DECLARATION

I declare that this is my original work and has not previously been presented to any other University for any academic award.

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ABSTRACT

Various writers have postulated that strategic planning enhances organizational performance. Findings from previous studies also indicate that there is a relationship between strategic planning and firm performance. However, certain gaps are observed in these studies, which if attended to, according to the author could provide more insight into the relationship being examined. It has been observed that the past studies focused on the direct relationship between strategic planning and performance without taking cognizance of the fact that there are other factors that could influence the relationship being examined. It is expected that strategic planning gives rise to some potential advantages and intrinsic values especially within the short term, whose attainment status is critical in facilitating the implementation and eventual realization of the strategic planning objectives and goals. Various writers have also argued that participation and involvement by management and other workers in the strategic planning process could influence the realization of the expected strategic planning outcomes. These dimensions were not given attention by the previous studies.

Our study set out to examine the: relationship between strategic planning and firm performance, relationship between strategic planning and strategic planning intermediate outcomes, relationship between strategic planning intermediate outcomes and firm performance, influence of employee participation in the strategic planning process on the relationship between strategic planning and strategic planning intermediate outcomes, and the relationship between employee participation and firm performance.

The initial intention was to carry out a survey of all the 43 insurance companies listed by Association of Kenya Insurers (2006) and operating in Kenya. However, only 31 companies participated in the study. The study involved collection of data from across the firms within the Kenya's insurance sector. A survey design was thus used as it was considered the most appropriate for this kind of study. The interviewees consisted of staff designated manager levels and above. A structured questionnaire was used to gather the required data. To test the formulated hypothesis, correlation analysis technique was used.

Findings indicate that strategic planning is practiced across the firms studied. However, the extent of embracement varied from firm to firm. Results of data analysis revealed the existence of a relationship between strategic planning and firm performance within the studied sector with a Pearson correlation coefficient of 0.616 implying the existence of a strong correlation between the two variables. The result of the analysis also reveals the existence of a strong correlation between strategic planning and strategic planning intermediate outcomes ($r = 0.716$). Further, there is a link between strategic planning intermediate outcomes and the subsequent company performance ($r = 0.704$). There appears to be a stronger link between strategic planning intermediate outcomes and non-financial performance ($r = 0.777$) compared to the one with

the financial indicators (r = 0.644). Analysis results also indicate that employee participation indeed does influence the strength of the relationship between strategic planning and strategic planning intermediate outcomes. This is reflected by the falling Pearson correlation coefficient from 0.716 to 0.465 when controlling for employee participation. A further analysis reveals that there is a correlation between employee participation in the strategic planning process and overall firm performance (r = 0.750). All the correlations are statistically significant at the 1 percent level. From the study findings, it can be inferred that there is a relationship between strategic planning and firm performance regardless of context. It can also be said that indeed employee participation in the strategic planning process does moderate the relationship between strategic planning and strategic planning intermediate outcomes. This moderating effect is supported by the finding that there is a link between employee participation and firm performance.

To the research community, this study opens a window for further studies towards gaining more insight into the subject area of strategic planning. These include: a study recognizing competence and skills of those driving the practice; examination of externally/internally driven strategic planning process in terms of effectiveness of the process against its expected deliverables; and a similar study to ours but incorporating other workers in addition to management as respondents. For policy makers and managers, this study is a pointer to the fact that the way the process of strategic planning is managed has a bearing on the realization of its expected outcomes. Participation and involvement of employees in the strategic planning process need be considered as crucial for an organization to effectively realize the strategic planning intentions. Top management involvement and commitment is key as the strategic leadership is required to drive the process.

This study had its limitations and challenges. No similar studies had been carried out in this subject area in Kenya, implying inadequate relevant literature particularly on the new dimensions brought in. Secondly, there was a general tendency by some firms of not willing to participate. Thirdly, some of the information required were not either readily available or the respondents were unwilling to divulge the same. This is in particular to financial data on performance. The administration of questionnaires and interviews proved a very cumbersome and tiring exercise as this was undertaken by the researcher personally. There were also resource constraints particularly in terms of time and funding. Only the top management was targeted as respondents implying the rest of the employees' perceived perspectives were not captured or considered.

# CHAPTER 1: INTRODUCTION

## 1.1 Background

This section presents the background to the concept of strategic planning, its link to performance and the perceived influence of employee participation in such a relationship. The context of the study is also presented.

### 1.1.1 Strategic planning and performance

Over time the concept and practice of strategic planning has been embraced worldwide and across sectors because of its perceived contribution to organizational effectiveness. Though stated in the USA in the 1950s, by 1960 it had already spread to other developed economies and later to the developing countries. Today organizations from both the private and public sectors have taken the practice of strategic planning seriously as a tool that can be utilized to fast track their performances. Strategic planning is arguably important ingredient in the conduct of strategic management. It is the first phase in the strategic management process, with strategy implementation, evaluation and control completing this process. Steiner (1979) noted that the framework for formulating and implementing strategies is the formal strategic planning system. It could be said therefore, that strategic planning forms a backbone support to the strategic management process.

The earlier period of adoption of strategic planning was characterized with relatively stable business environment and strategic planning was heavily drawing from past experience and extended budgeting. The successful embracement of strategic planning then could be attributed to this stability in the business environment. However, James and Ag (1984) contend that the business lessons of the 1960s and 1970s were no longer valid in the succeeding periods as traditional strategic management concepts were inadequate to cope with the emerging and dynamic business environment. James and Ag further argue that management's task had grown exponentially and managers needed to acquire, process and apply new knowledge related to technological shifts, changing dynamics of the market place, expectations and quality of human resources, environmental values, increased state intervention and information explosion. Strategic concepts originally linked to growth were incapable of coping with the changing business environment and therefore emphasis shifted to survival. There was general dissatisfaction with strategic planning in the 1970s and 1980s and various writers leveled criticisms against the practice mainly because the general stability and predictability that characterized the earlier period was gone. However, Porter (1985) noted that despite the criticism, strategic planning was still useful and it only needed to be improved and recasted, a sentiment which was echoed by Aosa (1992). It is because of its perceived importance as of essence to effective organizational performance that as a concept and practice, strategic planning has evolved over the years and is increasingly getting recognized and adopted worldwide and across sectors. Greenley (1986) noted that strategic planning has potential advantages and intrinsic values that eventually translate into improved firm performance. It is, therefore, a vehicle that facilitates improved firm performance.

However, it has been argued that for strategic planning to translate into the expected results, a facilitative internal environment and culture must be present. Yavas, Kagnak and Dilber, (1985) postulate that managerial attitudes determine both the performance and effectiveness of management functions when such organizational characteristics as size and technology are held constant. Strategic planning process introduces changes some of which encounters organizational resistance. Ansoff and McDonnell (1990) argues that this hinders effective strategy implementation. To manage the anticipated resistance, Ansoff and McDonnell recommend for an interactive strategy formulation process, which involves the decision-makers together with staff in a step-by-step process of strategy analysis and decision-making. This approach takes into cognisance the fact that managers and staff not only make important contribution to strategy formulation but are also the principal agents of its implementation. Supporting this view, Yavas, Kagnak and Dilber, (1985) argue that the culture of staff involvement in matters affecting them at individual, group and corporate levels influences staff productivity and overall corporate performance.

Aosa (1992) observes that staff involvement is crucial for planning and strategy development. Workers need to know the organization goals and their expected role towards achieving the same and getting them involved in the decision facilitates this. Summers and Hyman (2005) note that employers seek productive efficiency and recognize that the means to this is increasingly locked in the head of the people they employ. They argue that employee participation in the organization's strategic decision-making process enlists their commitment and desire to contribute to the realization of the corporate goals.

Adding to the above views, Thompson and Strickland (1989) postulate that galvanizing organization-wide commitment to the chosen strategic plan is critical for effective performance and this can be achieved by creating a strategy- supportive work environment and corporate culture. They further argue that the general managers must lead the way by not only conceiving bold new strategies but also by translating their strategic vision into concrete steps that get things done. Supporting this view, Taylor (1995) notes that it is desirable to have leadership that will spearhead management of radical change with the aim of achieving dramatic improvement in performance by effectively communicating the new vision and building a new culture in which the staff can feel more involved, a culture that stands for quality, service and innovation.

### 1.1.2 Context of management

The contextual variations could have implications on the way organizations are managed. Although strategic planning is perceived to be associated with good firm performance, the management orientation embraced could influence the attainment of the anticipated results. Yavas, Kagnak and Dilber (1985) note that the types of management orientation exhibited by Least Developed Countries' (LDCs) companies distinctively differ from those of companies in advanced economies. In the developed economies, type of management tends to be oriented toward a participative philosophy rather than an authoritarian or paternalistic one, which is common in the LDC companies. Yavas and colleagues argue that the authoritarian attitudes of managers in the LDCs strongly limit planning participation. Aosa (1992) studying manufacturing companies in Kenya observed that participation in planning and strategy development varied with some companies exhibiting high while others indicated low participation.

In Kenya, corporate performance has drawn the attention of various stakeholders and managers are put on notice to rethink and embrace various management concepts that will enable their organizations respond effectively to the changing business environment and deliver positively on the expected results. Unfavorable micro-economic indicators have characterized Kenya's economy and this has implication on demand for various goods and services. The Government of Kenya (2003), reports that the economic environment performed dismally in the past decade. Price Water House (2001) takes this further and notes that this situation has led to businesses facing declining demand for their products, hence firms focusing their attention on survival. However, the period 2003 onwards Kenya experienced economic recovery in all sectors of the economy with the subsequent growth registered translating to better underwriting opportunities for the insurers (Commissioner of Insurance, 2005). Towards creating a fit between organizations and the business environment, with the ultimate goal of realizing improved organizational performance, managers across various sectors are growingly embracing strategic planning. The private sector took the lead steps towards embracing and practicing the concept of strategic planning. Although certain quarters of the government were already practicing strategic planning, in the year 2005, the Government of Kenya introduced a mandatory performance contracting programme within the government ministries, departments and state corporations. The attention and efforts directed to strategic planning by both the private and public sector organizations is an indication that it is associated with enhanced organization performance.

### 1.1.3 Kenya's insurance sector

Worldwide insurance sector plays an important as a contributor to economic development. For instance in 2006, worldwide insurance premiums accounted for 7.7

percent of global GDP. Both life and non-life premiums have been growing over the years (AKI 2006). Real premium growth in the emerging markets has continued to out pace the growth experienced in the industrialized countries. On spending, industrialized countries spend higher compared to the emerging markets, that is 9 percent against between 1.4 and 4.7 percent respectively. With real growth of 7 percent, the life insurance market expanded faster than overall economic activity in most countries except Japan (AKI 2006).

As at 2006, there were 43 licensed insurance companies operating in Kenya (Association of Kenya Insurers, 2006). Twenty one companies wrote general insurance business only, seven wrote long-term business only while fifteen were composite (both life and general). There were 197 licensed insurance brokers, 2633 insurance agents, 2 locally incorporated re-insurers, 26 loss adjusters, 209 loss assessors and 30 risk surveyors during the year. In Kenya the gross premium written grew by 15 percent while life insurance premium and contributions from deposit administration business grew by about 13 percent. Despite of this growth, during the 2006 year, most companies recorded underwriting losses with rising net incurred claims and other expenses. However earnings from investment income mitigated an otherwise this undesirable situation resulting in general industry gross profit of 35 percent between 2005 and 2006. This is in contrast with the period 2004 to 2005 where the sector witnessed underwriting profit attributable mainly to the 2004 public transport reforms introduced by the Kenyan government (Commissioner of Insurance 2005).

Various developments have been witnessed within the local insurance business. The year 2006 witnessed a number of changes within the Kenyan insurance sector, the establishment of the Insurance Regulatory Authority through the Insurance Amendment Act (2006) being the most important. Other changes with direct impact on the insurance sector include: increase in Life and Health Insurance relief to Kshs 60,000 effective 1$^{st}$ January 2007, income from Policyholders' Compensation Fund was exempted from taxation, insurance agents were allowed to transact business for more than three companies, introduction of remittance of premium through a "cash and carry" arrangement for fire and motor insurance where the insurance company can only assume risk upon receipt of premium, restriction of third party injury claims to a maximum of Kshs 3 million, insurance brokers guarantee was increased to Kshs 3 million and, management and related insurance services were subjected to VAT.

The 2006 Association of Kenya Insurers report indicates that the contribution of insurance to the GDP is still low in Kenya (about 2.5 percent) when compared to other countries such as India (4.8 percent), South Africa (16 percent) and Malaysia (4.9 percent). Despite the unfolding events in the sector, KPMG survey of 2004 reported that the government of Kenya acknowledges the importance of insurance as a means of capital accumulation for spurred national development. This is seen through the role the insurance sector plays in capital management of all Kenyan companies by protecting capital against loss and, the insurance firms themselves being significant investors in property, equity and bond markets. The survey further noted that the overall insurance industry grew faster in real terms than the economy since the year 2000 and has potential to experience significant growth if the economy and the regulatory framework improved. This survey concluded that bold new thinking and paradigm shift is of necessity in the sector, and strategic planning is mentioned as one of the underpinning activities. Adding to this sentiment, Ben Wairegi, the Chairman Association of Kenya Insurers, in his foreword of the 2006 annual report challenges insurance companies to rethink their strategies by offering creative and innovative solutions for premium payment to their customers, customizing client needs, re-examining their payment procedures and coming up with new products.

Most of the studies on the relationship between strategic planning and firm performance were carried out in the developed countries and within the manufacturing businesses. This study focused on the Kenya's insurance sector, which is perceived to be distinctively unique in terms of the products transacted in, being intertwined with the services that go with them. Unlike the consumer or industrial products, it is not possible to test case, provide samples or even store for future use insurance products (policies). Insurance firms provide policies to protect the insured against anticipated future risks and loss. Most of these risks and losses are quite unpredictable and therefore difficult to plan for. These challenges notwithstanding, the sector's performance has not escaped the public debate and scrutiny because of the unfulfilled clients' expectations. It is also important to note that insurance business contributes to the social economic development of any country in terms of its contribution to the GDP, employment and protection against various anticipated risks and loss. The sector has, however been characterized with mixed performance, with some firms closing down. The sector has witnessed the collapse of some key players such as Kenya National Assurance, United Insurance, and Stallion Assurance.

