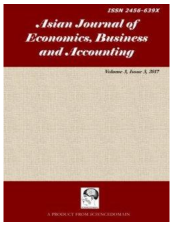

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Strategic Planning and Corporate Performance in the Nigerian Banking Industry

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Authors' contributions

This work was carried out in collaboration between all authors. Author OOM designed the study, performed the statistical analysis and wrote the protocol. Author OOO managed the literature searches and prepared the manuscript. All authors read and approved the final manuscript.

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ABSTRACT

The study evaluated the different factors that influence the choice of strategic planning adopted by banks in the country. It also examined the effects of Strategic Planning on Corporate Performance. Primary data was used for the study. Lagos metropolis was used as the area of the study because 20 banks out of 21 post consolidated banks have their head offices in Lagos. Ten banks listed on the Nigerian stock exchange market with stable corporate identity were selected out of 21 Deposit Money Banks in Nigeria using purposive sampling technique. 200 senior staff of banks in the Nigerian banking industry was used as the population. Sample was selected using multi-stage sampling technique. Ten senior managers of the selected banks who are involved in strategic planning decision and coordination of resources in the banks were selected using purposive sampling techniques. Thus, the sample size for the study was 100 respondents. A well structured questionnaire was administered to the respondents. Data was analysed using descriptive and inferential statistics. The findings of the study revealed that the factors influencing the choice of strategic planning adopted by banks in the country include technological environment (85%); global environment (81%); management style (76%) and political/legal environment (70%). It also

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revealed that strategic planning proxied by environment by environmental scanning (t=4.624, p< 0.05); strategy formulation (t=3.000, p< 0.05); feedback and evaluation t=2.019, p< 0.05) had significant effect on organisational performance. The study concluded that strategic planning if properly integrated by Nigerian banks could make significant improvement on their performance in the industry.

Keywords: Strategy; strategic planning; organisation performance; banking industry; corporate performance.

1. INTRODUCTION

Faced with increasing competition and dynamic market conditions, many firms in Nigeria and in other countries are increasing their efforts to understand how they can improve their performance. To compete successfully in the present competitive business environment, some strategies are needed to be made continually by firms and some actions are needed to be taken by improving product quality and productivity, promoting product and process innovations, reducing product cost and improving product speed to the market and customers goodwill. Firms therefore need to strive to be at par with the global change, achieving competitive advantage position and enhancing performance relative to their competitors, Muogbo, [1].

The word “strategy” has always been associated with and indeed been prominent in any discussion on the subject of management of an organization because of its importance. The word “strategy” is derived from Greek word “strategos” which mean “the roles of a general” (Mohammed, Ann &Yea) [2]. The Greek verb “strategos” means to plan the destruction of one’s enemies through the effective use of resources. For a relatively long period, the concept of strategy first became prominent in the military. Even though the concept of strategy may have had its original underpinnings in the military, after World War II, the need for a concept of strategy as related to business become greater as business moved from a relatively stable environment into a more rapidly changing and competitive environment.

The business environment has never ceased to change with the change moving at the speed of light. The accelerated rate of change put premium on the ability to anticipate change, to take advantage of new opportunities and to take timely action in avoiding threats to the firm. It has become a mainstay and a major process (organization activity) in for-profit and not-for-profit organizations. Strategy is a detailed plan for a business in achieving success. Since business is a high-stakes game, a poorly planned and executed strategic move could result in loss of millions of dollars, thousands of jobs or even bankruptcy of business (Dauda, Akingbede & Akinlabi [3]. These call for strategic planning in order to develop an effective strategy.

Strategic planning is a forward-looking exercise and all managers should be involved with it. If the 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, [4]; Bryson, [5] in Uvah, [6].

