

Effects of Strategic Planning on Performance of Medium Sized Enterprises in Nakuru Town

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Abstract

Organizations, both large and small, are faced with uncertain business conditions, competitive market environments and rapid technological changes. SMEs, are struggling to survive and are focusing on ways to improve their performance. The main objective of this study was to examine the effects of strategic planning on performance of medium sized firms. It examined the relationship between the specific steps that make up strategic planning and firm performance. To achieve this, data was collected from a sample of 47 medium sized enterprises. The results indicated that strategic planning significantly influences organizational performance. The findings reinforce the need for business owners and entrepreneurs to embrace strategic planning in order to gain competitive advantage and to ensure survival in the competitive market.

Key Words: Strategic Planning, Environmental Analysis, Organizational Direction, Strategy Formulation, Performance.

Introduction

Globalization has resulted in fierce competition internally and externally to many organizations. Given the intense competition and constantly changing market conditions, business performance has become a crucial issue among scholars and practitioners. Consequently, both scholars and business practitioners have been interested in identifying the antecedents of business performance. Mission and vision, environmental scanning and formality of strategic planning are among the factors that have been recognized in the extant literature as predictors of business performance (Bart and Hupfer, 2004; Forbes and Seena, 2006). The researchers demonstrate why it is crucial for businesses to scan their environment in order to formulate the correct strategies. They also advise SME's to have a mission and vision statement to give direction to the business and to have a formal strategic plan as it guides the strategy implementation process. Therefore these factors are regarded as success factors in achieving competitive advantage (Bart and Hupfer, 2004; Kantrabutra, 2010).

Pearce and Robinson (2011), assert that from a resource based view strategic planning can result in strategic change which may increase strategy-environment fit, hence can become a source of sustained competitive advantage especially when strategic planning system improves flow of products and services between manufacturers and users.

Although small and medium size enterprises typically employ a major share of an economy's total employees, formal plans and cost controls are often only provided on a regular basis and planning instruments are usually only used by a small number of individuals and developed rather intuitively (Brinkmann, 2002). These shortcomings point towards the importance of examining the value of strategic planning for SME's in detail.

Strategic planning is concerned with the setting of long term organizational goals, the development and implementation of plans to achieve these goals and the allocation or diversion of resources necessary for realizing these goals (Stonehouse& Pemberton 2002). In practical sense, strategic planning is about competitive advantage. The purpose of strategic planning is to enable a business to gain as efficiently as possible, a sustainable edge over its competitors.

Research has consistently shown that most small and medium sized enterprises do not engage in strategic planning (Berman et al,(1997); Orser et al, (2000); Sandberg et al, (2003). This is at odds with much of the strategy literature that dictates that enterprises must actively plan for the future to compete effectively and survive (Ennis 1998). Accordingly, SME owner-managers have been accused of being strategically myopic and lacking the long term vision as to where their company is headed(Mazzarol, 2004). The concern is that by neglecting strategic management and planning, SMEs may not achieve their full performance and growth potentials, and their survival could be placed at risk (Berry 1998).

Strategic planning is more likely in to be, in those enterprises that are innovative, that have more newly patented products and that employ new processes and management technologies and that achieve international growth (Upton et al, 2001).

With respect to performance, strategic planning and management are more common in better performing SMEs. SMEs that engage in strategic planning, compared to those that don't, are more likely to be those that achieve higher sales growth, higher returns on assets, higher margins on profit and higher employee growth (Bracker et al, 1988).

Literature Review

Strategic Planning

Strategic planning is the process of developing and maintaining consistency between the organization's objectives and resources and its changing opportunities (Robson 1994). Strategic planning is a management tool, used to help the organization to focus its energy, to ensure that the members of the organization are working towards the same goals, to assess and adjust the organization's direction in response to a changing environment.

Strategic planning has long been used successfully by large organizations to manage uncertainties and for better positioning for long-term growth and profitability. Due to the current and predicted environmental uncertainties the practice of strategic management will become a need for Small and Medium-sized Enterprises (SMEs) to keep them in equilibrium with their external environment to survive and grow. SMEs normally operate in an industry structure that is fragmented—companies compete to capture a comparatively small share of total market. Because of this highly competitive environment the practice of strategic management is also equally important to these companies, as it is for large established corporations. However, the degree of formality of the process will vary depending on the complexity, size and requirements of businesses.

