating, evaluating and selecting the most appropriate strategy. Strategy implementation stage consists of putting in place the relevant policies and formulating frameworks that will aid in translating chosen strategies into actionable forms.

The concept of planning emerged out of the development effort and experiences of third world countries when they adopted planning as the major instrument in pursuit of their economic and social development. Strategic planning is viewed as zeroing in on decision making, information, and the future. Drucker (1993) defines strategic planning as the continuous process of making entrepreneurial decisions systematically and with the greatest knowledge of their futurity, organizing systematically the efforts to carry out these decisions and measuring the results against the plans.

There are many factors listed in the literature that influence strategic planning process. Environmental uncertainties hampers the development of long range plans; scarce resource-strategic planning should be aligned to use scarce resources effectively; legal forces legislative changes introduce new dynamics in an industry thus affecting strategic planning; size and complexity of an organization; as size and complexity of an organization increases, so does the degree of formulating of planning activities; the extent of involvement in operating issues compromises the attention paid to management functions; the implementation gap; this is the inability of the top management and the planners to effectively communicate with the planners; the lifecycle of the organization; as organizations move through different phases, the competitive environment changes and influences the way they plan and execute strategy (Thompson, et al, 2007). Organizations need to plan for a number of reasons. These are; to reorient the organization or institution to the needs of the community; another serious consideration is that when people plan for expansion, a certain level of minimum standard must be observed. This will guarantee a certain level of minimum quality performance. Effective strategic planning initiatives make organizations more responsive and viable instrument for socio-economic development (Robinson and Pearce, 1983).

According to Brody; Godschalk; and Burby, 2003, Planners in strategic management make decisions about when and how to involve stakeholders in plan making. Six critical choices that planners must make in designing participation programs are;

- Administration; whether to prepare a participation plan and how to ensure staff and citizen
- Involvement.
- Objectives; whether to educate citizens, seek their preferences, or grant them influence
- Stage; when to start encouraging citizen involvement in the planning process
- Targeting; which types of stakeholder groups to include in participation efforts
- Techniques; what types of participation approaches to employ
And finally, information what types of information and dissemination processes to incorporate in participation activities.

The relationship between the formal strategic planning system and the firm’s decision-making process is particularly important to businesses, where there may be little separation between the strategic thinking/decision making of the entrepreneur and the formal planning system. However, Robinson and Pearce (1983) found that in firms the formality of the planning process and the strategic decision process used were not congruent. The concerns include; assessing risk through environmental scanning; formulating goals and targets to be achieved in the competitive environment; selecting distinctive competences in order to gain a competitive advantage; determining authority relationships among the firm’s departments; deploying financial physical resources to carry out firm strategies; and monitoring and controlling implementation.

Many books and articles explain how most excellent to do strategic planning, but our purpose here is to present the basic steps that must be taken in the strategic planning process. Below is a short explanation of the five steps in the process. These steps are a suggestion, but not the only guidelines for creating a strategic plan; other sources may advocate completely different steps or variations of these steps. However, the steps outlined below describe the basic work that needs to be done and the typical products of the process.

Although every strategic planning process is uniquely designed to fit the specific needs of a particular organization, every successful "model" includes most of these steps. The organization starts on by recognize its vision and mission. Once these are clearly defined, it moves on to a series of analyses, including external, internal, gap, and benchmarking, which afford a framework for developing organization's strategic issues. Strategic programming follows and the organization develops specific strategies including strategic goals, action plans, and tactics. Growing strategies develop, challenging the future tactics, and altering the realized strategy. Occasionally, the organization evaluates its strategies and assessment its strategic plan, considering emergent strategies and evolving changes. It usually takes several years before strategic planning becomes institutionalized and organizations learn to think strategically. The Strategic Planning Process graph at the end of this section provides a graphical representation of these steps (Ansoff, 1994).