In trying to understand the Kenya's insurance firms' management behaviors and performance, studies have been undertaken to examine various issues such as firms' strategic responses (Abdullahi 2000, Arasa 2002), corporate governance (Mwangi 2002) and application of Porter's generic strategies (Margaret 2005). It is also worth noting that local studies in the area of strategic planning have centered on the general strategic planning practices within the studied firms. These include Kiliko (2000), Sagwa (2002) and Bett (2003). Equally various local studies in sectors other than insurance have related certain variables other than strategic planning. These include corporate governance (Muriithi 2004). However, understanding the link between strategic planning and firm performance seems to have received inadequate attention. Therefore, there is limited research within the developing country's context on the relationship between strategic planning and firm performance more particularly within the insurance sector. KPMG survey of 2004 notes that strategic planning is one of the underpinning activities for the sector towards attainment of higher levels of performance.

## 1.2 Statement of the problem

Many of the studies on the relationship between strategic planning and firm performance were done between 1970s and early 1990s, in the developed economies, within the manufacturing sector and highly utilized financial performance measures. These studies focused on the direct relationship between strategic planning and firm performance, not recognizing that other factors could influence the relationship being investigated. Although the studies within the African context by Woodburn (1984), Adegbite (1986) and Fubara (1986) noted that firms that practiced strategic planning recorded better performance compared to non-planners, their focus, however, was on the formality of planning rather than the link between planning and firm performance. Aosa (1992) examining the relationship between managerial involvement in strategy and strategy implementation within large private manufacturing companies in Kenya, observed that high managerial involvement had little impact on success in implementing strategy among local companies, but the impact of such involvement was significant among foreign companies operating in Kenya.

The process through which strategic planning influences performance is mediated by various factors. Various writers such as Porter (1980), Ohmae (1983), Greenley (1986), Howe (1986), Miller and Cardinal (1994), Hax and Majluf (1996), McCarthy and Minichiello (1996) and Kotter (1996) argue that some of the expected immediate results of strategic planning include focused firm direction, enhanced firm-environment fit, improved innovations, improved commitment to organization goals and improved coordination, integration and control of organization activities. The state and level of attainment of these factors could determine the eventual organization performance. The relationship between strategic planning and firm performance could also be moderated by the existence of various factors. Though we recognize the existence of factors such as technology and finance, for purposes of this study, the key focus was on the human resource. The human resource drives the rest of the other resources and is key to both the formulation and translation of strategies into the expected results. Ansoff and McDonnell (1990), Cooke (1994), Bryson and Millward (1997), Hooper and Potter (2000), Summers and Hyman (2005), among others, argue for a participatory approach to the strategic planning process. This approach could improve employee understanding and commitment to the corporate goals and ultimately facilitate smooth implementation and execution of strategies. Adding to this view, Taylor (1995) and Thompson, Strickland and Gamble (2007) note that effective leadership is desirable to spearhead organization-wide commitment and the attainment of the set goals. Based on these postulations, it could be argued that the extent of employee participation determines the degree to which strategic planning influences performance. Previous studies did not examine the influence of these factors on the relationship being investigated. Aosa's study focused on managerial involvement relating it to strategy implementation, but ours sought to look at broader participation and involvement (employees from various cadres and departments) in the strategic planning process, examining the influence of such involvement on the relationship between strategic planning and strategic planning expected outcomes.

This study set out to examine the relationship between strategic planning and firm performance in a developing country's context (Kenya) and within a non-manufacturing business sector. The insurance sector's role in spurring economic growth has been acknowledged by the government of Kenya (KPMG 2004). The sector presents a unique setting away from the manufacturing business, for examining the relationship between strategic planning and firm performance. The sector provides a distinctively unique area in terms of products transacted in and the unpredictability in terms of the risks and losses anticipated which makes planning difficult. The insurance sector also provides a setting where agents are allowed to work for more than one insurance company. In a situation where one is allowed to work for more than one company, the issues of commitment and ownership are likely to emerge. Employee total attention and commitment both in the short-term and long-term is crucial for any organization to get value from its workers. Low and divided employee loyalty is likely to influence an organizations policy on the extent to which its staff are involved in the formulation of various programmes and strategies.

This study, in essence serves as a replication with extensions. Hubbard, Vetter & Little (1998) argue that replication with extensions studies determine the scope and limits of initial findings by seeing if they can be generalized to other populations, time periods, organizations, geographical areas, measurement instruments and contexts. According to them the goal of science is empirical generalization or knowledge development and conducting replication with extension studies facilitates this goal.

Our study therefore, took into account gaps identified from the previous studies in the subject area i.e. bringing into play the aforementioned intermediate and moderating variables and making use of both financial and non-financial performance measures. We directed our efforts to finding answers to the research questions: is there a link between strategic planning and firm performance given different contexts? is there a link between the conduct of strategic planning and the attainment of strategic planning intermediate outcomes? and, does employee participation and involvement in the strategic planning process influence the attainment of the expected strategic planning intermediate outcomes.

## 1.3 Objectives and hypotheses

This study set out to examine the relationship between strategic planning and firm performance in a developing country's context (Kenya). The broad objective was to determine the circumstances under which strategic planning is related to firm performance. Arising from our research questions, the specific study objectives were to examine the:

a) Relationship between strategic planning and firm performance
b) Relationship between strategic planning and strategic planning intermediate outcomes.
c) Relationship between strategic planning intermediate outcomes and firm performance.
d) Influence of employee participation and involvement in the strategic planning process on the relationship between strategic planning and strategic planning intermediate outcomes.
e) Relationship between employee participation in the strategic planning process and firm performance

Arising from the research questions and objectives, the following hypotheses were formulated for testing.

H1 Strategic planning is related to firm performance

H2 Strategic planning is related to strategic planning intermediate outcomes

H3 There is a relationship between strategic planning intermediate outcomes and firm performance

H4 The strength of the relationship between strategic planning and strategic planning intermediate outcomes depends on employee participation and involvement in the strategic planning process

H5 There is a relationship between employee participation and involvement in the strategic planning process and firm performance

## 1.4 Scope of the study

This study set out to empirically establish the relationship between strategic planning and firm performance taking into account the possible influence of employee participation in such a relationship. We examined the linkages between strategic planning and firm performance, between strategic planning and strategic planning intermediate outcomes, and between employee participation in the strategic planning process and performance taking into account both theoretical and empirical perspectives.

The key focus of the study, however, was the relationship between employee participation in the strategic planning process and strategic planning intermediate outcomes. For purposes of this study, employee participation encompassed three aspects, i.e. leadership participation, involvement of workers from across the establishment vertically and horizontally and, involvement of workers in various strategic planning activities. We confined ourselves into the Kenya's insurance sector. All firms operating in Kenya and listed as insurance companies by Association of Kenya Insurers (AKI) were targeted. A three- year period data averages (2004 - 2006) were captured for purposes of this study.

## 1.5 Significance of the study

The government of Kenya acknowledges the importance of insurance as a means of capital accumulation for spurred national development. The sector has been characterized with mixed performance. It is no doubt that the findings and recommendations of this study will facilitate critical understanding of the contribution of strategic planning to corporate performance and the necessary prerequisite ingredients if such anticipated value is to be realized. Performance of the insurance sector has been and is still under scrutiny. Shareholders and clients have put managers on notice and are seeking better returns and improved products/services. Strategic planning has been pointed out as one of the underpinning activities for the sector and is seen as one of the tools to be utilized for improved firm performance. It would be expected that management practitioners draws from lessons and recommendations put forward through this study for purposes of enhancing positive performance of their respective firms and the industry in general through effective strategic planning.

Further, the documentation of the findings is a contribution towards addressing the gaps identified from the previous studies and this also facilitates creation of knowledge and growth of literature in the subject area and at the same time serves as a reference and basis for further studies.

## 1.6 Summary

Theoretical arguments and empirical findings have pointed out that there is a link between strategic planning and performance. Probably this explains why business enterprises are increasingly embracing the practice of strategic planning. Some arguments, however, indicate that for this relationship to hold, certain conditions need to be fulfilled. It is argued that the utilization of strategic planning leads to attainment of advantages and intrinsic values which are very essential towards translating strategies and programmes into the expected results. It could be assumed that the level of attainment of these advantages and values (what we refer to intermediate outcomes in this study) determines the extent of realization of the strategic planning goals. We therefore did examine the link between strategic planning process and the expected strategic planning intermediate outcomes and how this links to the eventual firm performance.

It has also been postulated that workers are a unique and important asset which needs to be managed well and effectively for the anticipated results to be realized. Staff needs to be nurtured and motivated for improved productivity and commitment to organization goals. Various writers have argued that in an atmosphere where there is staff participation and involvement in the decision making process especially on matters affecting staff, implementation of resolutions is smooth. This is so especially because, it could be assumed that workers are the implementers of various management decisions and involving them in the decision-making process is likely to increase their understanding and commitment towards the company goals, strategies and initiatives. Writers have also added into this argument, contending that the management must effectively lead the process. It is expected that top management and leadership needs to be committed to the process and effectively communicate the company goals and mobilize the rest of the employees towards accomplishing the intentions of the company.

It is on the above premise that this study went beyond just examining the link between strategic planning and firm performance but also brought in the dimensions of intervening and moderating variables i.e. intermediate strategic planning outcomes and employee participation and involvement into the picture. This is in recognition of the fact that between strategic planning and firm performance, there are factors that could determine the extent of the perceived relationship.

# CHAPTER 2: LITERATURE REVIEW

## 2.1 Strategy, strategic planning

### 2.1.1 Concept of strategy

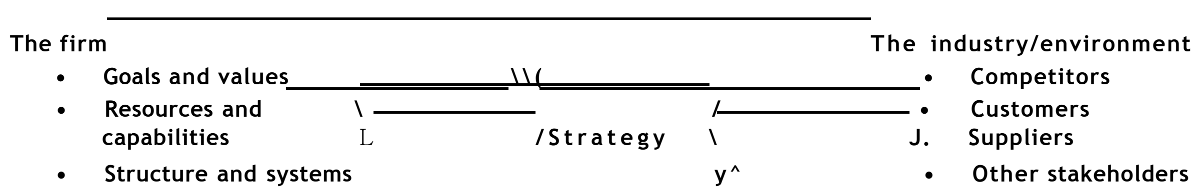
Strategy has been defined in a diversity of ways. Drucker (1954) views strategy as an answer to two dual questions: what is our business? and, what should it be? Chandler (1962) takes Drucker's definition further by incorporating the how of achieving a firm's intentions. He sees strategy as the process of determining the basic long-term goals and objectives of an enterprise and adopting courses of action and allocating resources necessary for carrying out these goals. Andrews (1971) in explaining strategy took into account both Drucker's and Chandler's ideas and postulate that strategy is the pattern of objectives, purposes, or goals and the major policies and plans for reaching these goals.

Others have explained strategy in terms of the unity of purpose and direction it enhances for the firm. Ansoff (1965) and Quinn (1980) viewed strategy as the common thread among an organization's activities and market/product. Porter (1980) share this view and notes that strategy is the creation of a fit among a company's activities. Hax and Majluf (1996) see it as a multidimensional concept that embraces all the critical activities of the firm, providing it with a sense of unity, direction and purpose, as well as facilitating the necessary changes induced by its environment. Grant (1998), concurs with this view postulating strategy as a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization. Johnson, Scholes and Whittington (2005) in line with the above views, define strategy as the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a changing environment and fulfillment of stakeholder expectations.

Prahalad and Hamel (1989) view strategy as an expression of a firm's strategic intent. Strategic intent envisions a desired leadership position, establishes the criteria an organization will use to chart its progress, creates a sense of urgency and focuses on the essence of winning. Sharing this view, Tregoe and Tobia (1991) postulate that since what an organization wants to be determines its direction, it must be formulated before long range planning and the day-to-day decision-making that follows from such planning.

Other contributors to the concept of strategy incorporate the external environment and view strategy as an instrument that connects an organization with its business environment. Taylor (1995) explains that business strategy is the simple business logic which management uses to explain to shareholders and other stakeholders how they see the environment doing and how their organizations will survive and grow. Hofer and Schendel (1978), argue that the basic characteristic of the match an organization achieves with its environment is strategy. Hax and Majluf (1996) explain strategy by relating the firm's internal capabilities to its external environment. Porter (1980) contends that the essence of formulating a competitive strategy is relating a company to its environment. Ohmae (1983) in his contribution points out that business strategy is competitive advantage. Grant (1998) concurs with Porter's contention that strategy forms a link between the firm and its environment i.e. the concept of strategic fit. Figure 1 below illustrates the said connection between a firm and its external environment.

Figure 1: Firm-Strategy-Industry Environment Framework




Source: Adapted from Grant, R. M. (1998). *Contemporary Strategy Analysis: Concepts, Techniques, Applications.* Oxford, UK: Blackwell Publishers Inc., pp 11

Thompson, Strickland and Gamble (2007) view strategy in terms of company/business positioning. They define strategy as the game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customers, and achieving good business performance. The diverse views stress the importance of strategy in defining a firm's strategic direction and setting out the roadmap on how to realize the corporate goals. Further, it can be noted that views on and definitions of strategy heavily incorporate the strategic planning process as it provides the mechanism through which strategies are generated, analysed and selected.

### 2.1.2 Strategic planning

Strategic planning has been explained by various writers and scholars in different but complementary ways. Drucker (1954) contends that strategic planning is management by plans, an analytical process and is focused in making optimal strategic decisions. Other writers have expanded on Drucker's definition. Ansoff (1970) conceptualizes strategic planning as the process of seeking a better match between a firm's products or technology and its increasingly turbulent markets. He looks at it in terms of change from a familiar environment to an unfamiliar world of strange technologies, strange competitors, new consumer attitudes, new dimensions of social control and above all, a questioning of the firm's role in society. Sharing this view, Hofer and Schendel (1978) define strategic planning as an evolution of managerial response to environmental change in a focus moving from internal structure and production efficiency, to the integration of strategy and structure and production innovation, multinational expansion and diversification.