Strategic planning provides guidelines and programs for the achievement of specific goals and visions. It specifies the basic conditions as well as the scope for the future business activities and is thus a key instrument for the overall strategic management (Kropfberger 1986). In line with Berry (1998), five types

of planning of varying depth can be conceptualized; Simple financial plans, planning based on forecasts, externally oriented planning (the entrepreneur begins to think strategically), proactive planning of the corporate future and strategic planning as a systematic instrument of strategic management.

Strategic planning, according to Kroon (1993), makes it possible to lead the enterprise continuously, considering the enterprise's situation (strengths and weaknesses) and the external environment (opportunities and threats), and to exploit the market with the greatest possibilities for the effective presentation and the profitable sale of a product or service. Kroon (1993) also states that strategic management concentrates on effectiveness while tactical management concentrates on efficiency.

According to Hunger and Wheelen (1996), strategic planning is that set of managerial decisions and actions that determines the long-run performance of an organization or business.

Environmental Analysis

Environmental analysis is the study and interpretation of the political, economic, social and technological events and trends which influence a business, an industry or even a total market. The factors which need to be considered for environmental analysis are events, trends, issues and expectations of the different interest groups. Jorosi, (2008) states that businesses scan the environment in order to adapt to the dynamic and uncertain environment.

The purpose of environmental analysis is to evaluate the key factors that would impact both today and future development of the enterprise, as well as determine the specific impact factors in the process of strategy formulation (Beal, 2000). An organization's environment usually consists of two aspects: internal environment and external environment.

The internal environment of an organization depicts the variables that are within the corporation. It consists of the strengths and weaknesses which include the company's culture, structure and resources (Beal, 2000). External environmental analysis is the process of scanning and evaluating an organization's external environment (Coulter, 2008). The macro environment is the set of factors that are not specific to an organization or the industry in which it operates, but nonetheless affect them (Haberberg&Rieple2008).

Regardless of the industry, the external environment is critical to a firm's survival and success (Ireland et al, 2007). Analyzing the external environment is important for researchers and firms. It helps researchers understand the motivation of firms' activities and helps firms take appropriate action with the changing environment. The external environment is divided into three major areas; the general environment, the industry and the competitor's environment.

The PEST module, which includes political, economic, social and technological factors, can be applied assessing the environment. Political factors affect the stability of industry environment and uncertainty makes it difficult for managers to develop strategy. Economic factors such as economic growth, unemployment, interest rates impact on the environment. Sociocultural factors like music, fashion and style affect the consumer purchasing power and preferences. Technology factors such as new innovations, internet connection, networking and other technological changes affect the way organizations run their businesses.

Hunger and Wheelen (1996), state that to be successful over time, an organization must be in tune with its external environment. There must be a strategic fit between what the environment wants and what the

business has to offer, as well as between what the business needs and what the environment can provide. According to Hunger and Wheelen (1996) current predictions are that environment for all organizations will become even more uncertain in the coming years, due to factors such as better information technology and the effect that it will have on competition between businesses.

Organizational Direction

Through an interpretation of information gathered during the environmental analysis, managers can determine the direction in which an organization should move. There are two important ingredients when determining the organizational direction. These are the organization's mission and vision. Both visions and missions are defined within the framework of the organization 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 (Mintzberg, 1996).

The mission is the purpose for which the organization exists. It reflects such information as what types of products or services it produces, who its customers tend to be and what important values it holds. The organization mission is a very broad statement of organizational direction and is based on a thorough analysis of information generated through environmental analysis. Vision statements define the organization's purpose in terms of the organization's values rather than the bottom line measures. The vision statement communicates both the purpose and values of the organization. Vision and mission statements provide unanimity of purpose to organizations and instill the employees with a sense of belonging and identity. Indeed, vision and mission statements are embodiments of organizational identity and carry the organizations creed and motto. For this purpose, they are also called as statements of creed.

Vision and mission are two distinct concepts reflecting different existential time frames. Vision is an idealistic projection of the company in an undefined future, in a mature and successful position. According to Porras and Collins (1994), visionary companies display a powerful drive for progress that enables them to change and adapt without compromising their cherished core ideas.