**Setting vision and mission**

Set of the organization's vision and mission is the primer step of any strategic planning process. The organization’s vision sets out the reasons for its existence and the "ideal" state that the organization aims to achieve; the mission identifies major goals and performance objectives. Both are defined within the framework of the organization's philosophy and are used as a context for development and evaluation of intended and emergent strategies. One cannot overemphasize the importance of a clear vision and mission; none of the subsequent steps will matter if the organization is not certain where it is headed (Minzberg, 1996).

**Environmental Scanning**

Once the vision and mission are clearly identified, the organization must analyze its external and internal environment (Lynch, 2000). The environmental scan, performed within the frameworks of the Five Forces Model and SWOT, analyzes information about organization's external environment (economic, social, demographic, political, legal, technological, and international factors), the industry, and internal organizational factors, (managementhelp.org, 2015).

**Gap Analysis**

Organizations evaluate the difference between their current position
and desired future through gap analysis. As a result, an organization can develop specific strategies and allocate resources to close the gap and achieve its desired state (CSUN, 1997).

**Benchmarking**

Measuring and comparing the organization's operations, practices, and performance against others is useful for identifying "best" practices (Mintzberg, 1994).

**Identifying Emergent Strategies**

Unpredicted and unintended events frequently occur that differ from the organization's intended strategies, and the organization must respond. Emergent strategy is "a pattern, a consistency of behavior over time," "a realized pattern [that] was not expressly intended" in the original planning of strategy. It results from a series of actions converging into a consistent pattern, (Mintzberg, 1994).

**Evaluation of the Strategy**

Periodic evaluations of strategies, tactics, and action programs are essential to assessing success of the strategic planning process. It is important to measure performance at least annually (but preferably more often), to evaluate the effect of specific actions on long-term results and on the organization's vision and mission (Rowley, Lujan, & Dolence, 1997). The organization should measure current performance against previously set expectations and consider any changes or events that may have impacted the desired course of actions.

**Review of the Strategic Plan**

After assessing the progress of the strategic planning process, the organization needs to review the strategic plan, make necessary changes, and adjust its course based on these evaluations. The revised plan must take into consideration emergent strategies, and changes affecting the organization's intended course (Smith, 1990).

**Research Methods and Procedures**

This research is quantitative in nature and uses a non-experimental design including case study, hypotheses and longitudinal research designs to reach objectives of the whole undertaking. The target population under this study consists of employees of Cogebanque Rwanda. As gender parity assumedly has the same implication in all parts of the world, the study seeks to make deductions tube applicable to the whole population so defined.

The research has been conducted within the Republic of Rwanda with 200 people as sample size and both primary and secondary data had collected. On primary data, sample size had been selected by using multistage sampling technique. The female-male clusters were then be sampled equally. Convenience sampling followed cluster sampling to reach available respondents under the study. To get useful data, primary data had collected by means of interviewing respondents with a pro-tested survey questionnaire loaded into ODK collect form designed to hold responses from respondents. And secondary collected through documentations. Analysis was afforded by SPSS and exploratory, descriptive analysis was conducted as well as correlational analysis.

**Empirical Results and Discussion**

The information that respondents provided is important for understanding the behavior and knowledge of the population of interest with respect to the influence of strategic planning on Cogebanque’s performance. The individual questionnaire gathered information concerning respondents’ gender, age group, level of education and its occupation. These characteristics are used to interpret findings elsewhere in the research paper.

Table 1 below shows the identification of respondents according to...
the gender whereby 50% males and 50% females has been asked. This clearly shows that there is equality of males and females in this study. Given the implication of age in analyzing demographic characteristics, outstanding attention was paid to making sure this statistic was accurately recorded in the research.

Prior to recording any information, the interviewer asked respondents to tell truly accurate information about themselves and the respondents’ age bracket, the study found that majority of respondents were 59.5 percent aged between 31-40, 26.5 percent of all respondents aged between 41-45, slightly 7.5 percent of respondent reported that they are aged between 26-30, somewhat 6.5 percent of respondent reported that they are aged between 22-25. This shows that majority of the respondents were aged above 30 years old, that is the working age in most of organization of Rwanda especially for staff qualified and competent by academic environment.