Steiner (1979) defines strategic planning as the systematic and more or less formalized effort of a company to establish basic company purposes, objectives, policies and strategies. It involves the development of detailed plans to implement policies and strategies to achieve objectives and basic company purposes. On the same breath, Bateman and Zeithml (1990) view planning as a conscious, systematic process during which decisions are made about the goals and activities that an individual, group, work unit or organization will pursue in the future. It provides individuals and work units a map to follow in their future activities. Hax and Majluf (1996) supporting this argument explain strategic planning as a disciplined and well-defined organizational effort aimed at the complete specification of a firm's strategy and the assignment of responsibilities for execution.

Ansoff and McDonnell (1990) distinguish strategic planning from Long Range Planning (LRP). LRP is carried out on the premise that the future is expected to be predictable through the extrapolation of the historical growth. It is based on projections of current operations into the future and does not invite managers to think strategically. Top management assumes that the future is and should be better than the past and negotiates appropriately high goals. On the other hand the conduct of strategic planning is based on the premise that the future is not necessarily expected to be an improvement over the past, nor is it assumed to be extrapolable. Accordingly strategic planning encompasses a firm's prospect, competitor and portfolio analysis. Though LRP is said to be inadequate for strategy formulation, nevertheless it can become an effective instrument for implementing strategy.

From views expressed above, strategic planning in its general and basic understanding can be said to be a process of selecting organizational goals and strategies, determining the necessary programs to achieve specific objectives enroute to the goals, and establishing the methods necessary to ensure that the policies and programs are implemented.

### 2.1.3 Strategic Planning Frameworks

Since the 1960s, various planning techniques have emerged alongside the financial techniques, most famously SWOT analysis, the Boston Consulting Group's portfolio and Michael Porter's five forces analysis. Whittington (1993) notes that though these techniques are less quantitative in orientation, they share the classical aspiration to rational decision-making, and retain profit potential as underlying criterion. Hax and Majluf (1996) argue that these planning techniques introduce qualitative element complementary to the quantitative bias of financial calculations of net present value. Considering the overall industry attractiveness and the strength of the business they help in understanding the investment decision. Therefore, the origins of contemporary corporate planning came in part as a reaction against excessive financial bias.

Hussey (1990) recognizes the importance of analytical and behavioral aspects in strategy development and applauds a shift from the conventional to the modern approaches to planning. He argues that through SWOT analysis, portfolio planning and forecasting, industry and competitor analysis managers are able to see new dimensions and perspectives that are relevant to their operations. They add that equally important are the behavioral and political factors - though many companies have tendencies to emphasize more on the analytical aspects. Various frameworks advanced for purposes of strategic planning/strategy formulation process are discussed here below.

The SWOT analysis framework is a relatively old model and most widely used. It focuses on trying to find the best fit between the organization and its environment. However, it has been criticized for being very much a top-down model and largely reactive. Hence, it calls for a degree of objectivity that may be difficult to achieve in that many managers excel in describing the organization's strengths but have a definite aversion to even contemplating the weaknesses being experienced. Further, according to Bryson and Roering (1987), the analysis fails to consider many existing or potential stakeholder groups.

The growth/share matrix model, on the other hand presents businesses as being made up of diverse practices and each needs to be managed individually. It is concerned with cash flows, profitability of the organization and risks that an organization is willing to take. Figure 2 below provides the classification of businesses into being stars, cash cows, question marks and dogs. Managers will make decision as to which box or boxes to prioritize depending on the potential yields. Bateman and Zeithml (1993), Johnson, Scholes and Whittington (2005) are among the contributors to the writings on this portfolio model of analysis. However, the model is based on current state without due regard for the future environment and it tends to overlook the relevant political and social variables that should be included in the equation when developing strategy.

Figure 2: The Market Growth/Market Share Matrix

| Market growth/ Market share | High | Low |
|---|---|---|
| High | Stars | Question marks |
| Low | Cash cows | Dogs |

Source: Adapted from Howe, W. S., (1986). *Corporate Strategy*. London: The Macmillan Press Ltd, pp 68

Porter (1980), in his contribution introduced what came to be known as "Porter's five forces model". He hypothesizes that relative power of customers, relative power of suppliers, threat of substitute products, threat of new entrants, and the amount of rivalrous activity among the players shape an industry. The assumption here is that by analyzing the forces that shape an industry, one can predict the general level of profits throughout the industry and the likely success of any particular strategy. The strength of the competitive analysis is that it provides a systematic way of assessing industries and the strategic options facing strategic business units within those industries. However, the model gives less prominence to a firm's internal environment.

The PESTEL framework categorizes environmental influences into six main types: political, economic, social, technological, environmental and legal aspects. Johnson, Scholes and Whittington (2005) note that this framework is used to look at the future impact of environmental factors, which may be different from their past impact. An assessment of these environmental factors provides the basis for strategic decision-making, as it is an eye-opener to the business opportunities and constraints a firm is or will be exposed to. The framework points out the state of favorableness of the operating environment and the market rules that have to be observed.

Recognizing that there was a step missing between the SWOT analysis and the development of strategies, Bryson (1989) came up with the strategic issue management approach to give attention to identification of the key issues in an organization. The strength of this approach is its ability to recognize and analyze key issues quickly. Bryson proposes a "framework for innovation model" which incorporates the SWOT analysis, stakeholder analysis and strategic issue management. According to Bryson (1989), planning modes should incorporate the following steps: initiating and agreeing on a strategic planning process; identifying organizational mandates; clarify organization mission and values; assess the external and internal environments; identify the strategic issues facing an organization; formulate strategies to manage the issues; establish an effective vision for the future.

Organizations could weigh various frameworks differently in pursuance of their strategic planning process. Combination of various frameworks could also be favorably considered. However, Steiner (1979) warns that strategic planning systems must be designed to fit the unique characteristics of each organization since organizations differ in some respects from each other. Steiner argues that whatever approach is followed in crafting strategy, at the end of the day what matters is that a good strategy is formulated and implemented effectively. Adding to this argument, Thompson, Strickland and Gamble (2007) postulate that the better conceived a company's strategy and the more competently it is executed, the more likely the company will be a solid performer and a competitive success in the market place.

## 2.2 Strategic planning and performance

### 2.2.1 Potential advantages of strategic planning

As noted earlier, there is anticipation that strategic planning once embraced produces certain advantages within the immediate period which are significant to the eventual attainment of improved firm performance. Theoretical propositions have been made to this effect and Greenley (1986) refers to these as the intrinsic values and or potential advantages of strategic planning. Some highlights on this are given here.

Bryson (1989), Stoner (1994) and Viljoen (1995) argue that strategic planning assists in providing direction so organization members know where the organization is heading and where to expend their major efforts. It guides in defining the business the firm is in, the ends 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. Pealtie (1993) supporting this postulation argues that written strategic plans are an accurate reflection of a company's strategic intent. Bryson and Roering (1987) postulates that strategic planning is a management roadmap that provides a set of concepts, procedures and tools that can help organizations deal with the dramatic changes in their environments. David (1997) argues that strategic planning allows an organization to be more proactive than reactive in shaping its own future, initiate and influence (rather than just respond to) activities, and thus to exert control over its destiny. It assists in highlighting areas requiring attention or innovation.

The process of strategic planning shapes a company's strategy choice. It reveals and clarifies future opportunities and threats and provides a framework for decision making throughout a company. It helps organizations to make better strategies through the use of more systematic, logical and rational approach to strategic choice. Steiner (1979) noted that strategic planning stimulates the future on paper and it encourages and permits a manager to see, evaluate and accept or discard a far greater number of alternative courses of action than he might otherwise consider. Bryson (1989), Stoner (1994) and Viljoen (1995) argue that 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 those goals established at the planning stage, that is, the organization become more focused.

Strategic planning applies a system approach by looking at a company as a system composed of subsystems. It permits managers to look at the organization a whole and the interrelationships of parts, rather than deal with each separate part alone without reference to others. Therefore, it provides a framework for improved coordination and control of an organization's activities. Strategic planning provides a basis for other management functions. Steiner (1979) observes that strategic planning is inextricably interwoven into the entire fabric of management. Hence it is not something separate and distinct from the process of management. It is part and parcel of the strategic management process and it precedes strategy implementation, evaluation and control. It provides a framework for decision-making throughout the company and forces the setting of objectives, which provides a basis for measuring performance. Managers are able to spend time, efforts and resources in activities that pay off. Setting of goals and targets on the other hand facilitate evaluation of organization performance. Individuals in an organization will strive to achieve clear objectives that are set.

It is argued that strategic planning results in a viable match between the firm and its external environment. Strategy concerns an analysis of the firm's environment, leading to what the firm, given its environment, should achieve. Environmental scanning and analysis allows the firm to be connected to its environment and guarantees the alignment between the firm and its environment. Environmental analysis reveals the market dynamics, business opportunities and challenges, customer expectations, technological advancements and the firm's internal capacities and this provides the basis for strategy selection.

Kotter (1996) argues that the strategic planning process can be used as a means of repositioning and transforming the organization. Thompson, Strickland and Gamble (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. Quinn (1980) explains that well-formulated strategies helps marshal and allocate an organization's resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents. Indeed Ohmae (1983) contends that strategic planning enables a company to gain, as effectively as possible, a sustainable edge over its competitors. Bryson (1989), Stoner (1994) and Viljoen (1995) share Ohmae's contention, pointing out that strategic planning assists organizations to develop a comparative advantage or an edge over competitors and creates sustainable competitive advantage. Greenley (1986) points out that a range of potential benefits to intrinsic values accrues to both the company and external stakeholders from the use of strategic planning.

### 2.2.2 Empirical basis: strategic planning and firm performance

Various empirical studies have been done to establish the relationship between strategic planning and firm performance with varied conclusions. Thune and House (1970) studied 36 companies employing the approach of examining the performance of each company both before and after formal strategic planning was initiated. This covered both informal and informal planners. The comparison showed that formal planners outperformed the informal planners on all the performance measures that were used. They also found that formal planners outperformed their own performance after the introduction of formal planning. Although it could not be conclusively said that formal planning is the sole cause of good performance, it is a characteristic of a well-managed firm. Herold (1972) in an attempt to cross-validate Thune and House (1970) study, surveyed 10 companies, comparing performance of formal and informal planners over a 7-year period. Based on the survey results, He concluded that formal planners outperform informal planners and hence, supporting the results of Thune and House (1970).

Gershefski (1970) in his survey compared the growth of sales in companies over a 5-year period before strategic planning was introduced, and over a period of 5 years after planning was introduced. The results of the comparison led Gershefski to conclude that companies with formal strategic planning outperformed companies with little planning and that this indicates that strategic planning is effective. Ansoff (1970) studied 93 firms using various variables of financial performance. The values of these variables for companies, which do extensive strategic planning, were compared with the values of companies, which did little planning. The findings revealed that companies, which do extensive strategic planning, outperformed the other companies. Karger and Malik (1975), taking a similar approach to that taken by Ansoff, compared the values of a range of variables of planners to those of the non-planners. Based on the results of the comparisons, they concluded that the planners outperformed the non-planners.

However, other studies attempting to establish the relationship between strategic planning and firm performance have not been conclusive in their findings. They have not claimed the existence of a relationship between strategic planning and performance. They conclude that higher levels of performance does not necessarily relate to the utilization of strategic planning. These include Fulmer and Rue (1974), Grinyer and Norburn (1975), Kudla (1980), and Leontiades and Tezel (1980).

Howe (1986) argues that although the evidence is far from being robust there are grounds for suggesting, on the basis of research, that there is a link between strategic planning and profit performance in business. Howe points out that there is a positive statistical relationship between company financial performance and the detail of objective setting and the fixing of responsibility for long-term decisions. Companies that failed did so not because of the inherent disadvantage in terms of size or financial resources, but because of poor strategic decision-making. Caeldries and Van Dierdonck (1988) surveyed 82 Belgian Business firms and reported a link between strategy and performance. They noted that strategy enables a firm to strengthen its competitive position, and facilitates integration and coordination of members' behavior. Pealtie (1993) observed that the main reason for the introduction of formalized strategic planning is to improve company performance through the development and implementation of better strategies. Strategy documentation as a process forms the watershed between strategy formulation and implementation.

Pealtie noted that managing a large business without a plan is like trying to organize a car rally without a map, not impossible, but difficult.

Published research from Africa also indicates that strategic planning is an effective tool in improving firm performance. Imoisili (1978), studying indigenous and multinational companies in Nigeria, concluded that the more effective companies are found among organizations which maintain consistency between environmental perception and management practices, do long-term planning, use more flexible control systems and have smaller spans of control. Fubara (1986) did a survey in Nigeria and observed that companies that engage in formal planning experienced growth in profits.

It has been argued that although there is a general perception and belief that strategic planning improves organization effectiveness, if wrongly pursued the anticipated value may not be tapped. Steiner (1979) points out that a wrong strategy or a wrongly formulated strategy may not translate into the anticipated value for the organization. Other scholars such as Ringback (1969), Porter (1985), and, Johnson, Scholes and Whittington (2005) have advanced various explanations as to why strategic planning may not realize the anticipated results. Yavas, Kagnak and Dilber (1985), studying the management climate in the LDCs observed that not communicating firm objectives to lower echelons of management, lack of reliable data and the authoritarian attitude of the managers strongly limits planning participation hence its effectiveness. . Mankins and Steele (2005) observed that poorly communicated strategy is one of the causes of poor performance.

It has also been argued that separating strategy formulation from strategy implementation is one of the possible reasons for non-achievement of the expected results. Porter (1985) and Taylor (1995) note that strategy development does not end when implementation starts. The two interrelate and overlaps. The strategic plan formulation stage has to take into account implementation issues such as leadership, culture and resources for purposes of facilitating effective implementation of the strategies and work plans set out. Steiner (1979) observed that many strategic planning systems were inappropriate because they failed to link planning and resource allocation, affecting strategy implementation. Ringbakk (1969) points out that planning fails in situations where it has not been integrated into a company's total management systems. It ought to be treated as part and parcel of such a system. This implies that if strategic planning is viewed as separate and distinct from the process of management, its anticipated value to the organization may not be realized. Tourangeau (1987) shares these sentiments but cautions that strategic business planning cannot be expected to cure all that ails an organization i.e. address other shortcoming of the management process, but can best be seen as a partial solution to management problems. Strategic planning, or any other management technique is of limited value by itself, only a partnership with all parts of the management particularly execution, controls and rewards can result in synergy and lead to substantial advancement.