Visionary companies attained a long-term performance due primarily to the fact of having a vision and a clear direction of their evolution. They developed a strategic thinking with a well-defined entropic dimension (Clayton, 1997). A number of studies have examined the relationship between mission statement and business performance (Bart and Hupfer 2004; Hong and Park, 2010). The findings show that mission statements do affect financial performance. Similar results were found in Strong's (1997), study whose findings from a study of the formulation of mission statements by UK organizations confirm a positive relationship between mission statements and firm performance.

Finkelstein et al, (2008), stated that vision encapsulates the ideology or guiding philosophy of a business and it expresses the values, purpose and direction through the mission and business objectives. The company objectives are targets towards which the organization directs its efforts. The importance of establishing appropriate objectives for an organization is to provide the foundation for planning, organizing, motivation and controlling. Without objectives and their effective communication, behavior in organizations can stray in almost any direction.

Kantabutra and Avery (2010), point out that vision is needed by a business to guide, remind of history of the company, inspire and to control the business. According to Ungerer et al, (2007), a business vision must be shared and ensure everyone's commitment, be able to clarify the business' desired future, be fluid, sustainable and nurtured in a constant process. The vision should not be vague and should be a solution to the business' current problems.

Not only large corporations benefit from creating mission and vision statements but SMEs as well. Entrepreneurial businesses are driven by vision and high aspirations. Developing a mission statement will

help the small business realize their vision. Its primary purpose is to guide the entrepreneur and assist in refining the planning process. By developing a strategic plan that incorporates the mission statement, entrepreneurs are more likely to be successful and stay focused on what is important. The mission statement encourages managers and small business owners alike to consider the nature and scope of the business.

Strategy Formulation

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision and mission. According to Bogner and Thomas (1993), there are two competing models of strategy formulation. The first model, is the objective model, which is based on economic concepts like supply, demand and competition factors. The model begins with a company objective, which will finally be affected by competition. The competition will have an impact on the strategy formulation process. The industry structure will directly impact the formulation process, which in turn will affect resource allocation decisions. This process will continue until an external factor like technological changes will disrupt it, at which time a new objective will be formulated.

The second model is the cognitive model. It exposes a flaw in the objective model like the inability to capture the significant changes taking place. The cognitive model follows the sample principles the objective model, however it also consists of a collective view of objective strategies, which are consolidated into one formulation process. This process is to define one's place in the industry and cognitively organize one's understanding of competitive strategy

The key component of any strategy statement is to set the long term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being there whereas strategy stresses upon the process of reaching there. While fixing the organizational objectives, it is essential that the factors which influence the selection of objectives must be analyzed before the selection of objectives. Once the objectives and the factors influencing strategic decisions have been determined, it is easy to take strategic decisions.

Hunger and Wheelen (1996) state that the basis of strategy formulation is a SWOT analysis. If done well, it should lead to the identification of a corporation's distinctive competence, in other words, the particular skills and resources a firm possesses and the superior way in which it uses them. According to Leonard B. (1992) distinctive competence sometimes is considered a collection of core capabilities and an appropriate use of a firm's distinctive competence should give it a sustainable competitive advantage.

Firm Performance

Firm performance comprises the actual output or results of an organization as measured against its intended outputs. It differs from one organization to the other with each trying to outdo the other. Internally, performance is driven by the organization's motivation to perform. Kloot and martin (2000) post that current strategic management literature suggests that there should be a strong linkage between strategic plans and performance measures. One means of measuring the different elements that maybe associated with success of an organization and one that can provide this linkage is the balanced scorecard. According to Marcus (2005) this is a multidimensional approach to corporate performance that incorporates both financial and nonfinancial factors (as cited in Kaplan & Norton, 1996).

To achieve competitive advantage and high performance, strategic planning is viewed as a primary resource as supported by the resource-based theory. The resource-based theory, is a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Mwailu& Mercer, 1983).

Makadok, (2001) emphasizes the distinction between capabilities and resources by defining capabilities as a special type of resource, specifically an organizationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm. Resources are stocks of available factors that are owned or controlled by the organization, and capabilities are an organization's capacity to deploy resources.