According to Fraser & Stupak [7], strategic planning may “encourage the clarification of business goals, systematic gathering of information, prioritization of projects, teamwork, environment responsiveness, communication of strategic to all stakeholders, and an improved performance.” the authors are of the view that the strategic planning process may strategically position a business by striking balance between how it operates and the requirement of the environment. from the foregoing arguments, proponent of the strategic planning process sustain the view that strategic planning may not be regarded as panacea to business success, but it well managed, business are able to clarify future direction, establish priorities, effectively respond to the dynamic business environment and, hence improve their performance.

Undoubtfully, some organizations perform better than others. It is possible that a firm having equal capacity in man, money and material could perform much better or much poorer than some other firms. To determine what makes the difference, strategic planning should be evaluated. In management literature, advocates for strategic planning like Thompson, Strickland & Gamble [8], and Fraser & Stupak [7] to opine that strategic planning contributes to managerial effectiveness and thus, to corporate success.

Due to the fact that strategic planning is an antidote to business failure if properly implemented, many developed countries have evolved policies to support top managers at different level to embark on strategic planning because of its benefits. For business 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. If strategic plan is available and well implemented, an organization will have little or no challenge in managing external changes. Organizations manage the environment forces as they play and carry out strategic activities. It is through strategic planning that an organization can predict change in the environment and act pro-actively (Uvah, [6]; Adeleke, Ogundele & Oyenuga, [4]). In a more specific sense, strategic planning is an engine on which corporate performance rides. Many empirical studies in developed countries have equally justified the importance of strategic planning as one of the key factors that can sustain corporate performance.

In the developing world, the role of strategic planning captured the attention of policy makers during the past decades and this perhaps led its practices of strategic planning. It has to do with the need to accelerate the process of economic development. By analyzing the firm strengths, weaknesses, opportunities and threats, strategic planning helps to device strategies to improve firm performance. Specifically, Nigerian has suffered from the dearth of strategic managers which has greatly hindered the effective growth of the private and public sector. The poor development of strategic planning can be attributed to some reasons. Firstly, some organizations have not developed culture of adopting strategic planning to deal with dynamic environment. Top managers still adhere to an old method of planning and management which are no longer effective in guaranteeing a steady future. Secondly, most organizations are more concerned with the formulation of the strategic plan and not how to implement and execute the chosen strategy efficiently and effectively, this situation has led to failure of business enterprise Thompson and Strickland [8] and Draft [9].

The banking sector is the bedrock of the Nigerian economy, and this industry is known to have contributed in no small measure to the development of the economy. This industry is the enabling hub of national and global payment systems, which facilitates trade transactions within and amongst numerous national, regional and international economic units and by so doing; it enhances commerce, industry and exchange. In performing these various functions in the enabling environment provided by the government through various fiscal, and monetary policies and reforms, this industry has been experiencing a phenomenal performance decline whereby the banking institutions could not meet their financial obligations to their customers and stakeholders, which led to the liquidation of many banking institutions, lost of deposits by depositors, lost of investments by many investors and the crisis of confidence by the general public. Various researchers and bodies including the Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) have done some works to solve this problem.

Furthermore, in Nigeria, a number of studies have been executed by scholars on the subject matter. Adegbie and Fakile [10] revealed that between 1990 and 2005 most distress commercial banks in Nigeria were liquidated; resulted to loss of depositors holding, job losses by workers and adverse effect on other sectors of the economy. They concluded that strategic planning was not properly instated and in some cases missing in the financial sectors which created serious problem for the Nation. In the study of Obasan and Ogunkoya [11], it was concluded that there are other factors which ultimately determine bank distress such as the government economic policies and not necessarily lack of strategic planning. Alaka, Abass and Tijani [12] showed that strategic planning enhances customer patronage and reduces unethical practices in the Nigeria insurance industry, thus, indicating that strategic planning can prepare companies irrespective of sectors for the future, establish long-term direction and indicate the company's intent to stake out a particular business position.