Johnson, Scholes and Whittington (2005), note that strategic drift occurs when the organization's strategy gradually moves away from relevance to the forces at work in its environment. Sharing this view, Thompson, Strickland and Gamble (2007) provide a caution that granted good strategy combined with good strategy execution doesn't guarantee that a company will avoid periods of sub par performance because there are shifts in market conditions and internal miscues. In their survey to see how successful companies translates their strategies into performance, Mankins and Steele (2005) observed that companies typically realize only about 60 percent of their strategies potential value because of defects and breakdowns in planning and execution.

Hofer and Schendel (1978) argue that strategy is important and therefore its formulation should be managed and not left to chance. It is not how completely a strategy is stated that alone determine success, its internal consistency, the insight and creativity displayed, and its implementation all contribute more to successful strategies. However, it needs to be carefully described to remove unnecessary risks of inconsistency and misunderstanding. Formal strategic planning seems to provide the rational and analytical approach towards addressing this concern. Although the link between strategic planning and firm performance is not empirically conclusive, it is nevertheless a tool that can be utilized towards enhancing organizational effectiveness.

## 2.3 Participation and involvement in the strategic planning process

### 2.3.1 Employee participation

Hamel (1992) argues that management should try to create the prerequisites to facilitate effective strategy-development, that is, create an environment in which strategy can emerge and grow as the organization continually re-invents itself to deal with its changing environment. Hamel notes that strategy should not just be the province of the top management, other people including front-line individuals and the more youthful element of the organization, should be allowed to voice their opinions arid perhaps strategy should take into account both the energy of youth and the wisdom of age.

Employee participation can be exercised at various levels and can be communicative or consultative. Gallagher (2002) argues that terms of engagement for the interaction of leaders and employees in the decision-making should be articulated, whilst ensuring that leaders do not abdicate legitimate authority or employees are not engaged in decisions beyond their knowledge, interest, or responsibility. Gallagher uses the concept of a 'ladder of decision making' in explaining responsibilities at various participation levels. The ladder provides an image and a conceptual model to help clarify the role of participants in the process. The responsibility for the decision shifts with each step from authority (executive), to the affected departments and staff. The ladder approach to decision-making provides a way to articulate who makes the decision and offers employees more certainty about how their input, which consumes their time and resources, will be used. Staff members collect, summarize, and present information that is useful in the process, and they make calculations that translate management judgments into the format of the system, but significant decisions are made by the line managers. However, a challenge in this decision-making concept springs up when executives call for employee participation but then don't design or manage an effective process of involvement. Hence, training is desirable for all parties to understand the rungs and their roles on each. Aosa (1992) examining the relationship between managerial involvement, management training and effective strategy implementation did observe that training is critical if managers are to make contribution to strategy development.

Some assumptions are made on the expected benefits of employee participation. It is perceived that workers will want to work harder and more efficiently as a result of greater organizational commitment, which stimulates greater work flexibility and quality output. By getting employees involved in the strategic planning process, it is assumed that the employer benefits from the opportunity to harness workers' knowledge and experience. Cooke (1994) argues that through participation workers have an opportunity to know and take part in designing the most efficient way(s) of organizing their work, resulting in optimum productivity. Sharing this argument, Jones (1987) Bryson and Millward (1997), add to this argument by noting that management has a chance of benefiting from the addition of valuable information about work tasks and the ability to access worker talents in decision-making through involvement of workers in the decision-making process.

Hamel (1992) notes that participation creates an environment that encourages listening and sharing of a variety of viewpoints and opinions before a decision is made on the direction to be pursued. Discussions at individual and group levels are recognition that everyone has great-untapped potential in terms of their possible contribution to the organization's success. Participation offers the benefit of improving the quality of decisions by incorporating employee values, information and alternatives into decision. Employee involvement is aimed at eliciting the support, understanding and optimum contribution of all employees in an organization and their commitment to its objectives. It is expected that in the process of participation, employees are experience more control over their responsibilities, become more motivated and creative over their assigned tasks. However, for employees' involvement to be meaningful, managers must ensure that employees at all levels have the right mix of information, knowledge, competence and interest (Lawler et al. 1992, Randolph 2000).

Kermally (2002) notes that empowerment is about releasing human energy and trusting an individual to make decisions to gain the commitment and involvement. Kermally contends that "without people there will be no ideas and innovation" (pp.113). Florida and Goodnight (2005) observed that successful companies tapped the creativity of workers from a wide range of disciplines to become more innovative and efficient. Florida and Goodnight further note that an interactive process stimulates people's minds, invigorating mental work which eventually leads to superior performance. Involving staff in the decision-making process, in a way enriches their job. Job enrichment challenges and motivates people. Hooper and Potter (2000) contend that people who feel involved in the change process tend to react more positively than those who feel that change initiatives are being forced upon them. Getting people participate in the strategic planning process therefore, wins their hearts, minds and commitments, which consequently releases their potential for improved productivity. Commitment in companies is essential for effective strategy implementation.

Summers and Hyman (2005) note that employers seek productive efficiency, and recognize that the means to this is increasingly locked in the head of the people they employ. They argue that employee participation has become more important to managers seeking to gain voluntary commitment from employees to organizational goals especially at times of heightened competitive pressures and work insecurity. Ansoff and McDonnell (1990) recommend an approach, which involves the decision makers, together with staff, in a step-by-step process of strategy analysis and decision-making, that is the interactive strategy formulation. Accordingly staff cannot be ignored for it is them who prepares essential inputs and facilitate the process of analysis and decision-making. Though there is need for initiative, analysis and commitment to come from the top management to effect a turnaround, the involvement of employees at all levels both in decision making and implementation is a must (Hofer 1980).

Therefore to facilitate smooth and effective implementation everybody at all levels within the organization needs to be involved in the planning process in one way or the other. This is particularly true for individuals at the front line who may have to implement the strategy in terms of changing the way they work. Hooper and Potter (2000) argue that strategy on its own is worthless unless it can be turned into positive action and therefore management needs workers to translate it into results. Participation increases the potential for decisions to be implemented as employees help make and own the decision and offers the possibility of reducing employee skepticism. When the process involves people in the organization, it increases motivation and or satisfaction. Participation in the strategic planning process provides some sort of commitment by those involved which is instrumental for improved performance. David (1997) argues that through involvement in the process managers and employees become committed to supporting the organization. Davenport (1993) adds to this argument by stating that unless designers or participants can agree on the way work is and should be structured, it will be very difficult to systematically improve or effect innovation in that work.

Ansoff and McDonnell (1990) note that strategic planning concentrated at the corporate levels of management, produced an unworkable solution which typically produced a phenomena which became to be known as 'paralysis by analysis'- plans made at the headquarters languished and remained unimplemented. A participative and interactive process assigns important roles to both the corporate office and the strategic business units (SBUs). Ansoff and McDonnell further argue that a strategic staff is needed to support line executives at both levels to design and supervise the planning process, provide environmental inputs, identify new portfolio opportunities, analyze portfolios and develop investment and divestment plans and budgets.

Strategy introduces elements of rationality, which are disruptive to the historical culture of the firm and threatening to the political processes. It is argued that significant changes in a firm's strategic orientation, introduced through strategic planning process encounter organizational resistance. Ansoff and McDonnell (1990) points out that this resistance introduces delays, costs and instabilities into the process of strategic change. One of the ways this can be addressed is ensuring that staff is involved from the pre-strategic planning stage, clearly defining strategic responsibilities and sharing the intentions with all staff. Employee participation enables workers to have a shared organization direction. People have an idea of the firm's intended direction or else they dissipate their energies and resources, and eventually cease to exist. Workers need to have an idea of where they are going, whilst at the same time being aware of the results they are creating in order to adjust both the strategy and performance accordingly. Resistance to actualize the strategic planning intentions and programmes could be reduced if people were involved in the whole process, are sensitized on the strategic direction the organization is taking and the expected benefits. Concurring with this argument, Kermally (2002) notes that such resistance can be overcome by embracing a culture of participation and involvement. Sometimes those involved end up becoming drivers for change.

Blasi, Kruse, and Bernstein (2003) contend that participation facilitates the development of a corporate culture that emphasizes company spirit and promotes group cooperation. Firms that embrace the culture of staff involvement and ownership tend to match or exceed the performance of other similar firms. Kruse and Blasi (1997), and Freeman and Dube (2000) argue that participation has been successfully used to improve overall company performance. They note that participation alters employee attitudes to work and to management, increases association with management values, leads to greater job satisfaction and improves employee motivation to work towards achieving the set goals. The sum of all these is expected to lead to improvements in employee productivity and flexibility, and thus in company performance.

Kagnak and Dilber (1985) noted that people are most effective, efficient and satisfied in an organization when they participate in the making of decisions about matters directly affecting them. Sharing this view, Bryson (1989), stoner (1994) and Viljoen (1995) argue that involving people in the organization increases motivation and satisfaction. Kermally (2002) notes that failure of strategic planning could be due to resistance to 'change' within the organization and some of the ways of overcoming this resistance include staff participation and involvement.

### 2.3.2 Leadership involvement in the strategic planning process

Turban and Meredith (1991) argue that many managerial problems have physical, psychological, biological, mathematical, sociological, engineering and economic aspects. By bringing together a team with a variety of backgrounds, new and advanced approaches to old problems are often obtained. The scientific mind from each discipline attempts to extract the essence of the problem and relate it structurally to other similar problems encountered in one's own particular field thereby enhancing the organization's decision-making process.

Day (1984) studying capabilities of market driven organizations observed that these commitments come from widespread involvement of managers in decision-making. Hussey (1984) did note that high managerial involvement is necessary for effective strategic planning. Guth and MacMillan (1986) in their study observed that involvement of middle managers enhanced success in implementing strategy. Reid (1989) noted that managerial involvement was essential for companies to benefit from planning. Wooldridge and Floyd (1990) reported that involvement of line managers in strategy development was associated with improved performance. Robert (1991) points out that mangers have difficulties in coping with strategic issues in situations where strategy is developed by outside consultants without involving the managers. Aosa (1992) on managerial involvement observed that companies reporting high involvement were significantly more successful in implementing strategic decisions than those in which involvement was low. Papadakis, Lioukas and Chambers (1998) investigating the relationship between the process of strategic decision making and management and contextual factors noted that the greater the participation especially of middle managers has a positive impact on organizational performance. This is so because the involvement of more people in decision making process increases the level of consensus among managers, produces a common understanding of joint tasks, creates a climate of shared effort and facilitates smooth implementation of strategic decisions. On the other hand lack of involvement of other employees other than 'strategic elites' in the process creates implementation problems including sabotage. "Strategic decision making processes in successful firms are more a product of a shared effort than deliberation by one person", noted Papadakis, Lioukas and Chambers (1998:132).

For the rest of the workers to attain the necessary understanding of the company vision and goals, provide the desired commitment and actively get involved in translating the strategies and programmes into the expected results, strong and strategic leadership is needed to drive the course. Taylor (1995) contends that strategic leaders manage radical change to achieve dramatic improvements in performance. They communicate internally and externally, often have an open management style and they try to build a new culture in which the staff can feel more involved. In concurrence with this view, Thompson, Strickland and Gamble (2007) argue that strategic leadership instills high levels of commitment to strategic success and creates an atmosphere where there is constructive pressure to perform and this is done through shaping values, molding culture and energizing strategy accomplishment. Thompson and Strickland further noted that strategic leadership keeps the organization innovative and responsive by taking special pains to foster, nourish and support people who are willing to champion new ideas, better services, new products and product applications.

Das (2000) postulates that for a strategy to be effective, a committed leadership must champion it. He argues that for any corporate agenda to be a successful initiative, the analysis and commitment have to come from the corporate office headed by the CEO and his team who have the holistic view of the company and its environment.

Accordingly it is the CEO and team who will shape and have the ultimate responsibility for achieving the strategic ambition of the corporation. In the fast changing technological and competitive environment, the CEO and his team need to spend much more time to understand the implications of the changes that are taking place in their business and general environment, and then develop an agenda for responding effectively to the new situation.

The top management must dedicate themselves to high standards set, communicate convincingly the corporate agenda and the supporting programmes. This creates excitement and sustained commitment to the set goals. A CEO has to become a role model and a leader of a difference to drive the agenda, in discussing the corporate agenda. Das (2000) noted that "the CEO is both an orchestrator and value-sharper and has the ability to bring out the best in ordinary people" (pp.221). The ownership and involvement of the top management extends beyond strategic decision-making and include the facilitation of the processes by which issues confronting the organization are debated and discussed. Strategic management should encourage a shared understanding of the situational context among the participating managers by exposure to multiple perspectives and a synthesis of alternative scenarios. This enables the management team's overall ability to work together for a common goal and also to exploit the entrepreneurial skills of individual managers. According to Hamel and Prahalad, the concept of strategic intent involves encouraging employees to perform better by communicating the value of stretched targets providing a scope for individual and team contributions. Kermally (2002) argues that a leader in any organization should provide resources to show commitment share the vision and involve people in strategy formulation and listen for various possibilities. If the leader and employees share the same values and they internalize these values, the bond between leader and employee will be strong and in a situation like this staff will freely communicate in order to transfer their knowledge. Kermally further postulates that an effective leader has to focus on organizational culture and influence the performance of every individual and consequently organizational performance. "An appropriate culture enhances commitment to the organization's mission" (pp. 105), he asserts.

Aosa (1992) examining the association between management involvement and company effectiveness, within large private manufacturing companies in Kenya observed that managerial involvement had little impact on strategy implementation among local companies but significant impact among foreign ones. This finding was similar to those of Imoisili (1978) and Jones (1987) of which studies were carried out in Africa. The low managerial involvement in developing countries was attributed to the inherent environmental influences. However, these finding was in variance with those of studies carried out by Guth and MacMillan (1986) and Wooldridge and Floyd (1990) possibly because these were carried out in the developed countries contexts.

