

EMPIRICAL INVESTIGATION OF STRATEGIC PLANNING AS A PREDICATE OF CORPORATE GROWTH AND SURVIVAL

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Abstract

The purpose of this study was to determine the effect of strategic planning on the corporate growth and performance using Manufacturing Sector (WAPCO PLC) in Nigeria. It also examines the achievement recorded by for practicing strategic planning, the resistance of the company to strategic planning, its effect on the corporate growth and performance of the company and the recommendations made as a result of the study. It was hypothesized that: A well- managed and implemented strategic planning process will lead to better corporate growth and performance. The survey design was adopted and data collection was done through questionnaires. The effect of strategic planning on the corporate growth and performance of WAPCO PLC was analyzed using the Pearson product moment correlation [PPMC] method to test the hypothesis. The results show that: A well- managed and implemented strategic planning process will lead to better corporate growth and performance. In the light of the findings, the study recommends that: (1)There should be prompt approval and release of fund for the implementation of formulated strategy by the Board of Director if such funds are within what the company can afford as the implementation of such strategy will add to the profit of the organisation. (2)

Employees of WAPCO PLC, who have spent a considerable length of years within the organisation and has acquired, relevant training, should be involved in strategic formulation and implementation, and not only those who have spent about 10yrs and above with the company. This will make for generation of ideas and will serve also as a motivation for such employees. (3)WAPCO PLC Management should be prepared to cope with the present economic, customer, technological and political situations by planning ahead and avoid crash programme and fire brigade approach and be more flexible, to be able to adapt to government policy changes.

Keywords: Strategy, Planning Objective, Strategic Decision, Management, Organization

INTRODUCTION

The corporate environment around organization is changing rapidly and is challenging management to become far more alert and inventive than they were ever before. Various events also have confirmed the importance of this concern about organisational change. Some conditions are vital for corporate growth and performance in a rapidly changing environment and in a highly competitive industry, therefore, management must have timely and accurate information with which to assess the potential value of an opportunity, corporate performance must be maintained at a level which provides investment capital for venture having acceptable level of risk and uncertainty, company must maintain a keen awareness of remaining alert to changes in its own market as well as those of other firms. In order to meet these requirements, a company must develop and adhere to a plan which provides direction for the future and guidelines for day to day operation. Strategic planning involves the formation of long, future term goals and objectives for the company and the selection of strategies to achieve these goals and objectives in the light of the uncertain future and external environment in which the firm must operate. It is also considered the process directed by the top management to determine the fundamental aims or goals of the organisation and to ensure a range of decisions which will allow for the achievement of these aims/goals in the long term whilst providing for adaptive response in the short term (Cole, 1994). The purpose of strategic planning is to provide management with a frame work on which decision can be made which will have a long term effect on the behaviour of the company or business.

Decision making is made up of complex choices about the corporate goals, the means to achieve them and choices that outline the strategic direction of the company. Top managers define the rate at which the company grows in size and profit. They decide whether to expand internally or diversify through acquisition. They determine the appropriate amount of dividend

each shareholder are entitled to from the earnings and the amount to retain for the future internal investment of the company. Corporate goal are normally determined by top management and influenced by shareholders, creditors, government regulations, unions and other forces acting outside of the planning process. These external environment factors should be addressed by senior management as often as possible because of the dynamic nature of the Society. Some of these factors include: Macro-economic environment, competitive environment, government regulation, technological environment, factor supply environment etc. All these will have effect on strategic planning formulation and implementation as well as on the corporate growth and performance. From the above mentioned, strategic planning by its characteristics or nature taken the long view and its time span is usually over a period of three to five years and frequently extend very much long.

Strategic planning process encompasses a set of objectives designed to address the most significant long range needs of the Company, allocates available resources among the objectives on the basis of relative priorities and provides guidelines to be followed by the operating group which must fulfill the objectives. Strategic planning can be seen as including, setting of objectives, organising the work, people and system to enable those objective to be attained, motivating through the planning process and through the plan, measuring performance and controlling progress of the plan and developing people through better decision making, clearer objectives, more involvement and awareness of progress. Strategic planning is a continuous exercise which must be put in place at all time in order to promote corporate growth. It is a management skill which involves the whole range of management function.

Statement of Problem

It is widely agreed that strategic planning is the tool for setting total business direction in today's fast changing turbulent, complex and highly increasingly competitive environment (Oyedijo, 2001). Many organisations for some time now have faced many survival problems occasioned by the environmental threats, and their internal weakness because of the turbulent, depressed economy they operate in. Some have collapsed and others are managing to survive thereby creating so much uncertainty within the business environment. Strategic planning is regarded by academic and practitioners as the basic determinants of the success of a firm on the long run because it is the only means by which a company can relate its resources to market opportunities and area in which demand exist and in which the climate of competition is favourable. A product or service can only be produced if a company relates its distinctive resources, competences and activities to the changing opportunities and threat in its external environment. If wrong strategic are used or if there are no plan at all, then the organisations

chances of success are highly reduced. Thus, this study is aimed at examine how strategic planning are put in place in WAPCO PLC with the view of determine its specific effect on the corporate growth and survival. The study also examines how the strategic planning is formulated and implemented.