From the foregoing, therefore, adoption of strategic planning plays an important role in the survival of banks. It helps to create business opportunities and combat pressure from competition. More so, previous studies on strategy process had little or no attempt at evaluating their adoption; and effect of strategy implementation on firms performance, Okumus, [13]. Although research findings on the relationship between strategic planning and firm performance have remained controversial and inconclusive Temitime, Chinyoka & Shunda [14], there is much consensus that strategic planning is a vital means of meeting these environmental challenges.

1.1 Statement of the Problem

The performance nature of business organizations has resulted in the use of strategic planning. However, extant studies in the advanced countries have revealed that adequate knowledge and application of strategic planning is used to tackle constant change in business environment to enhance financial and non-financial performance. Its effect on corporate performance of banking firms in Nigeria coupled with influencing factor still require attention; hence this study.

1.2 Research Questions

In order to establish the impact of strategic planning on corporate performance of firms in the Nigerian banking industry, the following questions guided the study:

i. What are the strategic planning practices adopted by Nigerian banks
ii. What factors affect the choice of strategic plans adopted by banks?
iii. How does a strategic plan affect corporate performance of banks in Nigeria?

1.3 Objectives of the Study

The general objective of the study was to investigate the impact of strategic planning on corporate performance of firms in the Nigerian banking industry.

The specific objectives of this research were to:

i. Evaluate the factors influencing choice of strategic plans adopted by banks in the country; and
ii. Examine the effect of strategic plans on corporate performance of banks in Nigeria.

2. LITERATURE REVIEW

Strategy is a broad-based formula for how business is going to compete and what policies will be needed to carry out the goals in order to achieve success (Porter [15], in Aremu, [16], (Kazmi, [17]. The strategy is the pattern of objectives, purpose, goals, major policies and plans for achieving goals stated in such a way so as to define what business the company is in or is to be and the kind of company it is or is to be.

According to Pearce and Robinson [18], they defined strategy as a manager's large-scale, future oriented plan for interacting with the competitive environment to optimize the achievement of organizational objectives. Tregoe, Benjamin and Zimmerman [19]. Strategy is a game plan, a pattern in a stream of decisions and actions that intended to outwit competitor which fulfill stakeholder's expectation in line with the organization scope of business.

Planning is the conscious determination of a course of action and the basis of decision on purpose, knowledge and considered estimate. Planning is one of the management functions which is the process of setting goals and objectives in an organization and also determine how to achieve such goals and objectives (Alaka, Tijani & Abass) [12].

Strategic planning has been explained by various writers and scholars in different but complementary ways. Strategic planning occurs at top level in an organization and involves a long-term forecast upon the major goals of an organization. It is a chosen course of action for pursuing and accomplishing objectives (Falilat [20]. Odanme [21] defines strategic planning as a "method of formulating and implementing long-term plans in a broad and flexible manner in order to achieve the aspiration of the organization." Strategic planning is designed to achieve the firms' vision and mission, which consist of four major steps: analysis, formulation; implementation and evaluation Piffs & Lei, [22].

According to Dincer, Tatoglu, and Glaister [23], the key aspect of strategic planning include the formulation of a mission statement of the enterprise, establishing the objectives, crafting and implementing the strategies, and monitoring and controlling the process in strategy implementation. Strategic planning is an organization's process of defining its strategy or direction, and making decisions on allocating its resources to pursue this strategy including its capital and people Adeleke et al. [4]. Strategic planning is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives, Pearce and Robinson, [18]. From these diverse views expressed above, strategic planning in its general and basic understanding can be said to be a process of selecting organizational goals and establishing the methods necessary to ensure that the policies and programs are implemented.

2.1 Hierarchical Levels of Strategy

Kotelnikov [24] came up with the three (3) hierarchical levels of enterprise strategy. He said that an enterprise strategy is concerned with the match between one company's internal capabilities and its external environment". He posits that the three levels of strategy comprise:

(a) Corporate strategy
(b) Business strategy
(c) Functional strategy

This can be shown diagrammatically as Fig. 1.