## 2.4 Conceptual framework

It is perceived that strategic planning contribute to firm performance. It is conceptualized that firms that have effectively embraced strategic planning, records better performance as compared to those that have not. Hofer and Schendel (1978), Henderson (1979), Greenley (1986), Miller and Cardinal (1994) and David (1997) argue that firms record improved performance once they effectively embrace strategic planning. Hence, the process is seen as an integral contributor to a firm's effective performance.

Various studies carried out to examine the relationship between strategic planning and firm performance concludes the existence of such a relationship. In their studies Imoisili (1978) and Howe (1986) observed that firms that engage in strategic planning out-perform those that do not. Fubara (1986) did a survey in Nigeria and observed that companies that engage in formal planning experienced growth in profits. However, Greenley (1986) examining empirical data from nine surveys (8 in USA and 1 UK within the manufacturing business) on the relationship between strategic planning and company overall performance noted mixed conclusions with five studies concluding the existence of the relationship while the rest conclude that higher levels of performance did not necessarily relate to the utilization of strategic planning. Miller and Cardinal (1994) employed a meta-analytic approach using data from 26 previously published studies and concluded that strategic planning positively influences firm performance.

Figure 3 presents the conceptualized relationship between strategic planning (independent variable), strategic planning outcomes (intervening variables) and firm performance (dependent variable). It could be argued that strategic planning is expected to give rise to the realization of intermediate outcomes or intrinsic values which in turn lead to improved firm performance. Carrying out the various steps in the strategic planning process is expected to facilitate the realization of organizational effectiveness. By defining a company's purpose and goals, strategic planning provides direction to the organization and enhances coordination and control of organization activities. 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. Howe (1986) and Kotter (1996) argue 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. Porter (1980), Greenley (1986), Miller and Cardinal (1994), Hax and Majluf (1996) and Grant (1998) argue that an objective analysis of external and internal environment facilitates the establishment of the firm-environment fit and improved decision-making. Adding to this view, Porter (1980), Quinn (1980), Ohmae (1983) and Kotter (1996) note that the identification of strategic issues and, strategy analysis and selection facilitates the achievement of efficient allocation of resources, sustainable competitive advantage, and improved innovation. It is also perceived that the development of implementation programme, evaluation and control systems facilitates smooth execution and implementation of the planned tasks.

As we make reference to the theoretical and empirical arguments on the relationship between strategic planning and firm performance, this study recognizes the existence of other factors that could influence such a relationship. Although we recognize the great role of resources such as finances and technology among others, it is the human resource that drives the strategic planning process. It is perceived that effective leadership and involvement of workers in the strategic planning process is likely to impact on their ownership, commitment, motivation and general desire to deliver on the strategic planning expectations.

Figure 3: The conceptual model of the relationship between strategic pla
performance

H1

Strategic planning

- Defining firm's corporate purpose, goals and philosophies
- Appraisal of business environment
- Identification and analysis of firm's strategic issues
- Strategy generation, evaluation and selection
- Development of implementation, evaluation 6t control systems

Intermediate outcome

- Direction and focus
- Firm environment fi of the organization external environmer
- Sustainable competi advantage
- Efficiency in allocat resources
- Improved innovatio
- Greater commitmer
- Improved coordinat control of orcanizati

H2

o

H4

Employee participation

- Leadership participation and involvement
- Involvement of staff drawn from various cadres and departments
- Participation by staff in various strategic planning tasks/activities



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## 2.5 Summary

Strategic planning provides a systematic and formalized approach to establishing basic company purposes, objectives, policies and activities. This is expected to facilitate the enhancement of a focused direction for an organization and subsequent positive firm performance. It encompasses environmental scanning towards seeking a better match between a firm and its business environment. External environmental issues are generated, explored, prioritized and analyzed as antecedents to the expression of corporate values, strategic orientation and strategic choice. Stoffels (1994) notes that this helps companies develop and modify strategy to meet changing external circumstances, thereby helping the organization succeed and survive. Strategic issues are identified and analyzed to enhance the prioritization of issues and efficiency in allocation of resources. Based on the firm's defined basic purposes and goals, the business environment and the key strategic issues, strategies are generated, analyzed, evaluated and selected. The firm selects a strategy that best meets its objectives.

Though complex and costly to introduce and use, strategy is a potentially very powerful tool for coping with the conditions of change, which surround the firm. The strategy selected is expected to characteristically propagate creativity and innovation. Various empirical studies support the theoretical arguments that strategic planning positively influences company performance. Various writers have argued that strategic planning could give rise to both financial and non-financial gains to the organization and therefore in measuring firm performance both indicators should be utilized. Further, it is perceived that strategic planning gives rise to intermediate outcomes, which facilitates the attainment of an organization's desired goals. The attainment or non-attainment of the anticipated strategic planning intermediate outcomes could influence the overall firm performance.

Past studies examined the direct relationship between strategic planning and performance and did not take into account the existence of factors that could mediate or moderate such a relationship. Various writers have indicated that the potential advantages and intrinsic values of strategic planning and employee involvement in the strategic planning process could influence the ultimate firm performance. It is argued that participation enhances staff ownership, commitment, motivation and productivity which is critical in translating strategic planning into value for the firm.

Notably, there is limited research in the subject area of strategic planning and performance within Africa. Though Imoisili (1978) observed that carrying out long-term planning was one of the characteristics of the more effective firms, he did not investigate the relationship between strategic planning and firm performance; his study focused on factors influencing organizational effectiveness in Nigeria. Equally Fubara (1986) did not examine the influence of strategic planning on firm performance but rather focused on formality of planning. Aosa's 1992 study examined the relationship between managerial involvement and strategy implementation within the manufacturing companies operating in Kenya. Our study added other dimensions into the previous studies by recognizing other factors that could influence the relationship between strategic planning and firm performance i.e. the intermediate outcomes and moderating (participation and involvement of not just managers but also top management and other workers) aspects.

# CHAPTER 3: RESEARCH METHODOLOGY

This chapter provides the steps and approaches that were used towards actualizing and executing the study. It provides highlights on the research design, data collection procedures and analysis techniques employed.

## 3.1 Research design

There has been debate as to the choice of research design centered on the philosophical issues of positivism and phenomenology. Hunt (1991) noted that philosophers have been polarized into two schools of thought, that is, positivism and idealism or phenomenology based on their perceptions of the process of knowing. The positivists seek facts or causal explanations of social phenomena with little regard for the subjective states of individuals. According to them, universal scientific propositions are true only if they have been verified by empirical tests. Accordingly research proceeds through a process of hypothesizing fundamental laws and deducing what in observations will demonstrate the truth or falsity of these hypotheses. Positivism approach to research lays emphasis on the empirical analysis of concrete relationship measured in terms of facts. Morgan and Smircich (1980) and Thompson et al. (1989) contend that positivists operate on the assumption that science should uncover causal laws that explain the functioning of phenomena and mathematical models are formulated to describe what is observed.

On the other hand a phenomenological approach focuses on immediate experience and gives prominence to cognition. As a method of inquiry phenomenology describes things as they are, not as the researcher thinks they are. Advocates of this approach argue that it is a more thorough and more informed in its observation of experiential phenomena. However, the phenomenological accounts can be subjective as they lack the rigour of precise definition and exact measurement. According to Hunt (1991) critics of this methodology argue that the researcher's focus on meanings and trying to understand what is happening may not necessarily give rise to facts.

To effectively address the objectives of this study, we pursued the positivist methodology. The choice of this approach was based on the argument that "to empirically establish the relationships between the variables of interest there is need to formulate and test appropriate hypotheses and generalize findings". Further, there was need to translate the underlying concepts into measurable forms to facilitate testing of the formulated hypotheses. A quantitative analytical approach was employed in an attempt to empirically determine the relationship between the variables of interest by applying appropriate statistical data techniques.

Survey design was used. The study involved collecting data from across section of firms within the studied sector. The intention was to make comparisons between firms with respect to various variables of interest. Hence, the survey technique was considered the most appropriate technique for this type of study. This was the most appropriate method towards effectively addressing the research objectives. Therefore, a survey of the firms within the Kenya's insurance sector was done. Interviews were conducted across the firms targeted and where possible focused group discussions were held.

## 3.2 The population of interest

The population of interest consisted of all insurance firms operating in Kenya. The Association of Kenya Insurers report of 2006 lists 43 firms and our intention was to study all of them. Though we contacted all the 43 firms, only 31 effectively participated. Appendix III provides a list of the firms that formed the population of interest for this study.

## 3.3 Data collection

Both primary and secondary data was sourced and utilized for purposes of addressing the research objectives. Secondary data was extracted from existing published and unpublished records such as the Commissioner of Insurance and Association of Kenya Insurers' annual reports. Primary data was collected on strategic planning process, employee participation and strategic planning intermediate outcomes and also on some performance indicators as shown in table 1. Primary data was captured using the likert type scale.

Our main data collection instrument was a questionnaire consisting of structured closed and open-ended questions (see appendix I). The questionnaire consisted of four crucial parts A, B, C and D towards capturing the relevant information in respect of the study objectives. Part A was to facilitate capturing of the extent to which strategic planning is carried out, part B facilitated recording of the extent of employee participation in various areas of strategic planning, part C facilitated recording of extent of attainment of the strategic planning intermediate outcomes, while part D facilitated the capture of the extent of firm performance.

The researcher administered the questionnaire personally because of the low response rate associated with other types of collecting data. In such cases a group discussion could be held and a response from one manager could be verified or complemented by the other. An interview on average could take 1hour 30minutes. Data for purposes of this study was collected between September 2007 and February 2008.

Top management (CEO/MD, general managers, line managers) were the study's key target respondents. We managed to have interviews with CEOs of two companies, General Managers from eleven companies and Managers from 18 companies. The researcher personally called or where possible presented himself for purposes of arranging appointments for interviews. In companies where the CEOs were willing to offer interviews in person or by delegation the process was smooth. There were situations when more than one of the above categories was available and willing to participate in the interviews.

### 3.4 Operationalization of variables

Operational definitions of the key concepts/variables are given in table 1 below. These definitions enabled variables and facts to be measured quantitatively to facilitate testing of the formulated hypotheses. These variables are explained below.

One of the key variables in this study is firm performance. Sink, (1985); and Sink and Tuttle, (1989) provide a-seven-criteria model of measuring firm performance consisting of effectiveness, efficiency, quality of products, productivity, quality of work life, innovation and profitability. Moseng and Bredrup (1993), provides three broad dimensions towards assessing a company's performance namely efficiency, effectiveness and adaptability. Lusthaus et al (1999) prescribes effectiveness, efficiency, relevance and financial viability as the cardinal tenets of performance assessment. Bradley and Herbert (1996) and Mjos (2002) note that creation of new products, reduction in organizational costs, increase in overall revenue, improvement of customer service and improvement of work productivity are some of the objective measures to assess performance. However, for purposes of this study, both financial and non-financial indicators have been utilized in examining firm performance. Claims cover ratio, premium growth and profit have been utilized as financial performance measures, while lead-time in claims payment, growth in market share, employee turnover, new products and cancellation of policies rate have been used as non-financial performance measures.

Strategic planning was another key variables in this study and was broken down into the specific steps that support the strategic planning process. These steps are; defining firm's purpose, goals and philosophies, appraising the business environment, identification and analysis of strategic issues, strategy selection, and, development of monitoring, evaluation and control system to track performance progress. The extent to which each of these steps is fulfilled has been captured using a 6-point likert type scale. This measurement technique is similar to the one used by Boyd and Elliot (1998) to measure the strategic planning indicators.

For purposes of this study, strategic planning intermediate variable were treated as the intervening variables. Strategic planning is expected to give rise to enhancement of direction and focus, firm-environment fit, creation of a sustainable competitive advantage, efficiency in allocation of resources, improved innovation and creativity, greater commitment and, improved coordination and control of organization activities. The extent to which each of the intermediate outcomes is achieved has been captured using a likert type scale.

Employee participation is likely to influence the realization of the strategic planning goals. This has been looked at in terms of the extent of employee participation in various strategic planning tasks or activities, the extent to which workers from various cadres and departments are involved in this process and the leadership role/involvement in not only spearheading the process but also in translating the process into the expected results. For this reason employee participation was treated as the moderating factor for purposes of this study. The likert type scale was also used to capture the extent of participation and involvement.

Table 1: Operationalization of variables

| Key Variable | Operational definition | Measure |
|---|---|---|
| **Strategic planning** | ***Defining firm's corporate purpose, goals and philosophies*. The extent to which the Vision statement, Mission statement, Corporate values and Long-term goals are defined** | **Likert type scale** |
| | ***Carrying out environmental analysis*. The extent to which the Identification of firm strengths, Critical analysis of firm strengths, Identification of firm weaknesses, Critical analysis of firm weaknesses, Identification of business opportunities, Critical analysis of business opportunities, Identification of threats to the firm and Critical analysis of threats to the firm are addressed** | |
| | ***Identifying and analyzing firm's key strategic issues*. The extent to which the Identification and Critical analysis of the strategic issues are done** | |

| | | |
|---|---|---|
| | *Generating, evaluating and selecting appropriate strategies*. The extent to which<br>Generation of alternative strategies, Sets criteria for evaluation of the generated strategies, Analysis of the alternative strategies, Evaluation of strategies based on set criteria and Selection of strategy(ies) that most meet the set evaluation criteria are carried out | |
| | *Development of implementation, evaluation and control systems to track performance*. Identification of key result areas, Specification of objectives in respect of each result area, Specification of specific target(s) on each result area, Identification of activities for each result area, Assigning tasks and responsibilities, Putting in place a monitoring and evaluation system, Putting in place a feedback system and Instituting a performance reward system | |
| Employee participation | *Leadership involvement*. The extent to which leadership and management Directs and leads the process, Supports the process, Communicates the new vision, Supports and builds a participatory culture, Builds, supports and institutionalizes a culture of quality, innovation and, Mobilizes staff towards realizing the corporate goals | |
| | *Wide involvement*. The extent to which Staff drawn from various functions, cadres are involved in the strategic planning process | |
| | *Task involvement*. The extent to which employees participate in Providing data for utilization in strategic planning process, Data analysis, Setting organizational targets, Setting departmental targets/divisional/regional, Setting staff individual targets, Drawing work plans, Resource planning, Generating alternative courses of action, Evaluating courses of action and Selecting course of action to be followed | |
| Strategic planning intermediate outcomes | *The extent to which* Focused firm direction, Enhanced firm-environment fit, Creation of sustainable competitive advantage, Efficiency in allocation of resources<br>Improved innovations, Improved ownership and commitment to organization goals<br>Improved coordination, integration and control of organization activities have been realized | |

| | | |
|---|---|---|
| Financial performance | Claims ratio<br>Premium growth rate<br>Profits | Range/likert type scale |
| Non-financial performance | Lead time in claims payment<br>Growth in market share<br>Employee turnover<br>New products launched<br>Cancellation of policies rate | Likert type scale |

## 3.5 Data reliability and validity

Test of reliability was carried out to check on the internal consistency of data measurement instrument. Reliability coefficient(s) to test the extent to which the items on a test provide consistent information. Cronbach's alpha was used to measure this reliability. Nunnally (1978) notes that the coefficient alpha provides a good estimate of reliability. Alpha value ranges from 0 to 1.00. A larger value indicates that items are tapping a common domain, hence high consistency. Alpha values of between 0.80 and 1.00 are considered reliable, values of between 0.50 and 0.80 are acceptable while values of below 0.50 are considered less reliable and therefore unacceptable (Sekaran, 2003). Table 2 below presents the computed reliability coefficients values for various data groups.

