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Abstract

This study was based on conceptualized relationship between strategic planning and performance. Some researchers have argued that strategic planning influences performance positively while others contend that the influence is negative. Therefore, the past empirical studies have produced many contradictory findings and there is a need for further studies to fix this empirical conundrum. These variables were contextualized in the manufacturing firms in Kenya. Current study's objective was to determine the relationship between strategic planning and performance of manufacturing firms in Kenya. A corresponding hypothesis, *there is a relationship between strategic planning and performance of manufacturing firms in Kenya*, was formulated and tested at 95 percent confidence level. Through a cross-sectional descriptive survey, data were obtained using a structured questionnaire from 72 manufacturing firms representing 52.17 percent response rate. Data obtained were analyzed using both descriptive and inferential statistics. Hypothesis was tested using both simple and multiple regression analysis. Statistical Package for Social Sciences (SPSS) was used to analyze the data. The findings established that strategic planning had a strong positive relationship with performance of manufacturing firms in Kenya and the influence was statistically significant. However there were mixed results as regards the independent influence of various strategic planning indicators on performance. But when combined, they have strong positive relationship with performance and influence was statistically significant. The study suggested that manufacturing firms in Kenya should practice strategic planning for superior performance. For further study, it was suggested that the relationship to be moderated with organizational variables, external environment dynamics and also to try different strategic planning steps. Current study's findings have theory, policy, managerial practice and methodological implications. The current study findings added to the existing body of literature by empirically corroborating that strategic planning and performance had a positive relationship. Manufacturing firms should have policies which enforce various accreditations which form part of strategic planning. Firms' management should adopt strategic planning practices and carefully select the process steps since it enhances performance. Operationalization of study variables made it easy for the respondents to understand the questions raised in the questionnaire and to provide relevant data that brought issues of performance in manufacturing firms in Kenya.

Key words: Strategic planning, performance, manufacturing firms, Kenya.

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1. Introduction

Strategic planning (SP) and organizational performance linkage have presented an extreme dilemma for strategic management researchers. Researchers like Powell (1992) asserts that the empirical studies conducted on this relationship have produced many findings which are contradicting, and their weak theoretical underpinning as well as their negligible practical importance have been criticized. This infers that the findings are still inconclusive and there is a need for more research on this relationship. Aldehayyat and Twaissi (2011) as well as Suklev and Debarliev (2012) concurred that some research have established that SP and performance have a relationship. Other scholars indicated that SP and performance have no relationship (Yusuf & Saffu, 2005; Falshaw, Glaister & Tatoglu, 2006; Ghobadian, O'Regan, Thomas & Liu, 2008; and Gică & Negrusa, 2011).

Regarding SP and performance linkage, planning adherents like Steiner (1979), and Thompson and Strickland (1987) asserts that formal SP delivers benefits that eventually create economic worth-enhances internal communications and interaction, accelerates new ideas, generates information, enhances motivation and commitment, has symbolic value to stakeholders and guarantees an exhaustive contemplation of all realistic options. The motivation of the study is informed from the literature that empirical studies have produced many contradictory and inconclusive findings. The research done on SP and performance of manufacturing firms in Kenya are scarce since most have been done on insurance and banks. Many studies have been done

in developed countries like Britain, USA and Japan.

The current study sought to add to the knowledge by establishing the relationship of SP and performance of manufacturing firms in Kenya. Performance of Kenyan manufacturing firms is of huge significance because it plays an important role in economic growth. The study proposed that previous results could be affected by the study concept, context and methodology used. This study was therefore an attempt to address the conceptual, methodological and contextual gaps by answering the question, what is the influence of SP on performance of manufacturing firms in Kenya? Current study's objective was to determine SP and performance relationship of manufacturing firms in Kenya.