Objectives of the Study

The basic aim of this study is to examine the nature, process and effects of strategic planning on corporate growth and performance with special references to WAPCO PLC. The specific aims of this study include: (i). To determine the impact of strategic planning in WAPCO PLC (ii).To determine the effect of environmental factors in policy formulation and implementation (iii) To determine the extent of employee involvement in policy formulation and how closely has strategic planning been adhered to.(iv)To determine the attitude of staff and management to strategic planning in WAPCO PLC and suggest ways of improving the attitude. (v)To determine how policy is been formulated and implemented and also to offer suggestion and recommendation on how to make strategic planning effective as weapon in enhancing growth/performance in such an organization.

Study Hypothesis

Ho:: A well- managed and implemented strategic planning process will not lead to better corporate growth and performance.

H1:: A well- managed and implemented strategic planning process will lead to better corporate growth and performance.

Significance of the Study

At the end of this study, it is believed that the exercise will describe the means, techniques and methods by which strategic planning are formulated and implemented. It will produce some cognitive benefits by providing a knowledge and understanding of what goes on in the organisation. Thus, becoming a useful source of material for teaching and future research purpose. It will show the benefit to be enjoyed by organisation that use strategic planning for its survival, better organisation performance and corporate growth. It is expected that this study will add to the knowledge of business management by examining the practices, problems and approaches of WAPCO PLC in strategic planning. It will produce data which will enable us to determine correlation between effective strategic planning and corporate growth and performance.

LITERATURE REVIEW

Conceptual Framework

Concept of Strategy

Strategy; is defined in many ways basically because there is no generally acceptable definition of it and much depends upon the point of view of the person who is attempting to define it. The term “STRATEGY” is generally defined as a broad statement of the means to be employed in achieving a given set of objectives. Hofer and Schendel (1978) view strategy as “the common thread among an organization activities and product/market that define the essential nature of the business the organization was in and planned to be in the future”. Anao (1979) also defines strategies as schemes, methods, manoeuvres which management hopes to deploy in order to move the organization from its present position to arrive at its target goal by the end of a specified period, recognising that during the intervening period a host of changes are going to take place in the operating environment. Christensen, et al (1982) defines strategy as the pattern of objectives, purposes of goals and major policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is to be. Oladunni (1991) defines strategy as the science of balancing the organisation strength and weaknesses with the challenges and opportunities presented by the environment in order to achieve the organisation objectives through its value and culture. Mintzberg (1996) defines strategy as the mediating force between an organisation and its environment, that is between the internal and external environment. Bowman and Asch (1996) define strategy as “a thought out-plan of action, a consciously formulated broadly defined policy for achieving and objective.” While Glueck (1988) defines strategy as “a unified, comprehensive, and integrated plan designed to ensure that the basis objectives of the enterprise are achieved.” Thomas (1997) defines strategy as the determination of basic long range goals and objectives and the adoption of courses of action with the allocation of the necessary resources. In essence, a strategy is a chosen course of action for pursuing an objective. Whatever strategic options an organization develops and chooses, they must be strictly within the framework of pre-established policy. Strategy must therefore be supported by policy and policy rationalized and justified by effective strategies. While strategies are the routes, tactics are the vehicles required for plying these routes.

Concept of Strategic Planning

The process of policy formulation; establishment of goals/objectives and the development of strategies are subsumed under planning i.e. planning covers the whole process of determining what purpose to pursue and the means of attaining them as well is the mechanism for

monitoring result. Drucker (1974) defines Strategic Planning as the continuous process of making present entrepreneurial (risk taking) decisions systematically and with the greatest knowledge of their futurity; organising systematically the effort needed to carry out these decisions and measuring the result of these decision against expectation through organized systematic feedback. GARBA (1982), in the same vein, rightly argues that “long-range planning also looks at the alternative courses of action in the future to provide the basis for making current decision.”