Sloper et al, (1999) in their research found out that that the balanced scorecard methodology, developed by Kaplan and Norton, in a mere four years had found wide acceptance in the private sector. It argues for performance measurement over four dimensions of performance: financial, customer satisfaction, internal business processes, and innovation and learning. Kaplan and Norton's dimensions can also be classified as results (financial, customer) and determinants (internal business processes and innovation and learning). Performance measurement systems are considered to be important for evaluating the accomplishments of firm goals, constructing strategies for development, making decisions for investments and compensating managers (Teket et al, 2011).

Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization.

Most studies of firm performance define performance as a dependent variable and seek to identify variables that produce variations in performance. Such, is the posture the researcher has taken. Performance is driven, in part, by strategic management and thus by how well planning and implementation is done. Organization's performance is more likely to appear on the left-hand side of the equation as a dependent variable (March & Sutton, 1997). This emphasis is most explicit in the field of organizational strategy, which is often defined as having organizational performance as its primary focus, but the idea that performance is to be predicted, understood, and shaped is commonplace throughout the field.

Performance can be measured from financial and non-financial aspects. Standard for such measurement are different for organizations that are dependent on objective & goal, which they want to achieve. This is the traditional approach, which emphasizes on organizational effectiveness by using qualitative or intangible success factors for measuring it; for instance, a company's image, culture, technological competence learning, employee morale and so on (Analoui&Karami, 2003.)

The balanced score card is a strategy performance management tool, which is supported by design and methods and automation tools, that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions. It is perhaps the best known of several such frameworks. Since its original incarnation in the early 1990's as a performance measurement tool, the BSC has evolved to become an effective strategy execution framework. It is a holistic strategy execution process that besides helping organizations articulate strategy in actionable terms provides a road map for strategy execution, for mobilizing and aligning executives and employees and making strategy a continuous process.

The balanced score card allows managers to look at the business from four important perspectives; financial perspective, the customer perspective, the internal perspective and learning and growth perspective.

Strategic Planning and Firm Performance

Strategic planning assists in providing direction so organization members know where the organization is heading and where to expand their major efforts. It guides in defining the business the firm is in, the end it seeks and the means it will use to accomplish those ends. McCarthy and Minichiello (1996), note that a

company's strategy provides a central purpose and direction to the activities of the organization and to the people who work in it. Adding to this argument, Kotter (1996) contends that the primary goal of strategic planning is to guide the organization in setting out its strategic intent and priorities and refocus itself towards realizing the same. David (1997) argues that strategic planning allows an organization to be more proactive than reactive in shaping its own future, initiate and influence activities, and thus to exert control over its destiny. It assists in highlighting areas requiring attention or innovation.

Strategic planning tends to make an organization more systematic in terms of its development and this can lead to a greater proportion of the organization's efforts being directed towards the attainment of these goals establishment at the planning stage, that is, the organization become more focused.

Kotter (1996) argues that the strategic planning process can be used as a means of repositioning and transforming the organization. Thompson et al, (2007) postulate that the essence of good strategy making is to build a market position strong enough and an organization capable enough to produce successful performance despite unforeseeable events, potent competition and internal difficulties.

Statement of the Problem

The small and medium sized enterprises play an important role in the Kenyan economy. According to the Economic survey (2011), of the 503,000 jobs created in 2010, 80.6 percent or 440,400 were in the Small and medium Enterprise sector. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of statistics, 2007). Lack of planning, improper financing and poor management have been posited as the main causes of failure of small and medium enterprises (Longenecker et al, 2006). Strategic planning as management tool has been used, with great success, in large multinational organizations to manage uncertainties, exploit opportunities and to better their position for long term growth and performance. However, its acceptance and application by Small and Medium Enterprises in the country is still minimal. Therefore, this study sought to determine the extent to which medium enterprises in Kenya make use of strategic planning in bettering their chances of success and financial survival.

Research Objectives

1. To determine the relationship between strategic environmental analysis and firm performance.
2. To determine the relationship between establishment of organizational direction and firm performance.
3. To determine the relationship between strategy formulation and firm performance
4. To establish the combined effect of environmental analysis, organizational direction and strategy formulation on the performance of medium sized enterprises.