2.2 Strategic Planning Process

Almost all the authors and scholars who have contributed to the definitions of strategic planning have argued and concluded that the concept (i.e strategic planning) is a process which comprises of a series of steps aimed at producing a given result (i.e the attainment of organizational goals and objectives). These steps are interrelated. According to Quick MBA/Strategy model, there are five elements that make up strategic planning process. These include:

(a) Mission and objectives
(b) Environmental scanning
(c) Strategy formulation
(d) Strategy implementation
(e) Evaluation and control

2.3 Benefits of Strategic Planning

Organizations that engage in corporate planning are generally believed to grow and make more profits than those without it. To this end, the benefits of strategic planning on organization performance cannot be overemphasized. The benefits of strategic planning can be summarized as follow:

(a) Information
(b) Awareness
(c) Performance
(d) Direction and focus
(e) Empowering the employees
(f) Staff involvement

Fig. 1. The enterprise strategy
Source: Vadim, (2007)

2.4 Firm Performance

Every organization is established for one reason or the other; hence, basically there are two forms of organizations which are profit-oriented organization and not-for-profit oriented organization. Performance is the yield or result of activities carried out in relation to the purposes being pursued in order to strengthen the degree to which organizations achieve their purpose, Curristine [25]. Profit it is the benefit acquires from going into a particular business and is usually calculated as the difference between total revenue and total cost that is excess of revenue over cost. Thus, the purpose for which an organization was established will determines the factors against which its performance will be measured. Therefore, the concept of performance of a business firm is based upon the idea that an organization in the voluntary association of productive assets, including human, physical and capital resources, for the purpose of achieving a shared purpose (Aichian and Demsetzi, [26]; Barney, [27], Carton, [28].

2.5 Theoretical Review

There are several theories on strategic planning in literature such as Agency theory; Contingency based/Situational based theory, Resource-based view and dynamic capability approach, Survival-based/Survival of the fittest theory and General system theory.

2.6 Empirical Review

Many empirical studies have been carried both in the discussed sector and other sectors.

Falilat [20] found that marketing department is the main revenue generation department in the banking industry. He concluded that for a bank to successfully achieve its goals and objectives for processing an increase in long-run profitability, it has to develop a good marketing plan and strategy. However, the study ignored other department by focusing on marketing department as revenue generation unit. The result was not in line with system theory of management.

Adegbite and Fakile [10] conducted study on strategic planning and performance: catalyst for sustainability and stability in the Nigeria financial sector. It was revealed that strategic planning was not properly instituted and in some cases missing in the financial sectors which created serious problems for the nation.

Muogbo [1] asserted that strategic management was not yet a common business practice among manufacturing firms in Anambra State, in particular and Nigeria in general. Obasan and Ogunkoya [11] also did a study on strategic planning and bank management in Nigerian: an issue for policy consideration. It was concluded that there were other factors which ultimately determine bank distress such as government policies, not necessary strategic planning. Falilat [20] found that marketing department is the main revenue generation department in the banking industry. He concluded that for a bank to successfully achieve its goals and objectives for processing an increase in long-run profitability, it has to develop a good marketing plan and strategy. However, the study ignored other department by focusing on marketing department as revenue generation unit. The result was not in line with system theory of management. Alaka, Abass and Tijani [12] showed that strategic planning enhances customer patronage and reduces unethical practices in the Nigerian Insurance Industry. The result further revealed that strategic planning prepared companies irrespective of the sectors for further, establish long-term direction and indicate the company's intent to stake out a particular business position. However, the extent of strategic planning implementation was not properly addressed. Strategic planning alone cannot achieve the stated result unless it is properly implemented.

Suklev and Debarliev [29] conducted a study and concluded in their findings that strategic planning can generally contribute to organizational effectiveness.

Fulmer and Rue [30] as cited in Rhyne, [31] and Greenley, [32] in their study conducted in United States in 386 firms, they reported that, no across the board relationship is found between planning and firms performance, their findings did not reveal a systematic relationship between formal long range planning and financial performance. Also, the work of Kallman & Shapiro [33]; Gable & Topol [34] and Mckernan & Morris [35], their findings produced inconclusive result.