Review of Concept of Strategic Planning and Organizational Growth and Performance

Over the years, several researches have been carried out to determine whether there is a significant relationship between strategic planning and organization corporate growth/ performance. Their findings appear to be mixed. However, a significant number of recent investigations suggest that efficient and effective strategic planning can increase organizational profitability, survival and growth. More recent, empirical indication on the average, companies that plan out perform those that do not. The earlier researcher on strategic planning Mayer and Goldstein (1961) in one of their pioneer studies concluded that lack of systematic planning is a major reason for business failure. Robinson (1982) after examining the impact of outside professional service to business, concluded that firms which engaged in “outside based” strategic planning achieve significant performance, improvement in profit, sales growth, employment and productivity: while Stanger (1969) report that organization whose chief executive implemented strategic planning made higher profit as a percentage of capital. Similarly, studies by Guth (1972), Shaffet al (1974) tend to suggest that strategy planning firms perform better than non-strategic planning firms. Thune and House (1979) compared performance of eighteen matched companies in the food, drug, machinery, petroleum and chemical companies over a period of seven years. Each pair consisted of one firm that used formal strategic planning system and one that did not-they also found that the formal strategic planners significantly out performed the non planners with regards to sales and growth. This was supported again to the research carried out by Herold who extended the Thune and House study for four additional years for the firms in the drug and chemical industries and found that the formal planners in these industries not only continued to out-perform the non-planner but in fact increase their lead over the non-planner in almost all performance measured. The research carried out by Eastlack and MC Donald (1970) showed how strategic planning had provided a useful help in the leadership characteristics of the chief executive officer East lack and MC Donald used 211 companies to carry out this research work. They found that (CEO's) who involved themselves in strategic planning headed the fastest growing companies. In a similar

manner, Ansoff (1970), Karger and Malik (1979) in their research conducted were also of the opinion that there is a correlation between strategic planning and organization/corporate growth and that former planner out-performed non-planner on all financial and sales measure. In addition the performance of the planners was more predictable than that of the non planner. Wood and Lofoge (1974) also showed that banks that planned perform better than those that did not. Myer and Cardinal (1994) also studied the relationship between strategic planning performance and firm performance. The mode he used was empirically tested using Meta analytic data drawn from 26 previously published studies. His result suggested that strategic planning positively influences firm/corporate growth. It is therefore to note that every enterprise nee application of strategic planning hence the study of strategic planning in a depressed economy like Nigeria cannot be controverted.

In Nigeria, major studies carried out on strategic planning by Unni (1981), Oyedijo(2001) have found support for the strategic planning and corporate performance hypothesis. The studies by Oyedijo suggest that banks corporate financial performance tend to increase with a unit increase in the level of strategic planning practiced by a bank, the higher the financial performance of the bank expressed in terms of Earning Per Share (EPS), Profit Before Tax (PBT), Return on capital Employed (ROCE) and Net asset etc. In Imanyi research where 225 businesses were studied to know whether they do strategic planning and if strategic planning is essential for business. It was found that 50% of the businesses studied carried out strategic planning and that 71% of these reported making profit. In the light of the review of these past works on strategic planning and organization growth and performance, it is evident that strategic planning has a vast potential for the rapid growth of organization in the part of the world. It seems to suggest that firms that carry out strategic planning tends, generally to do better than those that do not. The obvious conclusion seems to points to the direction of strategic planning for organization success and growth. This conclusion undoubted is bound to generate questions as why some organization that do not carry out strategic planning often reported profit, one possible explanation could be that this category of organization unconsciously plan and because they plan unconsciously, they do not know that they really plan.

RESEARCH METHODOLOGY

This study operated under the “Quali-Quant” paradigm as expounded by Sobowale (2008) which involves the combination of qualitative and quantitative methods to obtain more reliable parameters of phenomena in the environment. This is in realization of the fact that neither of the two methods truly offers satisfactory explanation of observable events.

Research Design & Data

Descriptive survey method was adopted in the carrying out this study. Data was obtained through the use of questionnaires. The questions was designed in simple and clear language to remove ambiguity. The response to each of the statements will be on a 5 point Likert ordinal scale. The questionnaires intended to generate responses that will assist the researcher to address the research problem, objectives, questions and hypothesis.

Population of the Study

The population of this study was made up of Top Management Staff, Senior Manager and Middle level Manager.

Sample Size and Sampling Technique

A stratified random sampling technique was used in giving the heterogeneous nature of the staff population. The sample size for the study is 150 participants. This is presumed to be fairly large enough for meaningful analysis.

Apriori Expectation

This explains the theoretical linkage on the signs and magnitudes of parameter of the specified functions. A priori expectations are determined by the principles of economic theory guiding the economic relationship among the variables being studied. The Apriori Expectation is the level of positive impact of strategic planning is expected to have on Organizational Performance/ Corporate Growth and Survival.

Model Specification/Data Analysis Method

The objective thrust of this work is to evaluate how strategic planning impacts on organizational performance with special reference to WAPCO PLC in Nigeria. As such, ordinary least square regression model of analysis was adopted to show the causal relationship between strategic planning and organizational performance/Corporate Growth and Survival. In this study, organizational performance was made the dependent variable while strategic planning was made the explanatory variable.