2. Materials and Conceptual Hypothesis

Business enterprises has accepted SP as a way that can lead to a sterling firm performance if utilized properly. Steiner (1979) supports this observation when he argued that the formal SP method gives the framework for formulating and effecting strategies. On how SP contributes to performance, Hodgetts and Kuratko (2000) argued that it creates a better perceptive of important environments, it generates relevant information and it reduces uncertainty. As per Griffin (2006), assigning of resources, priorities and actions necessitated to reach strategic objectives makes up SP. Boyd (1991) asserts that a wide range of organizations have adopted SP as tool to manage environmental turbulence. In strategic planning measurements, strategic planning process has been modeled differently by

different scholars. Boyd and Elliot (1998) designed a four step model of the planning process to include specification of objectives, generation of strategies, evaluation and monitoring results. Other researchers select other aspects of strategic planning process like vision and mission statements, trend analysis, goal setting and control systems to operationalize strategic planning (Boyd & Elliot, 1998; Backer, 2003).

Performance of a company is obtained by assessing the actual results of a company against its planned targets. Various scholars have described firm performance with the same concept. Performance relates to efficiency and effectiveness of the firm (Machuki and Aosa, 2011). Daft (1991) define it as the firm's aptitude in meeting planned targets by utilizing inputs efficiently and effectively. Efficiency is the worthiness of one unit of output, defining the outputs generated by a program or activity in association to inputs employed to generate them. The unique competences that an organization obtain to guarantee success describe its effectiveness.

Firm performance is an important if not the most important variable in strategic management research (Combs, Crook & Shook, 2005). Special focus on performance differentiates strategic management from other fields. Venkatraman and Ramanujam (1986) argue that firm performance remains an often occurring theme of great interest to both academic scholars and practicing managers. The core of strategic management research is to explain how managers can create superior performance through increased understanding about

determinants of organizational performance. Production capacity, market, shareholder value and financial are four basic performances investigated in manufacturing businesses.

If market based measures are combined by financial measures they effectively capture the performance outcomes of different strategic types as opposed to being used autonomously (Dess & Davis, 1984; Hambrick, 1983; Schendel & Patton, 1978). This statement is supported by Laitinen (2002) who argued that financial evaluation alone are not sufficient for making decisions in modern firms hence need to incorporate non-financial measures when assessing performance. This point is reinforced by Reijonen and Raija-Komppula (2007) who asserted that time, flexibility, quality of manufacturing and entrepreneurial gratification which constitutes non-financial measures are essential in knowing company's performance which can be turned into numbers and evaluated numerically.

The SP was conceptualized to have an independent empirical role influencing performance. The operational indicators included specifications of objectives, generation of strategies, documentation, time-spent, communication and process existing. Performance was conceptualized to be a dependent variable and indicators used for its measurement were financial and non-financial performance. Kaufman et al. (2003) defines SP as a process for crafting and outlining a better future in quantifiable terms and choosing the best ways to realize the desired outcomes. The research in the strategic management aims to establish the sources of the stellar performance. We hypothesize thus: *SP and*

performance of manufacturing firms in Kenya have a relationship.

3. Methods

A cross-sectional survey was conducted across a targeted sample of 138 out of 502 manufacturing firms registered with Kenya Association of Manufacturers (KAM). Research espoused a cross-sectional survey because it enabled the researcher to acquire the data at one point in time through questionnaires. Structured questionnaire was used to collect both Primary and secondary data. Primary data was gathered on a 5-point Likert-type scale while company's financial statements mainly income statements and balance sheets gave secondary data for the last five years so that return on assets (ROA) could be calculated.

Targeted key respondents were top management consisting of chief executive officers (CEO), managing directors (MD), corporate planning managers, finance and administration managers, operation managers, human resource managers or their representatives. Data on strategic planning mainly focused on specification of objectives, generation of strategies, documentation, time-spent, communication and process exist. Firm performance utilized financial and non-financial performances. Cronbach's alpha was used to measure the reliability.