Research Hypotheses

The following hypotheses were tested:

- H₀1. There is no relationship between strategic environmental analysis and firm performance.
- H₀2. There is no relationship between establishment of organizational direction and firm performance.
- H₀3. There is no relationship between strategy formulation and firm performance.
- H₀4. There is no relationship between environmental analysis, organizational direction and strategy formulation and the performance of medium sized enterprises.

Materials and Methods

Research Design

This study used correlational survey design in establishing the relationship between strategic planning and performance of medium enterprises. This design was chosen because it is an efficient method for establishing the relationship between variables (Serekan, 2004). The data collected was both quantitative and qualitative in nature, as it collected data from members of a population in order to determine the current status with respect to one or more variables (Mugenda and Mugenda, 1999).

Sample and Sample Design

Data for the study was collected from a sample of top management of medium sized enterprises in Nakuru town. To determine the sample size, n , for medium enterprises with a known population, N , the study adopted the formula of Israel (1992) as shown in equation 1 below.

$$n = \frac{N}{1 + N(e)^2}$$

Where;

n = optimum sample size,

N = number of medium enterprises

e = probability of error (i.e., the desired precision, e.g., 0.05 for 95% confidence level).

The total number of medium enterprises in the 4 sectors below within Nakuru Town is currently approximately 62. Substituting N (62) in the equation gives the sample size (n). Thus the sample size (n) = as shown below:

$$n = \frac{62}{1 + 62 (0.05)^2} \approx 54$$

Instrumentation

Structured questionnaires targeting the respondents were used. Questionnaires were preferred because of the simplicity in their administration, scoring of items and analysis (Nachmias and Nachmias, 2008). The researcher administered the questionnaires and picked them after the respondents had filled them.

Reliability and validity

Cronbach's alpha reliability coefficients was calculated to estimate the reliability of the Strategic planning process questionnaire (SPQ) and organizational performance questionnaire (OPQ). The results are given in appendix III. The average Cronbach's alpha reliability coefficient obtained for the SPQ does substantiate the reliability of the OPQ.

The average Cronbach's alpha reliability coefficient for the strategic planning questionnaire (SPQ) was 0.878 and 0.745 for organization performance (OPQ). These were above the threshold of 0.7 which is considered good (Sekeran, 2004). Therefore, for this research, the strategic planning instrument and organizational performance were reliable measures of strategic planning and organizational performance respectively.

Data Analysis and Presentation

The data collected was coded, keyed into SPSS computer software, organized and checked for any errors that could have occurred during data collection. Effects of environmental analysis, organization direction and strategy formulation on firm performance were tested using Pearson correlation analysis while multiple regression analysis was used to test the combined effect of environmental analysis, organizational direction and strategy formulation on the performance of medium enterprises in Nakuru town. To measure aspects of strategic planning environmental analysis, organizational direction and strategy formulation, likert type scale was used.

The Effect of Strategic Planning on Firm Performance

The study sought to determine the effect of strategic planning and firm performance. The overall index score of the processes of Strategic Planning (environmental analysis, organizational direction and strategy formulation) were correlated with overall index scores of firm performance (dependent variable) as shown in Table 9. The study was determined using two-tailed Pearson correlation analysis. This provided correlation coefficients which indicated the strength and direction of linear relationship. Thus, both the strength of the relationship between variables and the level of statistical significance were assessed. The p-level represents the probability of error that is involved in accepting the observed result as valid, that is, as a representative of the population (MacColl, 2004). Devore and Peck (1993) provided a guideline for assessing resultant correlation coefficients as follows: coefficients less than 0.5 represent a weak relationship, coefficients greater than 0.5, but less than 0.8, represent a moderate relationship and coefficients greater than 0.8 represent a strong relationship.

The results of these correlational analysis are given in table 1.

Table 1: Correlation Analysis

		EA	OD	SF	PERF
EA	Pearson Correlation	1	-.166	.066	.597**
	Sig. (2-tailed)		.264	.661	.000
	N	47	47	47	47
OD	Pearson Correlation	-.166	1	-.093	.127**
	Sig. (2-tailed)	.264		.532	.095
	N	47	47	47	47
SF	Pearson Correlation	.066	-.093	1	.140**
	Sig. (2-tailed)	.661	.532		.047
	N	47	47	47	47
PERF	Pearson Correlation	.597**	.127**	.140**	1
	Sig. (2-tailed)	.000	.035	.047	
	N	47	47	47	47

** . Correlation is significant at the 0.05 level (2-tailed).

H₀1: There is no relationship between strategic environmental analysis and firm performance.