Table 2: Testing for reliability

| Variable | Number of items in variable | Alpha coefficient |
|---|---|---|
| Strategic planning | 5 | 0.901 |
| Employee participation | 3 | 0.847 |
| Strategic planning intermediate outcomes | 7 | 0.952 |
| Financial performance | 3 | 0.529 |
| Non-financial performance | 6 | 0.807 |
| Performance overall | 9 | 0.817 |
| All variables | 24 | 0.955 |

Table 2 indicates that the computed Cronbach's alphas for all the various group items fall above 0.50 with the coefficient for all the 24 items indicating very high reliability (0.955).

## 3.6 Data Analysis

Fundamental statistical measures were applied to describe and establish availability and extent of strategic planning, realization of strategic planning outcomes, employee participation in strategic planning and firm performance levels. A six point likert type scale was used to capture the extent of strategic planning, attainment of strategic planning intermediate outcomes and employee participation in strategic planning. In applied management studies, the likert type scale is an acceptable technique for purposes of carrying out parametric statistical analysis. Composite scores have been computed on strategic planning, strategic planning outcomes and employee participation based on the likert scores recorded on the sub-items under each variable to allow for smooth analysis. The Statistical Package for the Social Sciences (SPSS) version 12.0 has been used to facilitate this analysis.

The focus of the study was to examine the relationships between variables of interest and not the causal effects. It is important to note that just because variables are related, it does not necessarily mean that one directly causes the other. Therefore, in addressing our study objectives, we utilized the correlation analysis technique. This technique has been used in examining the relationship between strategic planning and strategic planning intermediate outcomes; between strategic planning intermediate outcomes and firm performance, between strategic planning and firm performance and, between employee participation in strategic planning and strategic planning outcomes. These analyses have been based on the hypothesized relationships between the variables of interest. In this regard, the Pearson's product correlation coefficients(r) have been computed. The Pearson coefficient of $r = 0.700$ and above implies the relationship is strong; r of between 0.300 and 0.700 indicates a fair and acceptable relationship; and, r of 0.300 and below indicates a weak relationship. Partial correlations have also been utilized in examining the influence of employee participation in strategic planning on the relationship between strategic planning and strategic planning intermediate outcomes.

# CHAPTER 4: RESEARCH FINDINGS

This chapter reports responses from target firms on the extent to which: strategic planning is carried out, strategic planning intermediate outcomes are realized, and, participation and involvement in the strategic planning process is embraced. Here we also report the analysis and findings of the study. Section 4.1 presents responses on the strategic planning process and performance and, findings on the examination of the relationship between strategic planning and firm performance. Section 4.2 presents responses on the strategic planning intermediate outcomes and, the findings on the examination of the relationship between strategic planning and strategic planning intermediate outcomes. Section 4.3 presents the results of the examination of the relationship between strategic planning intermediate outcomes and firm performance. Finally, section 4.4 presents findings of the analysis of the influence of employee participation and involvement in the strategic planning process on the relationship between strategic planning and strategic planning intermediate outcomes.

## 4.1 Strategic planning and firm performance

It had been anticipated that most or all companies being surveyed do embrace and practice the concept of strategic planning. This turned to be true as all the 31 firms that responded indicated. During the introductory stages of the interviews probing questions were put forward and responses revealed that actually all firms did/do strategic planning and the difference only arose on the extent and rigour of conducting it.

Before addressing the real objectives of this study, it was imperative that the researcher gets an understanding of the conduct of strategic planning in the sector under study. To achieve this, a six point likert type scale running from 0 to 5 was used to capture data for purposes of ascertaining the extent of strategic planning. Findings are presented below.

### 4.1.1 Responses on the strategic planning process

Defining the company purpose and goals is a crucial step in the strategic planning process for if the business the company is in or intends to be in is not clear, the firm could miss direction. Respondents were asked to indicate the extent to which firm's purpose, goals and philosophies have been effectively defined in their respective firms. This variable was broken down into the company vision, mission, corporate values and long-term objectives. 56 percent of the respondents indicated that their firms do effectively define and express the company's businesses to a very large extent while 38 percent and 9 percent indicated that their firms did this to a large and average extent respectively. A mean of 4.4 out of a possible maximum 5 points was recorded.

Environmental analysis is equally an important step in the strategic planning process. The researcher was interested in capturing the extent to which this activity is carried out and therefore a question consisting of various sub-variables was crafted for this purpose. The sub-variables were: identification and analysis of firm strengths, identification and analysis of firm weaknesses, identification and analysis of business opportunities and identification and analysis of perceived threats to the firm. Responses revealed that about 42 percent of the firms carry out effective environmental analysis to a large extent, 35 percent of firms carry out business environment analysis to an average extent, 19 percent of the firms carry out environment analysis to a very large extent while only 3 percent indicated that the task is conducted to a small extent.

The researcher was interest in establishing the extent, if any, to which tasks of identification and critical analysis of strategic issues were carried out. A six point likert scale was employed to capture the required data. Findings revealed that of the firms that responded, 51 percent indicated that these tasks were pursued to larger extent, 26 percent indicated that these were carried out moderately, 19 percent analyze strategic issues to a very large extent, while only 3 percent did the analysis to a small extent.

Strategic planning cannot be complete if there are no strategies that have been settled on, from across among many alternatives. The strategy selection process therefore was of interest to the researcher and the sub-steps in this task were pointed out and respondents were asked to indicate the extent to which they have been performed. These sub-steps are; generation of alternative strategies, setting criteria for evaluation of these strategies, critical analysis of the generated strategies, evaluation of strategies based on the set criteria and section of strategies that best meets the set criteria. Findings indicate that 42 percent of the firms undertake effective strategy selection process to an average extent, 32 percent of the firms conduct this step effectively to a large extent, 22 percent of the firms undertake this step effectively to a very large extent, while only 3 percent of the firms undertake it to a small extent.

To facilitate smooth and effective implementation of strategies and programmes, a structured framework needs to be in place. Issues that must be addressed within this framework were crafted in form of questions and respondents were probed to gauge the extent to which their respective firms had attended to them. The issues examined are: identification of key result areas, defining objectives for each result area, defining specific targets for each result area, identification of activities/initiatives for each result area, assigning tasks and responsibilities, development of a monitoring and evaluation system and development of a performance feedback and reward system. Addressing all these issues allows not only smooth implementation but also facilitates effective performance appraisal and control. Findings indicate that 38 percent of the firms addresses the implementation evaluation and control issues moderately, 42 percent of the firms addresses the same issues to a large extent, while 19 percent of the firms addresses these issues to a very large extent.

Table 3 below presents a summary in respect to responses on the extent to which firms practice strategic planning as defined by the various strategic planning steps. The table reveals that of all the strategic planning steps, majority of the firms do very well in the step of defining the business of the organization and hence setting the company direction.

Table 3: Extent to which various strategic planning steps are carried out

| Strategic planning steps | Mean | Standard deviation |
|---|---|---|
| Defining company purpose and goals | 4.419 | 0.672 |
| Analysis of business environment | 3.774 | 0.805 |
| Analysis of strategic issues | 3.871 | 0.763 |
| Strategy selection | 3.741 | 0.855 |
| Strategy implementation, evaluation and control framework | 3.806 | 0.749 |

*These means and standard deviations are based on the data captured through a six point likert type scale running from 0 to* 5, *representing not attended to at all and attended to a very large extent respectively.*

### 4.1.2 Responses on firm performance

As discussed in Chapter III, performance is the key dependent variable in this study and both the financial and non-financial dimensions have been examined. A range for absolute values was used to capture financial performance. After the initial pre-testing of the questionnaire it was evident that respondents were more willing to indicate the range where their respective firms fall on the indicators of interest as opposed to stating the absolute values/figures. As for the non-financial indicators a six-point likert scale was used. The banding of the financial measures was harmonized with the non-financial ones in an effort to providing an indication of overall performance. This was also aimed at facilitating analysis. The responses on the financial indicators were based on the immediate preceding 3-year averages.

Three financial indicators were used to measure financial performance. These are: premium growth rate, claims ratio, and profit in percentage forms. Respondents were asked to indicate the band where their respective companies fall on each of the indicators. On premium growth, respondents were asked to indicate the band within which their firms fall in terms of premium growth rate achieved. 42 percent of the respondents indicated that their firms achieved a premium growth rate of 10 percent and below, 32 percent indicated that their firms achieved a growth rate of between 11 and 20 percent, while 16 percent achieved a growth of between 21 and 40 percent. The bands of 41 - 60 percent and over 60 percent were attained by only 3 percent each of the respondents.

Of those who responded, 6.5 percent indicated that their respective firms' claim ratio attained lies in the band of 81-100 percent, 51.6 percent indicated that their firms attained claims ratio of within the band of 61-80 percent, 32.3 percent indicated that such claims ratio lies in the band of 41 -60 percent, while only 9.7 percent indicated that their respective firms attained a claims ratio within the band of 40 percent and below. The claims ratio of 41 -60 percent is considered appropriate in the industry.

Respondents were asked to indicate the band where their firms fall in terms of profits achieved. The bands were categorized to read: zero and below, 1-10 percent, 11-20 percent, 21-30 percent, 31-40 percent and over 40 percent. 51.6 percent of the respondents indicated that their firms recorded profits of zero and below, 19.4 percent achieved profits of between 1 to 10 percent, 16.1 percent achieved profits of between 11 and 20 percent while 12.9 percent achieved profits of between 21 and 30 percent.

From the above responses it is evident that firms have done well on the area of claims ratio. Table 4 below provides a summary of the comparative analysis of financial indicators across the firms studied. The table reveals high performance on indicator claims ratio (with a mean of about 3.5) compared to performance on the other two measures (premium growth rate and profit earnings whose mean ratings stand at 1.8 and 0.9 respectively). There are great variations across the firms in terms of the level of realization of premium and profit indicators as compared to claims ratio.

**Table 4: Comparative analysis of financial indicators for all the firms**

| Performance Indicator | n | Mean | Standard Deviation |
|---|---|---|---|
| Premium Growth | 31 | 1.838 | 1.067 |
| Claims Ratio | 31 | 3.451 | .767 |
| Profit | 31 | .903 | 1.106 |

*These means and standard deviations were based on responses where respondents indicated the bands(s) their firms fall within in terms of performance in respect of the three indicators. A six point likert type scale was used to represent each of the bands with 0 representing the lowest band and 5 representing the highest band.*

As an additional ingredient to the previous studies on the relationship between strategic planning and firm performance, non-financial indicators were of interest to the researcher. The indicators used in this study are: lead time in claims payment, growth in market share, employee turnover, new products and cancellation of policies rate. Respondents were asked to indicate on a six point likert type scale the performance of their respective firms on each of these indicators. The findings for each indicator are explained below.

Of those who responded, 3.2 percent indicated that lead-time in claims payments within their firms had improved to a small extent, 35.5 percent indicated that this had improved averagely in their firms, another 35.5 percent indicated that this had improved to a large extent while 25.8 percent indicated that it had improved to a very large extent. This gave a mean score of 3.8 out of a possible maximum 5 points, implying that majority of the firms surveyed did improve to a great extent in terms of lead time in claims payment.

The market share in absolute terms was not taken for purposes of this study. It was felt that growth in market share will give more meaning because the interest of the researcher was to see whether there is growth in market share as a result of embracing strategic planning. To gather data in this area, therefore, a six-point likert scale was used to capture the extent if any to which market share has grown as a result of embracing strategic planning. Responses indicated that 22.6 percent of the firms achieved a very small growth in market share, 32.3 percent achieved a small growth, 22.6 percent achieved average growth, 6.5 percent realized such growth to a large extent, while 12.9 percent realized growth to a very large extent.

Like with the other variables, a six point likert scale was used to capture data on employee turnover. The interest of the researcher was to establish extent to which employee turnover if any has been reduced over the last 3 years. Of those who responded, 3.2 percent indicated that no reduced employee turnover has been experienced at all in their firms, 9.7 percent indicated that this has been experienced to a very small extent in their firms, 35.5 percent indicated that reduced employee turnover has been experienced to a small extent in their firms, another 35.5 percent indicated that the reduction in employee turnover has been experienced somehow in their firms, 12.9 percent indicated that reduced employee turnover has been experienced in their firms to a large extent while only 3.2 percent had experienced the reduced employee turnover to a very large extent.

The extent to which target firms have launched new products was examined. Like on the other non-financial performance indicators, a six point likert scale was used. Of the firms that responded, 9.7 percent have new products introduced to a very small extent, 32.3 percent have achieved the introduction of new products to a small extent, 29 percent have achieved this averagely, 25.8 percent have achieved this to a large extent, while only 3.2 percent have attained the introduction of new products to a very large extent.