4. Data Analysis and Results

The manifestations of the variables under this study were explained via descriptive and inferential statistics. Regression and correlation analysis were used to test the relationships amongst the study variables. In order to determine whether the variation of the levels of manifestation of the variables were statistically significant, one sample t-test at test value 3 (the mid-point

of the Likert scale that was used for ranking responses) and at 95 percent level of confidence were used. The study utilized a number of inferential statistical operations to achieve the objectives and test the hypotheses. Simple regression, multiple regression and Pearson's product moment correlation (r) analyzes helped to determine the influence of predictor variables on the outcome variables.

We provide descriptive statistics, of which 72 firms responded out of sampled 138 firms translating to 52.17 % response rate which was considered adequate for analysis. The outcomes for ownership structure were locally fully owned (70.8%), both locally and foreign owned (11.1%) and foreign fully owned (6.9%). Scope of operation outcomes were national (within Kenya) (22.2%), regional (within East Africa) (45.8%), continental (within Africa) (26.4%) and global (outside Africa) (5.6%). Firm size results were large firms (above 100 full time employees) (79.2%), medium firms (51 to 100 full time employees) (15.3%) and small firms (11 to 50 employees) (5.5%). For products sold locally, 41.7% of firms sold 81-100% of their volume, 22.3% of firms sold 61-80% of their volume, 20.9% of firms sold 41-60% of their volume, 5.6% of firms sold 21-40% of their volume and 5.6% of firms sold 0-20% of their volume. For products exported, 2.8% of firms exported 81-100% of their volume, 5.6% of firms exported 61-80% of their volume, 8.4% of firms exported 41-60% of their volume, 32.0% of firms exported 21-40% of their volume and 47.3% of firms exported 0-20% of their volume.

The independent and combined influence of SP on performance was tested. Results

for the tests are presented in Tables 1 and 2. Overall, findings established that SP had strong relationship with performance which was positive (R= 0.511). This relationship explains 19.2 percent variation in performance. 80.8 percent of performance is elucidated by other aspects not considered in this model. This proportion was statistically significant (p<0.05).

The independent indicators defining strategic planning gave mixed results. The results indicated that specification of objectives influenced the performance negatively and the influence was not statistically significant (B= -.122, t= -

1.132, sig= .262). Generation of strategies influenced performance positively and it was statistically significant (B= .442, t= 3.412, sig= .001). Documentation influenced the performance positively and the influence was statistically significant (B= .051, t= .415, sig= .001). Time spent influenced the performance positively and the influence was statistically significant (B= .029, t= .300, sig= .004). Communication influenced the performance positively and the influence was statistically significant (B= .046, t= .560, sig= .002). Process existing influenced the performance positively but the influence was not statistically significant (B= 1.017, t= 1.177, sig= .243).

Table 1: Independent Influence of Strategic Planning on Performance

Model Summary								
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate				
1	.511 ^a	.261	.192	.642				
ANOVA ^b								
Model		Sum of Squares	df	Mean Square	F	Sig.		
1	Regression	9.338	6	1.556	3.771	.003 ^a		
	Residual	26.409	64	.413				
	Total	35.746	70					
Coefficients ^a								
		Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics			
Model		B	Std. Error	Beta	t	sig	Tolerance	VIF
1	(Constant)	1.685	1.246		1.352	.181		
	Specification of objectives	-.122	.107	-.151	-1.132	.262	.648	1.543
	Generation of strategies	.442	.130	.488	3.412	.001	.565	1.771
	Documentation	.051	.124	.052	.415	.001	.735	1.361
	Time spent	.029	.098	.037	.300	.004	.757	1.322
	Communication	.046	.082	.070	.560	.002	.728	1.374
	Process existing	1.017	.864	.169	1.177	.243	.560	1.784
a. Dependent Variable: Firm Performance								
b. Predictors: (Constant) Specification of objectives, Generation of strategies, Documentation, time spent, communication, Process existing								

The equation defining the relationship would thus be:

$$P = 1.685 - 0.122SOB + 0.442GOS + 0.051D + 0.029TS + 0.046C + 1.017PE$$

Where, P= Performance; SOB= Specification of Objectives; GOS= Generation of Strategies; D= Documentation; TS= Time Spent; C= Communication; PE= Process Existing.