Table 1 presents the highest level of education attained by respondent whereas 84 percent of respondent had bachelor’s degree and 16 percent of respondent had masters’ degree.

Table 1 presents that there are three classes of respondents that are middle level management, operational level management and directors where the majority are from middle level management with 87.5 percent of respondents, 10.5 percent are from operational level management and after 2 percent are from directors.

Table 1 Socio-demographic characteristics of respondents

<table>
<thead>
<tr>
<th>Count</th>
<th>Column N %</th>
</tr>
</thead>
<tbody>
<tr>
<td>age of respondent</td>
<td></td>
</tr>
<tr>
<td>22-25</td>
<td>13</td>
</tr>
<tr>
<td>26-30</td>
<td>15</td>
</tr>
<tr>
<td>31-40</td>
<td>119</td>
</tr>
<tr>
<td>41-45</td>
<td>53</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>100</td>
</tr>
<tr>
<td>Female</td>
<td>100</td>
</tr>
<tr>
<td>Working experience</td>
<td></td>
</tr>
<tr>
<td>2-5 Years</td>
<td>56</td>
</tr>
<tr>
<td>5-7 years</td>
<td>75</td>
</tr>
<tr>
<td>7-10 years</td>
<td>69</td>
</tr>
<tr>
<td>Level of Education</td>
<td></td>
</tr>
<tr>
<td>Bachelor holder</td>
<td>168</td>
</tr>
<tr>
<td>Masters or PhD holder</td>
<td>32</td>
</tr>
<tr>
<td>Position held</td>
<td></td>
</tr>
<tr>
<td>Middle level management</td>
<td>175</td>
</tr>
<tr>
<td>Operational level management</td>
<td>21</td>
</tr>
<tr>
<td>Directors</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Primary data

The table above shows that all employees are aware about strategic planning before its implementation. This presents that strategic planning at Cogebanque work efficiently.

Table 2 Efficiency of Strategic Planning at Cogebanque

<table>
<thead>
<tr>
<th>Count</th>
<th>Column N %</th>
</tr>
</thead>
<tbody>
<tr>
<td>The employees are aware about Strategic Planning before its implementation.</td>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
</tr>
<tr>
<td>How these employees be aware about Strategic planning.</td>
<td>Through specialized training</td>
</tr>
<tr>
<td>Through Management Development Program</td>
<td>60</td>
</tr>
<tr>
<td>Through short-term training conducted to implement Strategic Plan</td>
<td>20</td>
</tr>
<tr>
<td>Who participated in the development of Strategic Plans?</td>
<td>A centralized planning department</td>
</tr>
<tr>
<td>Top management/administration</td>
<td>84</td>
</tr>
<tr>
<td>Different managerial levels participated</td>
<td>35</td>
</tr>
<tr>
<td>For how long that your organization has been engaged in the implementation of Strategic Plan?</td>
<td>4-6 years</td>
</tr>
</tbody>
</table>

Source: Primary data

The table above shows that all employees are aware about strategic planning before its implementation as this research revealed that 100 percent of employee agreed. This presents that strategic planning at Cogebanque work efficiently.
And also, the table 2 shows that 60 percent of employees know about strategic planning through specialized trainings, 30 percent receive it through management development program and after 10 percent are aware of strategic planning through short-term training conducted to implement strategic plan.

The table 2 shows the participants in development of Strategic Plans whereas 42 percent of all participants are from top management or administration, 40.5 percent of all participants are from centralized planning department and after 17.5 percent of all participants are from different managerial levels. The table 4.2 above shows that employees agreed that Cogebanque has been engaged in the implementation of Strategic Plan between 4-6 years.