The researcher was also interested in the rate cancellation of policies or cover as a non-financial performance indicator. The higher cancellation rate could imply a state of non-satisfactory on the part of the clients. The extent to which policies have been and are being cancelled was therefore examined using a six point likert scale. Of those who responded, 6.5 percent indicated that their firms had experienced a decline in policy cancellations to a very small extent, 9.7 percent had experienced the decline in cancellations to a small extent, 58.1 percent had somehow experienced the decline in policy cancellations, 12.9 percent had experienced a decline in policy cancellations to a large extent, while another 12.9 percent had experienced the decline in the rate of cancellations to a very large extent in their respective firms.

Table 5 presents a summary of responses on the various non-financial indicators. As revealed from table 8 firms have performed better on lead time in claims payment with a mean score of 3.83 and standard deviation of 0.86 followed by reduced cancellation of policies (with mean of 3.16 and standard deviation of 1.00). The rest of the indicators had means of below 3.00. Overall, firms did well on the non-financial indicators as opposed to the financial indicators. The responses also reveal greater variation across the firms in terms of level of realization of non-financial indicators.

Table 5: Comparative analysis of non-financial indicators for all the firms

| Performance Indicator | n | Mean | Standard Deviation |
|---|---|---|---|
| Lead Time in claims processing | 31 | 3.838 | .860 |
| Growth in market share | 31 | 2.451 | 1.362 |
| Reduction in employee turnover | 31 | 2.548 | 1.059 |
| New Products | 31 | 2.806 | 1.046 |
| Cancellation of Policies | 31 | 3.161 | 1.003 |

*These means and standard deviations are based on the data captured through a six point likert type scale running from 0 to* 5, *representing no improvement at all and improved to very large extent respectively as a result of embracing strategic planning.*

### 4.1.3 Tests of the hypothesis on the relationship between strategic planning and firm performance

Objective one of this study was to examine the relationship between strategic planning and firm performance. To address this objective the following hypothesis formulated and tested.

H1 Strategic planning is related to firm performance

Correlation analysis was employed to facilitate the examination of the said relationship. Results of the analysis indicate that there is a positive correlation between strategic planning and firm performance with the Pearson correlation coefficient of 0.616. This relationship is significant at the 1 percent level. Having looked at strategic planning wholesomely, the researcher felt it could be of value if a further step was taken to understand the relationship between the various sub-variables or steps of strategic planning and firm performance. Table 6 below provides highlights of finding in this examination.

Table 6: Results of the correlation analysis (r) between strategic planning constituent variables and firm performance

| Variable | Overall firm performance |
|---|---|
| Purpose, goals, and philosophies | .458(") |
| Analysis of business environment | .671(") |
| Analysis of strategic issues | .558(") |
| Strategy selection | .514(") |
| Development of implementation, evaluation and control framework | .523(") |
| n | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

The results presented in table 6 indicate that each of the constituent strategic planning sub-variable (extent to which company purpose, goals and philosophies are defined/expressed; extent to which analysis of business environment is carried out; extent to which strategic issues are addressed; extent to which effective strategy selection process is carried out; and the extent to which the framework is put in place to facilitate effective implementation and actualization of the strategic planning programmes) is positively related to company performance. Among all the strategic planning constituent variables, analysis of business environment exhibits a stronger relationship with firm performance. Nevertheless, all the correlations are significant at the 1 percent level. The relationship between strategic planning and both financial and non-financial performances was also examined and the findings are presented below.

Results of the correlation analysis indicate that there is a positive relationship between strategic planning and financial performance with a Pearson Correlation coefficient of 0.600. This correlation is significant at the 1 percent level. A further analysis indicates that there is a positive relationship between strategic planning and all the financial performance indicators. The correlation between strategic planning and claims ratio is positive, fair and significant at the 5 percent level with the Pearson correlation coefficient of 0.414. The correlation between strategic planning and profit is positive, fair and significant at the 1 percent level with the Pearson correlation coefficient of 0.532. Although there is a correlation between strategic planning and premium growth rate (i.e. r = 0.312), it is not significant. The researcher also examined the relationship between strategic planning constituent variables and financial performance. Results of the analysis indicate that all the strategic planning constituent variables are positively related to financial performance. The correlations between variables analysis of business environment, handling of strategic issues, strategy selection and formulation of implementation framework and financial performance are significant at the 1 percent level (all recording a Pearson correlation coefficient of over 0.500). The correlation between defining company purpose and goals and, financial performance is significant at the 5 percent level (with a Pearson correlation coefficient of 0.405).

The researcher also examined the relationships between strategic planning constituent variables and financial performance indicators. The findings in table 7 indicate that there is a positive relationship between all the strategic planning constituent variables and overall financial performance indicators. Correlations with all the variables other than extent of defining company purpose, goals (whose correlation is also significant at the 5 percent level) are significant at the 1 percent level. There are correlations between premium growth rate with all the strategic planning constituent variables but it is only significant with sub-variable 'defining company purpose and goals' (at the 5 percent level). Correlation between claims ratio and all the strategic planning constituent variables is significant at the 5 percent level. Profit performance has significant correlations at the 1 percent level with all the strategic constituent variables other than 'defining company purpose and goals'.

Table 7: Results of the correlation analysis (r) for the relationship between strategic planning constituent variables and financial performance

| | Premium Growth | Claims Ratio | Profit |
|---|---|---|---|
| Purpose, goals fit philosophies | .376(*) | .267 | .281 |
| I Analysis of business environment | .228 | .3870 | .462(") |
| Analysis of strategic issues | .342 | •387C) | •419D |
| Strategy selection | .318 | •387H | .537D |
| Implementation, evaluation framework | .210 | .389(*) | .500(") |
| n | 31 | 31 | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

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

The correlation analysis was carried out to establish the relationship between strategic planning and non-financial performance indicators. Results of the analysis indicate that there is a positive relationship between strategic planning and non-financial firm performance (r = 0.539). This correlation is significant at the 0.01 level. The researcher further carried out an examination of the relationship between strategic planning and the specific non-financial indicators (lead-time in claims payment, growth in market share, reduction in employee turnover, development of new products and cancellation of policies). Findings from this examination indicate the existence of a positive relationship between strategic planning and all these indicators. Results from the correlation analysis further indicate that the relationships are stronger for indicators lead time in claims payment and cancellation of policies, with Pearson correlation coefficients of 0.663 and 0.565 respectively. The relationship is reflected fair for the rest of the other indicators, that is market share, new product development and employee turnover with Pearson Correlation coefficients of 0.442, 0.355 and 0.326 respectively. However, all the correlations other than for indicator employee turnover are significant.

A correlation analysis was also carried out to establish the relationships between strategic planning constituent variables and the non-financial performance. The analysis results indicate that there is a positive relationship between all the strategic planning sub-variables and non-financial performance and these correlations are significant. The analysis findings indicate that there is a stronger relationship for variables analysis of business environment and handling of strategic issues with Pearson correlation coefficients of 0.678 and 0.511 respectively. These correlations are significant at the 1 percent level. The relationships are weaker between non-financial performance and variables defining company purpose and goals, strategy selection and development of implementation framework with Pearson correlation coefficients of 0.414, 0.390 and 0.369 respectively. Although these relationships are not strong, nevertheless they are significant at the 5 percent level.

The researcher also examined the relationship between the strategic planning constituent variables and the specific non-financial indicators. Table 8 below presents the results of this examination.

Table 8: Results of the correlational analysis (r) for the relationship between strategic planning constituent variables and non-financial performance

| Variable | Lead time in claims payments | Growth in market share | Reduction in employee turnover | Development of new products | Cancellation of Policies |
|---|---|---|---|---|---|
| Purpose, goals & philosophies | .640(") | .442(*) | .134 | .167 | .490(") |
| Analysis of business environment | .716(") | .552(") | .346 | .422(*) | ,583(") |
| Analysis of strategic issues | .627(") | .475(") | .255 | .302 | .463(") |

| | | | | | |
|---|---|---|---|---|---|
| Strategy selection | .576D | .275 | .493(") | .129 | .400(*) |
| Implementation, evaluation framework | .519(") | .186 | •516(") | .206 | .398(*) |
| n | 31 | 31 | 31 | 31 | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

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

As shown in table 8, there is a relationship between all the strategic planning constituent variables and lead-time in claims payment. However, the relationship is stronger between lead-time in claims payment and analysis of business environment reporting a Pearson correlation coefficient of 0.716. All these correlations are significant at the 1 percent level. Growth in market share has significant correlations with defining company purpose, analysis of business environment and handling of strategic issues. Although there is a correlation between market share growth and strategy selection and development of implementation framework it is a weak one and also not significant. The correlation between all the strategic planning constituent variables and employee turnover is weak and therefore not significant other than for strategy selection and implementation framework. Introduction of new products correlate significantly only with analysis of business environment. Lastly the correlation between all strategic planning constituent variables and cancellation of policies is significant.

## 4.2 Strategic planning and strategic planning intermediate outcomes

What we refer to as the strategic planning intermediate outcomes are actually the intervening variables in this study. As one engages in the strategic planning process there are those outcomes that are expected in the short-run but which are very crucial towards attainment of long-term objectives and goals. Greenley (1986) among others refers to this as potential advantages that arise from the utilization of strategic planning. Others refer to these as the intrinsic values accruing from the embracement of strategic planning. Variables of interest for purposes of this study were: attainment of focused firm direction, enhanced firm-environment fit, attainment of competitive advantage over other firms, efficiency in allocation of resources, improved innovations, improved ownership and commitment and, improved coordination, integration and control of organization activities.

### 4.2.1 Extent of realization of the strategic planning intermediate outcomes

A six point likert scale was used to capture data on the extent to which the strategic planning intermediate outcomes have been realized. Findings are discussed below for each of the strategic planning intermediate outcome.

The researcher was interested on the extent to which a firm's focused direction had been attained. Firms were asked to indicate the extent to which focused firm direction has been achieved. Of those who responded, 16.1 percent indicated that their respective firms had attained a focused direction to a moderate extent, 54.8 percent indicated that their firms had attained a focused direction to a large extent while 29 percent indicated that theirs had realized a focused firm direction to a very large extent as a result of embracing strategic planning. The responses, on overall gave a mean rating of 4.13 and standard deviation of 0.67.

Planning is expected to result in a viable match between the changing internal organizational conditions of the firm and its external environmental variables. The purpose of this match is to ensure that the plans continuously realign the firm's objectives and strategies to the changing conditions, to improve the long run performance of the company. Respondents were asked to indicate the extent to which this match has been realized in their respective firms. Of those who responded, 45.2 percent indicated that this has been realized to a moderate extent by their firms, another 45.2 percent indicated that the fit has been realized in their respective firms to a large extent while the remaining 9.7 percent indicated that they had realized the fit to a very large extent.

The researcher was interested on the extent to which competitive advantage has been realized as a result of embracing strategic planning. Respondents were asked to indicate the extent to which this has been realized in their respective firms. Of those who responded 29, percent indicated that this has been achieved in their firms to a small extent, 32.3 percent indicated that this has been averagely attained in their firms, another 29 percent indicated that this has been realized in their firms to a large extent while the remaining 9.7 percent indicated that their firms had achieved this to a very large extent.

Strategic planning is expected to facilitate effective and efficient allocation of resources. Respondents were asked to rate the extent to which they perceive their respective firms to have attained this. Of those interviewed, 3.2 percent indicated that their firms had achieved improved efficiency in allocation and utilization of available resources to a very small extent as a result of practicing strategic planning, 32.3 percent indicated that they had achieved this expectation to a small extent, 12.9 percent indicated that they had achieved this to a moderate extent, 35.5 percent indicated that they had achieved the such to a large extent while the remaining 16.1 percent indicated that their firms had achieved this to a very large extent.

Respondents were asked to indicate the extent to which there have been new or improved innovations within their respective firms as a result of practicing strategic planning. 25.8 percent of the respondents indicated that improved innovations have been witnessed in their firms to a small extent, 32.3 percent indicated that this has been witnessed to a moderate extent within their companies, another 32.3 percent indicated that this has been realized to a large extent in their respective firms, while 9.7 percent indicated that improved innovations have been realized to a very large extent in their respective firms as a result of embracing strategic planning.

Respondents were asked to indicate on a six point likert type scale the extent to which ownership and commitment has improved as a result of embracing strategic planning. 3.2 percent of the responding firms indicated that there has been improvement in ownership and commitment to a very small extent, 32.3 percent indicated that the improvement has been to a small extent, 19.4 percent indicated that the improvement has been realized moderately, 32.3 percent indicated that the improvement has been realized to a large extent while 12.9 percent indicated that the improvement has been realized to a very large extent.

It is expected that strategic planning implementation framework facilitates smooth implementation, good coordination, integration and control of firm programmes. Respondents were asked to indicate the extent to which this expectation has been realized. 16.1 percent of the respondents indicated that this expectation has been realized to a small extent, 35.5 percent indicated that the expectation has been realized to a moderate extent, another 35.5 percent indicated that the improvement has been realized to a large extent, while the remaining 12.9 percent indicated that this expectation has been realized in their respective firms to a very large extent. A summary of the responses on the extent of realization of the strategic planning intermediate outcomes is provided in table 9 below. The findings reveal firms across benefited most in terms of focused firm direction from the practice of strategic planning as revealed through the recorded means and standard deviations.

Table 9: Summary responses on the attainment of strategic planning intermediate outcomes

| Strategic planning intermediate outcomes | n | Mean | Standard Deviation |
|---|---|---|---|
| Focused firm direction | 31 | 4.129 | .670 |
| Enhanced firm-environment fit | 31 | 3.645 | .660 |
| Sustainable competitive advantage | 31 | 3.193 | .980 |
| Efficiency in resource allocation | 31 | 3.290 | 1.188 |
| Improved innovations | 31 | 3.258 | .964 |
| Improved ownership & commitment | 31 | 3.193 | 1.137 |
| Improved coordination, integration Et control | 31 | 3.451 | .925 |

*These means and standard deviations are based on the data captured through a six point likert type scale running from 0 to 5, representing least extent of achievement and achievement to a very large extent respectively.*

### 4.2.2 Tests of hypothesis on the relationship between strategic planning and strategic planning intermediate outcomes

Objective two of this study was to examine the relationship between strategic planning and strategic planning intermediate outcomes. Thus the following hypothesis was formulated.