In the equation, negative influence was reported on specification of objectives. Positive influences were reported for generation of strategies, documentation, time spent, communication and process

existing. This means that a unit change in specification of objectives in the strategic planning yields negative change (-0.122) in performance. This also means a unit change in generation of strategies yields 0.442 positive change in performance, a unit change in documentation yields 0.051 positive change in performance, a unit change in time spent yields 0.029 positive change in performance, a unit change in communication yields 0.046 positive change in performance while a unit change in process existing yields 1.017 positive change in performance.

Table 2: The Combined Influence of Strategic Planning on Performance

Model Summary								
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate				
1	.501 ^a	.251	.241	.783				
ANOVA ^b								
Model		Sum of Squares	df	Mean Square	F	Sig.		
1	Regression	14.392	1	14.392	23.491	.000 ^a		
	Residual	42.886	70	.613				
	Total	57.278	71					
Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.969	.468		4.203	.000		
	Strategic Planning	.549	.113	.501	4.847	.000	1.000	1.000
a. Predictors: (Constant), Strategic planning								
b. Dependent Variable: Firm Performance								

Findings as per Table 2 indicated that when combined, SP influenced manufacturing firms' performance and influence was statistically significant (B= 0.501, t= 4.847, p<0.05). Overall, SP correlate with performance up to 0.501 meaning it is a strong positive relationship

and explain 24.1 percent variation in performance. 75.9 percent of performance is elucidated by other aspects not considered in this model. Proportion explained by combined influence of SP is statistically significant (Higher F-value, p<0.05). These findings were represented

by the following equation: $P = 1.969 + 0.549SP$, Where; P= Performance, SP= Strategic Planning

In the equation, a unit change in SP yields a positive coefficient of 0.549 positive change in performance. This change is statistically significant. On the basis of these results, the study failed to reject the hypothesis.

5. Conclusion

Current study's objective was to determine the relationship between strategic planning and performance of manufacturing firms in Kenya. The findings established that strategic planning had a strong positive relationship with performance of manufacturing firms in Kenya and the influence was statistically significant. However there were mixed results as regards the independent influence of various strategic planning indicators on performance. But when combined, they have strong positive relationship with performance and influence was statistically significant.

The current study supports Glaister et al. (2008) who conducted research in Turkish manufacturing firms and reported that strategic planning and performance had a positive and strong relationship. It also supports Efendioglu and Karabulut (2010) who posited that the results on strategic planning and performance vary from positive relationships, to no relationships and to negative relationships. But this study contradicts Falshaw et al. (2006) who collected data from 113 United Kingdom firms and observed that strategic planning and performance had no relationship.

6. Implications of the Study

Current study's findings have theory, policy, managerial practice and methodological implications. For theory implications, the current study findings added to the existing body of literature by empirically corroborating that SP and performance had a positive relationship. On policy implications, manufacturing firms should have policies which enforce various accreditations which form part of SP. For managerial practice implications, firms' management should adopt SP practices and carefully select the process steps since it enhances performance.

On methodological implications, data collection in manufacturing firms involved mostly drop and pick of data collection instrument with telephone follow-ups. This was effective since any respondent's query was addressed on the spot. Most of respondents who are skeptical of the e-mail method are convinced on the need to fill the questionnaire. This improved response rate. The study utilized regression method to analyze the relationship between study variables. This tool is used widely in strategic management research and helps to explain relationships clearly.

The use of regression made it very easy to test the hypotheses which were developed to attain research objectives. At the end of the tests, it was very clear on how they related in regards to manufacturing firms in Kenya. Operationalization of study variables made it easy for the respondents to understand the questions raised in the questionnaire and to provide relevant data that brought issues of performance in manufacturing firms in Kenya.

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