The results of study of Fredrickson and Mitchell [36] on 109 executives in 27 firms in an industry whose environment was very unstable showed consistently negative relationship between comprehensiveness and performance. Also, the works of Sheean [36]; Whitehead and Cup [37] show that strategic planning and performance relationship is negative.

Peel and Bridge [38] reported a strong positive relationship between success of SMEs and the degree of long term planning practiced.

2.7 Conceptual Framework

Having ascertained from review of related works that banks success and failure cum performance may be a function of strategic planning, a conceptual framework is developed to validate the relationship between strategic planning and firm performance.

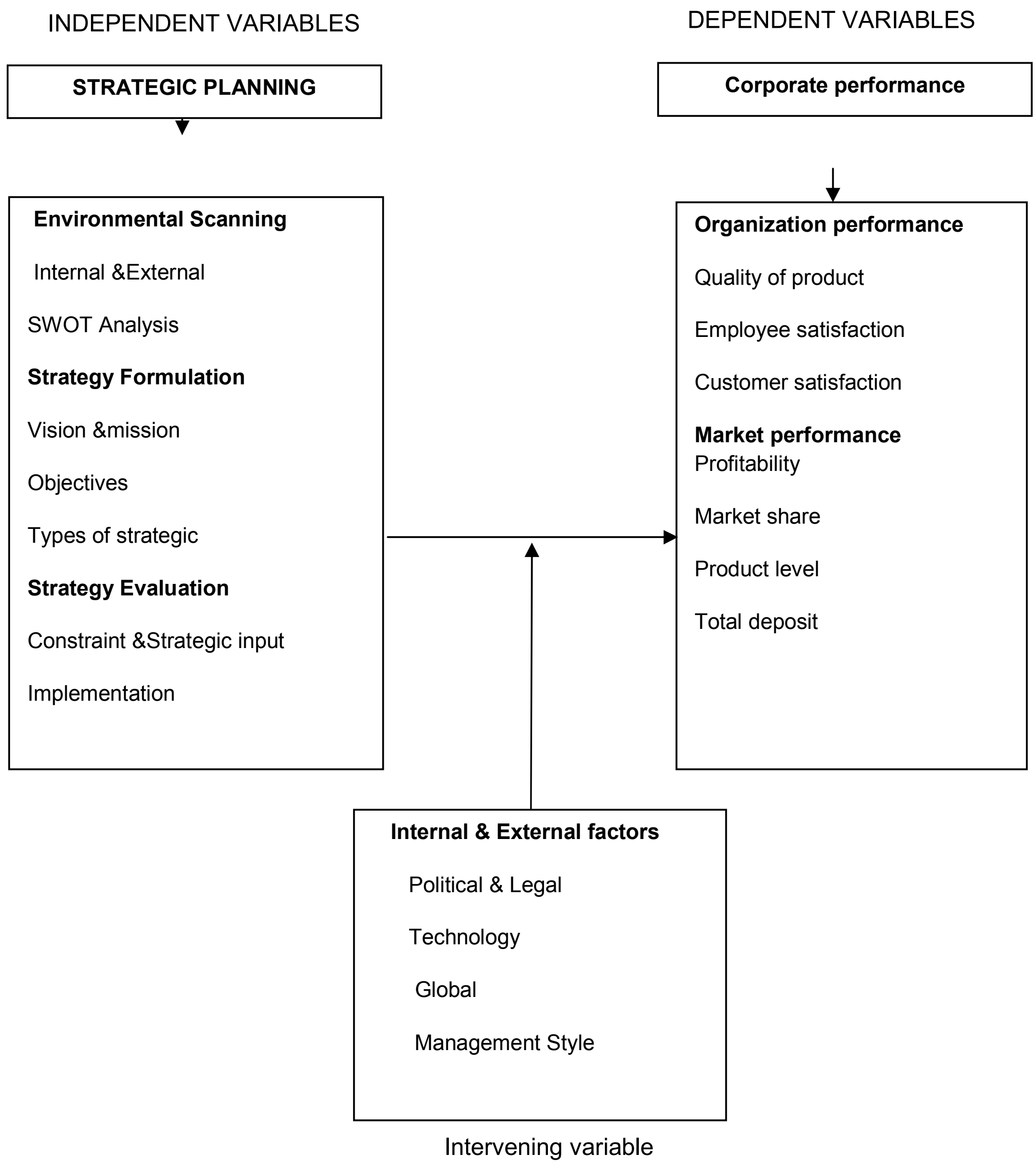

Fig. 2. Relationship between strategic planning and firm corporate performance
Sources: Researcher's design 2017

3. METHODOLOGY

This chapter focused on the methodology used in achieving the objectives of this study.

The research design adopted for this study was the survey design. The study adopted survey method in form of administering questionnaires to the senior managers. The study was carried out in Lagos metropolis because 20 out of the twenty one post-consolidation banks in Nigeria have their headquarters based in Lagos. The population of this study comprises 200 senior staff of firms in Nigerian banking industry. Purposive sampling technique was used to select the banking firms and the corresponding number of respondents. The respondents were the senior management staff. The senior managers were drawn from five departments namely: human resource, strategic brand, customer engagement, business re-engineering and risk management since they are involved in strategic planning decisions and coordinate organisation resources. Ten top management members were selected from each bank. Having selected a total number of ten banks, the total number of respondents made up the sample size was one hundred (100) respondents. Data collected were analysed using appropriate descriptive and inferential statistics.

4. DATA ANALYSIS AND DISCUSSION

Two objectives were tested in the course of the study.

4.1 Factors Influencing Choice of Strategic Plans Adopted by Banks