From Table 9, the results reveal that there is a relatively positive relationship between environmental analysis and firm performance ($r = 0.597$, $p < 0.05$). Hypothesis (H₀1) states that there is no relationship between strategic environmental analysis and firm performance. Therefore the hypothesis was rejected and concluded that there is sufficient evidence at 5% level of significance that there is a positive relationship between strategic environmental analysis and organizational performance. The finding is consistent with

previous studies (Daft, 2009;Rudd et al, 2008; Combe and Greenley, 2004; Grewal and Tansuhaj, 2001) that established that there is a relationship between environmental analysis and firm performance. These studies further found that successful organizations will anticipate and address environmental turbulence through strategic planning, will demonstrate flexibility in strategically planning decision options about how they will adapt when the environment changes, in a preparatory or “ex-ante” state and will enable organizations to be better prepared to cope with environmental turbulence, enhancing the influence of their strategic planning on performance.

H₀2: There is no relationship between establishment of organizational direction and firm performance.

The results from table 9, shows that organizational direction significantly affects firm performance ($r = 0.127$, $p < 0.05$). Hypothesis (H₀2) states that there is no relationship between establishment of organizational direction and firm performance. Therefore the hypothesis was rejected and concludes that at 5% significant level there is a weak positive relationship between organizational direction and firm performance. This implies that when organization have direction of its undertaking , the more it influences the firms performance, and therefore enterprises need to put in place mechanisms of inculcating the mentality of direction to its personnel in order to perform well.

This is consistent with the result of Akinyele&Fasogbon, (2007) that strategic direction enhances better organizational performance, which in the long run has impact on the survival of the organization. Furthermore, strategy formulation will encourage favorable attitude to change, stimulates cooperative, integrated and enthusiastic approach to tackling problems and opportunities, encourage forward thinking and the integration of the behavior of individuals in the organization into a total effort. The findings also conform to what Rhodes &Keogan, (2005) found about the role of missions in organizations which have a long lasting effect on strategic planning practices.

H₀3: There is no relationship between strategy formulation and firm performance.

Study results from table 9, indicated that strategy formulation and firm performance is significantly correlated ($r = 0.140$, $p < 0.05$). Therefore, the null hypothesis (H₀3) was rejected and concluded that at 5% significance level, there is a weak positive relationship between strategy formulation and firm performance. This implies that although strategy formulation was positively correlated to firm performance it does not significantly influence performance of the enterprises.

The result of this hypothesis also confirms that the level of compliance with strategic plan has significant effect on corporate performance. This is in line with the findings of Mankins and Steele (2005) that companies typically only realize 63% of the potential value of their strategy because of defects in planning and execution. If full compliance is achieved, performance will increase. It is also consistent with the findings by Dauda et al,(2010),Danso(2005) and Phillip &Pettersson, (1999). They all agreed that compliance with plans has positive correlation with performance.

H₀4. There is no relationship between environmental analysis, organizational direction and strategy formulation and the performance of medium sized enterprises.

In order to determine the effect of the independent variables (Strategic Planning) on the dependent variables (Organizational Performance), regression analysis was done. In this regard, the independent variables; Environment Analysis, Organization Direction and Strategy Formulation were regressed on the dependent variable, Organizational Performance. The results of the regression analysis were presented in Tables 2 and 3.

Table 2: Regression Matrix
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.651 ^a	.424	.384	.396	.424	10.565	3	43	.000

a. Predictors: (Constant), Environmental Analysis, Organizational Direction and Strategy formulation

The results in table 10, shows that there is a positive relationship between strategic planning and organizational performance ($R=0.651$). Coefficient of determination (R^2) is 0.424. This shows that 42.4% variation of organizational performance is explained by strategic planning while the remaining percentage could be explained by other factors not included in the study model.