Risks management at Cogebanque comprises controls credit risks, managing risks of loans and managing the risks of insolvency. The figure 2 below shows that 16 percent had strongly agreed with that the risks Management affects the performance of Cogebanque whereas 81 percent had agreed and after 1.5 percent of respondent had been neutral and 1.5 percent of all respondents had disagreed with that statement. So as the majority 97 percent had agreed and strongly agreed with the statement, the researcher settled that risks Management affects the performance of Cogebanque.

The figure 3 below shows that the main factor that affect strategic planning of Cogebanque it is leadership where 52.5 percent of respondents agreed, 28.5 percent reported that the main factor that affect strategic planning of Cogebanque is its mission, 14.5 percent of respondents agreed that the main factor that affect strategic planning of Cogebanque its trainings and after 4.5 percent of respondents said that its people, as the figure 3 represent the findings, the main factor that affect strategic planning of Cogebanque is its leadership as majority reported.
The reliability and correlation of the factors with the performance show a strong correlation of the various factors towards performance of Cogebanque. As indicated, the rating of performance with the various factors of strategic planning exhibits a strong Cronbach’s alpha which shows that, the factors are valid for the assessment of effects of strategic planning on performance, evidently all values for both Cronbach’s alpha and the correlation coefficient are more than 5.0 showing a more validity and reliability for assessment of strategic planning effect on performance. Clear mission, training, people and leadership as strategies were found are strongly positively correlated to COGEBANQUE performance. The table 4 shows that 69 percent of respondents strongly agreed that strategic planning affect in staffing employees at Cogebanque where they strongly agreed with that the required merits were employed. 28.5 percent had agreed and after 2.5 percent were neutral about the statement.

As result of strategic planning, Cogebanque is able to secure adequate number of employees to all posts, whereas 8 percent had strongly agreed, 89 percent had agreed with the statement and 1.5 percent were neutral and after 1.5 percent of respondents had disagreed with the statement, as the majority had agreed with the statement 89 percent, it means that Cogebanque is able to secure adequate number of employees to all posts.

Table 4 present that Cogebanque is providing the required services within short period of time whereas 54.5 percent had strongly agreed and 45.5 percent had agreed with the statement which said that Cogebanque is providing the required services within short period of time.

This research revealed that strategic planning was to increase Cogebanque's performance as results in table 4.5 present, 73 percent of respondents had strongly agreed with the statement and 37 percent had agreed, no respondent disagreed or being neutral to that statement, it means that Strategic planning increase Cogebanque's performance.

Table 4 shows also that strategic planning was to increase Cogebanque's profit as 62.5 percent had strongly agreed, 35 percent had agreed and after 2.5 had been neutral to the statement, as the majority of respondents had strongly agreed it means that strategic planning increase Cogebanque's profit.

Table 4 shows that strategic planning was to increase Cogebanque's efficiency whereas 8 percent of respondents had strongly agreed, 89 percent had agreed with the statement so that 1.5 percent were neutral and 1.5 percent had been disagreed. Table 4 below shows that strategic planning was to increase Cogebanque's effectiveness as 50.5 percent had strongly agreed with that and 49.5 percent had agreed with the statement, this shows that strategic planning increase Cogebanque's effectiveness.

As a result of strategic plan implementation, Cogebanque is able to significantly reduce operational costs, the table 4.5 shows that 67 percent had strongly agreed with the statement and also 33 percent agreed with that.