Respondents were asked to identify factors affecting choice of strategic planning in Nigerian banking sectors and the results were shown in the table below. On issue related to the political and legal environment being a factor influencing choice of strategic planning, 70% agree that the political and legal environment is a factor influencing choice of strategic planning adopted by Nigerian banks (mean score 3.93). Also, 85% agree that the technological environment is factor influencing choice of strategic planning (mean score 4.53). As to whether the global environment is a factor influencing choice of strategic planning in Nigerian banks 81% agree. The analysis indicated that majority of the respondents agree that the global environment is a factor influencing choice of strategic planning (mean score 4.45). Furthermore 76% agree that bank management style is a factor influencing choice of strategic planning in Nigerian banks (mean score 4.30). In the ranking of all variables that influence strategic planning in this study, one can easily infer that technology appeared to be most influencing variable. This decision is infer by the fact that technology has more respondents in agreement than any other variable. On the whole, technology appeared to be the most influencing factor of strategic planning. This portrays that strategic planning is largely associated with technological environment.

The results were consistent with the finding of several scholars such as Simons and Thompson [39] who noted that there were three categories of factors that affected strategic decision-making process: environmental factors; organizational factors; and decision-specific factors. Just like in this study environmental factors were technological environment, global environment, political & legal environment. The organizational factors were bank structure & management style. However, the decision factors were not tested in this study. Also, the results corroborate that of Akinyele & Fasogbon [40]. They found that strategic planning intensity was determined by managerial, environmental & organizational factors. Similarly, factors examined in this study could be classified into environmental and organizational factors. The findings were consistent with the studies of Julius [41] and Wandera [42] which revealed that most significant factors that were found to influence strategic planning were technological environment, economic environment, global environment, political & legal environment bank resource and organizational structure. These factors were in line with the factors tested in this study.