In tandem with empirical work of Oyedijo (2001), the most appropriate model to evaluate the directional and causal relationships between strategic planning and organisational performance/Corporate Growth and Survival using WAPCO PLC as a case study is thus specified;

$$\text{ORG PERF} = f(\text{STR PLA}) \dots\dots\dots (i)$$

$$\text{ORG PERF} = \beta_0 + \beta_1 \text{STR PLA} + e_i \dots\dots\dots (ii)$$

Where;

ORG PERF= Organisational performance

STR PLA = Strategic Planning

β_0 and β_1 = are the regression coefficients to be determined.

e_i = the error term

ANALYSIS

The result of the model in the above indicates that the constant term Strategic Planning is positive related to Organisational Performance. This shows that an increase in the strategic planning activities will lead to an increase in organizational performance and vice versa. The decision criteria state that where T calculated is greater than T table, the Alternate Hypothesis is accepted while null hypothesis is rejected. The T calculated from the model indicates 9.262 and the T table show 1.645 this implies that the T calculated is greater than the T table, the implication of this is that the Alternate hypothesis is accepted while the null hypothesis is rejected.

The Durbin Waston statics is used to test for the presence of first order serial correlation. It measures the linear association between adjacent residual from the regression model. The calculated DW statistics is 1.854. The descriptive statistics show that the mean and standard deviation for organizational performance is 5.2451 and 49.40% respectively. The test of significance shows that an increase or decreases in strategic planning do have significant impact on organizational performance.

The F statistics is used to test for stability in the regression parameter coefficient. From the table F statistics @ 0.05 is 2.45 while the calculated F* is 41.288, it shows that the overall model is statistically significant.

The R, R² indicate 71.10% and 47.4% respectively. This result is in line with the recent major studies of strategic management planning carried out in Nigeria by Ofoegbu, Adeyemi, and Oyedijo have found support for strategic management/ planning and corporate performance/growth hypothesis. This result also affirms Oyedijo;s view that a bank's corporate performance tends to increase with a unit increase in the level of practice of strategic management/ planning. All these confirm that a well-managed and implemented strategic planning would have great positive impact on corporate growth and performance

SUMMARY OF FINDINGS

Corporate strategy is a pattern of major objectives, purposes or goals and essential policies or plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be (Oyedijo 2001)

From the various analyses, the following findings are made (i) It was found that strategic planning is conducted in the company mostly by the meetings of management directors and departmental executives; which has brought proper understanding of policies and makes its implementation easier. (ii) It also revealed some factors greatly affect strategic planning and organizational performance/growth, such factors, found are: political, economic, leadership style, technology, customers and competitor and law. Such economic include the fiscal and monetary policies of government, the Banks unstable exchange rates, and the likes. While many laws and policies of government change from time to time do affect the company's plans and objectives. (iii) It also revealed that the company benefited from strategic planning from such area as sales growth, profit, and return on investment, and effective competition.

CONCLUSION

The project is set to evaluate the effect of strategic planning, viewed from different perspectives and its importance to corporate or organisational growth and performance. It consequently determines the extent to which these objectives have been met or frustrated in the light of the external and internal factor. In the light of the outcome of the objective already considered, one could conclude that strategic planning had a positive impact on the growth/performance of the organization. It is important to note that strategic planning must be approached with caution, considering the economic and political situation in the Nigeria environment (extraneous factors), However, no matter how "BEAUTIFUL" a strategic planning process may be, its success is ultimately in the hands of the stakeholders. Hence management must ensure that strategic planning is managed by good leadership in order to achieve organisational objectives. It is gain saying that organisational survival/growth is tied to the adequate and successful strategic planning. In conclusion, strategic planning in the company studied has been very successful and the successful formulation and implementation of corporate plan.

RECOMMENDATIONS

In the light of the above findings, the following recommendations are made to enable organisations all-over achieve efficient and effective corporate planning, profitability, survival /growth. (i) There should be prompt approval and release of fund for the implementation of formulated strategy by the Board of Director if such funds are within what the company can

afford as the implementation of such strategy will add to the profit of the organisation. (ii) Employees who have spent a considerable length of years within the organisation and has acquired, relevant training, should be involved in strategic formulation and implementation, and not only those who have spent about 10yrs and above with the company. This will make for generation of ideas and will serve also as a motivation for such employees. (iii) Management should be prepared to cope with the present economic, customer, technological and political situations by planning ahead and avoid crash programme and fire brigade approach and be more flexible, to be able to adapt to government policy changes.(iv)The Management should avoid its conservative attitude of hoarding vital planning in formation, in order not to stagnate the growth of both its employees, and the organisation at large.

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