The figure 3 below shows that the profit for the year at Cogebanque limited has been increased from 2,236,288Rwf in 2014 to 4,203,022Rwf in 2017, this increase resulted from strategic planning aspects such as leadership, trainings, mission, people and successful risks management.
### Table 4: Effect of strategic planning on Cogebanque’s performance

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>As a result of Strategic Planning, people with the required merits were employed</td>
<td>138</td>
<td>57</td>
<td>5</td>
<td>69.0%</td>
</tr>
<tr>
<td>Cogebanque is able to secure adequate number of employees to all posts</td>
<td>16</td>
<td>178</td>
<td>3</td>
<td>89.0%</td>
</tr>
<tr>
<td>Cogebanque is providing the required services within short period of time</td>
<td>109</td>
<td>91</td>
<td>3</td>
<td>54.5%</td>
</tr>
<tr>
<td>Strategic planning was to increase Cogebanque's performance</td>
<td>146</td>
<td>54</td>
<td>3</td>
<td>73.0%</td>
</tr>
<tr>
<td>Strategic planning was to increase Cogebanque's profit</td>
<td>125</td>
<td>70</td>
<td>5</td>
<td>62.5%</td>
</tr>
<tr>
<td>Strategic planning was to increase Cogebanque's efficiency</td>
<td>16</td>
<td>178</td>
<td>3</td>
<td>8.0%</td>
</tr>
<tr>
<td>Strategic planning was to increase Cogebanque's effectiveness</td>
<td>101</td>
<td>99</td>
<td>3</td>
<td>50.5%</td>
</tr>
<tr>
<td>As a result of strategic plan implementation, Cogebanque is able to significantly reduce operational costs</td>
<td>134</td>
<td>66</td>
<td>3</td>
<td>67.0%</td>
</tr>
</tbody>
</table>

Source: primary data

As revealed by correlational analysis, strategies imposed by COGEBANQUE are strongly and positively impact its performance and therefore its profit grows in two digits for last five years as shown in figure 3 and hence we conclude that strategic planning influence performance of an organization.

### CONCLUSION

Strategic planning of corporate bodies is an essential instrument for planning and forecasting which positions the organization to meet demands and changes which might come up in the course of discharging its services.

This study reveals that, Cogebanque as a corporate body has a clear strategic plan which is articulated to all of its employees at various levels and departments within the organization.

It reveals that, the strong agreement of factors of various dimensions of strategic planning indicate the effectiveness and efficiency of such planning adopted by employees of the Cogebanque and hence affects the organization’ performance positively.
Researcher recommends that all factors of various dimensions should be put into the right perspective, so as to help the general workforce of the organization to understand the main objectives and the strategic plans in place to achieve them. This will enlighten the employees of the organization to jeer towards delivering services to enhance the general strategy of the organization and to raise its performance.

Moreover, the factor in-depth program evaluation is conducted as part of the planning process. This includes assessment based on identified benchmarks for quality and specific outcomes and process objectives should be redefined, well communicated to staff and corrected where mistakes are committed so as to bring it back on board to achieve a great measure on it to help the organization’ strategic planning policy.

Again, all the factors relative to leadership should be well articulated to management and staff of the organization. This will help the employees to know and understand the style of leadership adopted for the operations and governance of the organization to keep them focus in working towards achieving the objectives of the organization.

It is also recommended that lines of communication between managerial and non-managerial staff should be improved in order to encourage and support the flow of information and feedback mechanisms.

ACKNOWLEDGEMENT

The author would like to thank Supervisors and entire JKUAT community for their critical and constructive ideas given during the research process.

REFERENCES

- Still, Thomas Wright,- An Exploratory Investigation of Strategic Planning Behavior in small businesses”, Florida State University, 1974.
- Hilton, Ronald W., - integrating Normative and descriptive Theories of Information
Claudine Uwambayingabire et al. The Influence of Strategic Planning on Organizational Performance; Case Study Cogebanque Rwanda


Mintzberg, Henry and Quinn, James, The strategy process, concepts, context, cases, ninth edition, IRWIN, USA, 1996.


Csun (1997). Strategic Planning Leadership Retreat


Frank E. Harrell, Jr (2001): Regression modeling strategies


Green, et al (1989) Discussion: Mice homozygous for the Hertwig'sanemia mutation have testes with significantly decreased numbers of germ cells.


*****

International Journal of Research & Review (www.ijrrjournal.com) Vol.5; Issue: 6; June 2018