Table 1. Factors influencing choice of strategic planning adopted by banks

Factors	Strongly agree (%)	Total (%)	Mean	Rank
Political and legal environment	70	100	3.93	4th
Technological environment	85	100	4.53	1st
Global environment	81	100	4.45	2nd
The bank management style	76	100	4.30	3rd

Source: Field survey (2017)

Table 2. Regression analysis on the effect of strategic planning on corporate performance

Model	Unstandardized coefficients		Standardized coefficient	T	Sig
	B	Std error	Beta		
(Constant)	1.540	.749		2.057	.043
Environmental scanning	.350	0.76	.614	4.624	.000
Strategy formulation	.184	.061	.295	3.000	.003
Feedback &evaluation	.218	.108	.199	2.019	.046
		Model statistics			
R	.734[a]	Sum square regression		13.646	
R^2	.539	Sum square residual		11.694	
Adjusted R^2	.519	**Total**		25.340	
F- statistics	26.839	Mean square regression		3.411	
Sig f- statistics	.000	Mean square residual		.127	
Standard error of estimate	.356				

Dependent variable: Perceived organization performance and perceived market performance
Significance: Tested 0.05 level of significance
Source: Field survey (2017)

4.2 Effect of Strategic Planning on Corporate Performance

The regression analysis was conducted to determine the contribution of the independent variables to the variance in the dependent variable. Result in Table 2 revealed multiple regression of the effect of strategic planning on corporate performance. The result indicated that strategic planning was statistically significant to corporate performance ($F= 26.839$, $p < 0.05$). The 't' values indicated the influence of each predictor variables on the response variables with an absolute t value > 2 and p value < 0.05 the results were as follows, environmental scanning ($t= 4.624$, $p < .05$); strategy formulation ($t= 3.000$, $p < .003$); feedback and evaluation ($t= 2.019$, $p < .05$). The results revealed that strategic planning has significant effect on corporate performance of banks in the study areas against the null hypothesis of this study. The result showed that the entire variables were found significant. The adjusted R^2 value tells how much of the variance in the dependent variable (corporate performance) is explained by the model (strategic planning). The R Square value indicated that 53.9% of the variance in bank corporate performance in the study area was explained by the contributions of environmental scanning, strategy formulation and feedback & evaluation. This result showed that the model strategic planning is a strong predictor of corporate performance in the Nigerian banking sector. The results were in line with the finding of Suklev & Debarliev [29] that strategic planning can generally contribute to organizational effectiveness. They linked effective strategic planning and implementation to performance and the result was a positive relationship. The results also agreed with the conclusions of Robbins, Bergman, Stagg & Coulter [43] and Silverman [44] they stated that an organization performance is dependent on strategic planning. The findings were also compatible with Arasa & K'Obanyo [45] who indicates the existence of a strong relationship between strategic planning and firms performance.

5. CONCLUSION AND RECOMMENDATIONS

In an increasingly borderless and globalised world, organization must be able to adapt and react proactively as well as rapidly to the demands and requirement of the changing environment in order to survive. This study concluded that for organization to remain a float in today's dynamic and competitive business environment, strategic planning should be seamlessly integrated into activities and operations of business concerns. This is considering the fact that customers these days are better informed and more demanding. Only organizations that move with the time can satisfy the ever-changing taste and sophistry of customer demands and other stakeholders. This cannot be done effectively without engaging strategic planning in the improvement of service quality and speed of delivery.

From the information on the analysis obtained from the respondents and the interpretation of the tested hypothesis, finding of this study therefore provide insight into strategic planning practices in the banking industry, factors influencing the choice of strategic plan and the determination of the effect of strategic plan on the corporate performance of firm in Nigeria banking Industry. The study revealed that there was a significant relationship between strategic planning and corporate performance of the selected firms in the Nigeria banking industry. Based on the finding in this study, it is recommended that:

i) The banking sector should consider training of the top management on strategic planning in order to improve competency in respect of environmental scanning, SWOT analysis technique and monitoring of strategic planning result.
ii) Banks should take cognizance of technology, global, management style, and political & legal environment during strategic planning.
iii) Firm (whether small, medium or large-scale) organizations in Nigerian should make it a matter of policy to give strategic planning the topmost priority as it is a critical success factor in organization.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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