Table 3: Table of Coefficients
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.219	.540		2.256	.029		
EA	.409	.076	.630	5.362	.000	.970	1.031
OD	.140	.068	.243	2.065	.045	.965	1.036
SF	.090	.086	.122	1.045	.002	.989	1.011

a. Dependent Variable: PERFORMANCE

As shown in table 3, elements of strategic planning namely; environmental analysis ($\beta=0.630$, $p=0.000$), organizational direction ($\beta=0.243$, $p=0.045$), and strategy formulation ($\beta=0.122$, $p=0.002$) were found to significantly influence organizational performance of the enterprises. From the study, it is evident that environmental analysis has greater effect ($\beta=0.630$), organizational development ($\beta=0.243$) and lastly strategy formulation ($\beta=0.122$). This means that the independent variables did contribute significantly to the organizational performance but at different levels. Dauda et al, (2010) concluded that strategic planning practices enhance both organizational performance and therefore suggest that strategic planning concepts should be adopted by business organizations. The result agrees with the submission of Arasa & Machuki (2011) that participatory orientation of strategic planning does influence the realization of the strategic planning outcome significantly. The results are also consistent with those of McIlquham - Schmidt (2010) that found that there is a positive relationship between strategic planning and corporate performance.

Managerial Implication of Study

The study reveals that, there is an existence of strategic planning in most medium enterprises. The various dimensions used for the assessment of strategic planning show a consistency of the factors in use in the medium enterprises, whereby the respondents were highly in agreement with most variables indicating efficient and effective operations of strategic planning and organization performance.

The first hypothesis (H_{01}) was rejected because this study shows that environmental analysis was positively related to performance of medium enterprises ($r=0.597$, $p<0.05$). This shows that most medium size enterprises usually analyze their external environment which is important for researchers and firms as it helps researchers understand the motivation of firms' activities and helps firms take appropriate action with

the changing environment. There must be a strategic fit between what the environment wants and what the business has to offer, as well as between what the business needs and what the environment can provide.

The second hypothesis (H_02) on organizational direction showed that it was positively related to performance of medium enterprises although weak ($r = 0.127$, $p < 0.05$). Through an interpretation of information gathered during the environmental analysis, managers can determine the direction in which an organization should move. Entrepreneurial businesses are driven by vision and high aspirations. Developing a mission statement will help the small business realize their vision. By developing a strategic plan that incorporates the mission statement, entrepreneurs are more likely to be successful and stay focused on what is important. The mission statement encourages managers and small business owners alike to consider the nature and scope of the business.

The third hypothesis (H_03) on strategy formulation showed that it was positively related to performance of medium enterprises although dismally where ($r = 0.140$, $p < 0.05$). In designing strategy, it is necessary to determine the necessary culture with which to support the achievement of the lines of business, critical success indicators, and strategic thrusts. Typically an organization will choose some mixture of these or other predefined culture roles that it feels is suitable in helping it to achieve its mission and the other components of strategy design.

The fourth hypothesis (H_04) on the effect of the combined elements of strategic planning it was determined that they have an effect on performance as seen by $R^2 = 42.4\%$. This means that the model explains the variation in the dependent variable up to 42.4% while 57.6% can be explained by other factors not included in the study model. Finally, the study revealed that although strategic planning variables tend to have impact on performance of medium enterprises, environmental analysis tend to have more impact ($\beta = 0.597$), organization development ($\beta = 0.243$), and strategy formulation ($\beta = 0.140$).

As revealed by the findings, every step in the strategic planning process is important. If the organizational direction is not clear, then workers and employees will not know if they are on the right track. If the business environment has not been critically examined, then organizations will not understand its internal competences or business opportunities from where appropriate strategies are crafted to facilitate a fit and success. In a nutshell, the process of strategic planning should be given its deserved attention in terms of all the prescribed steps within the existing literature.

Strategic planning in medium enterprises 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 most enterprises have clear strategic plan which is articulated to all of its employees at various levels and department within the enterprises. From the results, quality dimension shows that, customer of small and medium size business show a satisfaction level of service delivered by the enterprises and hence helps the medium enterprises to achieve its target which is part of its performance measure, hence a positive strategic planning was found to affect organization performance. It reveals that, the strong agreement of factors of various dimension of strategic planning indicate the effectiveness and efficiency of such planning by these enterprises and hence affect their performance positively.

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