H2 There is a relationship between strategic planning and strategic planning intermediate outcomes

In examining the existence of a relationship between strategic planning and strategic planning intermediate outcomes, correlation analysis was carried out. Results of the analysis indicate that there is a positive relationship between strategic planning and strategic planning intermediate outcomes and this relationship is strong (with a Pearson Correlation coefficient of 0.716). This correlation is significant at: the 1 percent level.

The researcher went further to examine the relationship between strategic planning and each of the strategic planning intermediate outcome variables. As shown in table 11, there is a positive relationship between strategic planning and all the specific strategic planning intermediate outcomes. The Pearson Correlation Coefficients 0.708, 0.733, 0.715, and 0.702 for variables firm-environment fit, sustainable competitive advantage, improved innovations, and improved coordination, integration and control of organization activities respectively imply a strong relationship between these variables and strategic planning. The Pearson Correlation Coefficient 0.691, 0.588, and 0.673 for variables focused firm direction, efficiency allocation of resources and improved ownership and commitment respectively imply a fair relationship between these variables and strategic planning. The correlation between strategic planning and all the strategic planning intermediate outcome variables is however significant at the 1 percent level.

Table 10: Results of the correlational analysis (r) for the relationship between strategic planning and specific strategic planning intermediate outcomes

| Strategic planning intermediate outcomes | Strategic planning |
|---|---|
| Focused firm direction | .691 (") |
| Firm - environment fit | .708(") |
| Sustainable competitive advantage | .733(") |
| Efficient allocation of resources | .588(") |
| Improved innovations | •715(") |
| Improved ownership & commitment | .673(") |
| Improved coordination, integration & control | .702(") |
| n | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

In examining the relationship between each of the strategic planning constituent variables and the various specific strategic planning intermediate outcomes, the results indicate that indeed there exists a relationship between the two sets of variables. Results of the analysis are presented in table 11.

Table 11: Results of the correlational analysis (r) for the relationship between strategic planning constituent variables and strategic planning intermediate outcomes

| | Focused Firm Direction | Firm environment fit | Sustainable competitive advantage | Efficient resource allocation | Improved innovations | Improved ownership & commitment | Improved coordination, integration & control |
|---|---|---|---|---|---|---|---|
| [3]urpose, goals | •690(") | .496(") | .581 (") | .260 | .444(') | .544(") | •436C) |
| Analysis business environment | .797(") | .785(") | .818(") | .663(") | ,722(") | .778(") | .813(") |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| alysis ategic jes | .750(") | .567(") | .658(") | .557(") | .590(") | .605(") | .604(") |
| ategy ection | .467D | .659(") | .658(") | .568(") | .649(") | ,567(") | .574(") |
| piemen tat •i aluation, ntrol me work | •516(") | .597(") | .643(") | •514(") | .671 (") | .515(") | •563D |
| n | 31 | 31 | 31 | 31 | 31 | 31 | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

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

Table 11 above indicates that the relationship between "defining company purpose, goals and philosophies" and all the intermediate outcomes other than for "efficiency allocation of resource" is fair and significant. Defining company purpose and goals essentially is expected to facilitate the realization of enhanced focused firm direction. Results of the analysis indicate that company purpose and goals correlate more with focused firm direction as compared to the correlation with the other intermediate outcomes. The relationship between "analysis of business environment" and all the intermediate outcomes is noted exceptionally strong and significant at the 1 percent level. The correlation between handling of strategic issues and focused firm direction is strong while the relationship between analysis of strategic issues and the rest of the intermediate outcomes is fair. It is revealed from table 11 that the relationships between the rest of the variables do exist and all the correlations are significant.

## 4.3 Strategic planning intermediate outcomes and performance

This is also an additional dimension to the previous studies which focused on the direct relationship between strategic planning and company performance. The assumption here is that, higher levels of attainment of the strategic planning intermediate outcomes are likely to lead to higher levels of firm performance. The researcher, therefore, set out to investigate whether this assumption holds, hence objective three of this study, that is, "to examine the relationship between strategic planning intermediate outcomes and firm performance". The following hypothesis was formulated to facilitate this investigation.

H3 There is a relationship between strategic planning intermediate outcomes and firm performance

Based on the level of attainment of the strategic planning intermediate outcomes and firm performance data, correlation analysis was carried out. Results of the analysis indicate that there is a positive relationship between strategic planning intermediate outcomes and overall firm performance. This relationship is strong with a Pearson correlation coefficient of 0.704. Further, this correlation is significant at the 1 percent level.

The researcher also examined the relationship between each of the strategic planning intermediate outcomes and the overall firm performance. Results for this analysis are presented in table 12. The relationships between overall firm performance and, firm-environment fit, sustainable competitive advantage, improved innovations and improved coordination, integration and control of organization activities are strong as revealed through their respective Pearson correlation coefficients (which are recorded at 0.700 and above). The correlations between overall firm performance and, focused firm direction, efficiency in allocation of resources, improved ownership and commitment are fairly strong with correlation coefficients of 0.658, 0.652 and 0.672 respectively. However, it is important to note that all these correlations are significant at the 1 percent level.

Table 12: Results of the correlational analysis (r) for the relationship between strategic planning intermediate outcomes and firm performance

| Specific strategic planning intermediate outcomes | Firm performance |
|---|---|
| Focused firm direction | ,658(") |
| Enhanced firm-environment fit | .774(") |
| Sustainable competitive advantage | ,738(") |

| | |
|---|---|
| Efficiency in resource allocation | .652(") |
| Improved innovations | .700(") |
| Improved ownership & commitment | .672(") |
| Improved coordination, integration & control | .708(") |
| n | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

The researcher was also interested in establishing the relationship between strategic planning intermediate outcomes and firm financial performance. Results of the correlation analysis indicate that there is a positive relationship between strategic planning intermediate outcomes and financial performance with a Pearson correlation coefficient of 0.644. This correlation is significant at the 1 percent level. Also examined was the relationship between the specific strategic planning intermediate outcomes and financial performance. A further analysis indicates that there exists a positive relationship between each of the specific strategic planning intermediate outcomes and financial performance and these relationships are significant at the 1 percent level.

The researcher went further and investigated the relationship between the specific strategic planning intermediate outcomes and firm financial performance indicators. The results of the analysis presented in table 13 indicate that there is a relationship between specific strategic planning intermediate outcomes and financial performance indicators. However, the relationship between indicator premium growth and all the strategic planning intermediate outcomes is weak and not significant. On the other hand, the relationships between indicators claims ratio and profit rates and all the specific strategic planning intermediate outcomes is fairly strong and significant. Table 13, further indicates that there is an exceptional relationship between profit rate and the strategic planning intervening outcome indicators sustainable competitive advantage ($r = 0.725$) and improved innovations ($r = 0.711$).

Table 13: Results of the correlational analysis (r) for the relationship between specific strategic planning intermediate outcomes and financial performance indicators

| Strategic planning intermediate outcomes | Premium Growth | Claims Ratio | Profit |
|---|---|---|---|
| Focused firm direction | .263 | .401 n | .377(*) |
| Enhanced firm-environment fit | .247 | .524(") | .636(") |
| Sustainable competitive advantage | .222 | .589(") | .725(") |
| Efficiency in resource allocation | .038 | •436(*) | ,605(") |
| Improved innovations | .042 | .602(") | .711(") |
| Improved ownership 6t commitment | .081 | .469(") | .625(") |
| Improved coordination, integration & control | .076 | .501(") | .598(") |
| n | 31 | 31 | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

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

This study brought in the non-financial indicators which have been discussed in the preceding chapters. The link between the strategic planning intermediate outcomes and non-financial performance has been examined. Correlation analysis was carried out and the analysis result reveals that there is a strong positive relationship between the strategic planning intermediate outcomes and non-financial performance, with the Pearson correlation coefficient of 0.777.

An examination was also carried out to establish the relationship between non-financial performance and each of the strategic planning intermediate outcomes. The analysis results presented in table 14 indicate that there is a strong relationship between non-financial performance and strategic planning intervening outcomes improved coordination and integration, improved ownership and commitment and, sustainable competitive advantage while the link between non-financial performance and focused firm direction, enhanced firm-environment fit, improved innovations and efficiency is a fair one. However, all these correlations are significant at the 1 percent level.

Table 14: Results of the correlational analysis (r) for the relationship between strategic planning intermediate outcomes and non-financial performance indicators

| Non-financial indicators | Strategic planning outcomes |
|---|---|
| Lead time in claims payment | .612(") |
| Growth in market Share | .571(") |
| Reduction in employee turnover | .478(") |
| Development of new products | .589(") |
| Cancellation of policies | .718(") |
| n | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

Correlation analysis was also run to establish the relationship between specific strategic planning intermediate outcomes and non-financial performance. Results of this analysis are presented in table 15 below. Results of the analysis indicate that the relationship between all the strategic planning intermediate outcomes and non-financial performance is not only strong but also significant. The relationships between non-financial performance and the strategic planning intermediate outcome indicators improved coordination, improved ownership and commitment are exceptionally strong.

Table 15: Results of the correlational analysis (r) on the relationship between non-financial performance and specific strategic planning intermediate outcomes

| | Focused firm direction | Firm-environment fit | Competitive advantage | Efficiency allocation resources | Improved innovations | Improved ownership 6 commitment | Improved coordination, integration, |
|---|---|---|---|---|---|---|---|
| Non-financial Performance | .649(") | .688(") | .700(") | ,678(") | .652(") | .724(") | .790(") |
| n | 31 | 31 | 31 | 31 | 31 | 31 | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

Study findings indicate that the relationship between strategic planning intermediate outcomes and non-financial performance is stronger compared to the relationship between strategic planning intermediate outcomes and financial performance as reflected through the Pearson correlation coefficients being 0.777 and 0.644 respectively.

The results of the correlation analysis indicate that indeed there is a positive relationship between strategic planning intermediate outcomes and firm performance. The Pearson correlation coefficient of 0.704 implies a strong relationship. This correlation is significant at the 1 percent level. This finding implies that the stated hypothesis holds true and therefore we conclude that there exists a strong a relationship between strategic planning intermediate outcomes and firm performance.

### 4.4 Employee participation in strategic planning

Objectives 4 and 5 of this study were to examine the influence of employee participation in the strategic planning process on the relationship between strategic planning and strategic planning intermediate outcomes and the relationship between employee participation in the strategic planning process and firm performance respectively. The assumption here is that the level of worker participation and involvement in the strategic planning process moderates the relationship between strategic planning and strategic planning intermediate outcomes, that is the greater the participation, the higher the realization of strategic planning intermediate outcomes.

It has been argued that the strategic planning process is not the province of the top management. Other people need to be allowed to voice opinions and contribute to the organization's success. It could be assumed that involvement of workers across the organization vertically and horizontally and in various strategic planning tasks enriches the strategy creation process. We first directed efforts to understand the extent of participation and involvement in the strategic planning process and thereafter moved to investigate whether extent of participation influences the relationship between strategic planning and strategic planning intermediate outcomes.

### 4.4.1 Extent of participation and involvement in strategic planning

Respondents thus were asked to indicate on a six-point scale the extent of participation on various areas, that is, leadership participation and involvement, wider staff participation and participation in various strategic planning tasks. Findings on each of the areas of participation are discussed below.

For the rest of the workers to attain the necessary understanding of the company vision and goals, get committed and actively involved in translating the strategies and programmes into the expected results, strong and strategic leadership is needed to drive the course. Respondents were asked to indicate the extent to which leadership (top management) is involved in the strategic planning process. A six-point likert scale was used in capturing this data. Of those who responded, 41.9 percent indicated that leaders participate and get involved in the strategic planning process to a moderate extent in their firms, 32.3 percent indicated that this happens to a large extent in their firms while 25.8 percent indicated that leaders drive and are actively involved in the strategic planning process to a very large extent.

Employee involvement is aimed at eliciting their support, understanding, contribution and commitment to the realization of the organization objectives. Here also a six-point likert scale was used to facilitate capturing of data on the extent to which workers from various cadres, regions and departments participate and get involved in the strategic planning process. Of those interviewed, 9.7 percent indicated that workers from across the divide are involved in the strategic planning process to a small extent, 51.6 percent indicated that this participation and involvement is moderate, 35.5 percent indicated that this participation and involvement is practiced to a large extent in their companies, while 3.2 percent indicated that staff across the divide are involved in the strategic planning process to a very large extent.

Workers participation and involvement in such tasks as collecting, summarizing and analyzing information for purposes of strategic planning was of interest to us. A six-point likert type scale was used to capture worker involvement in these tasks. Of those who responded 9.7 percent indicated that workers participate in various strategic planning tasks to a small extent in their firms, 45.2 percent indicated that participation in these tasks is practiced in their firms to a moderate extent, 29 percent indicated that workers participate in these tasks to a large extent while 16.1 percent indicated that it is present in their firms to a very large extent.

Table 16 reveals that participation in the strategic planning process if fairly well embraced across the firms studied and the variation in the extent of this participation is fairly low as reflected through the standard deviations.

Table 16: Comparative analysis of on the extent of participation in the various aspects for all the firms

| Aspect of participation | n | Mean | Standard Deviation |
|---|---|---|---|
| leadership participation and involvement | 31 | 3.838 | 0.820 |
| Employees from all cadres, regions & departments | 31 | 3.323 | 0.702 |
| Various strategic planning tasks | 31 | 3.516 | 0.889 |

*These means and standard deviations are based on the data captured through a six point likert type scale running from 0 to 5, representing no participation at all and participation to a very large extent respectively.*

### 4.4.2 The moderating effect of employee participation in the strategic planning process on the relationship between strategic planning and strategic planning intermediate outcomes

Towards addressing objective 4 of our study, the following hypothesis was formulated and tested.

H4 The strength of the relationship between strategic planning and strategic planning intermediate outcomes depends on employee participation and involvement in the strategic planning process

The earlier examination of the relationship between strategic planning and strategic planning intermediate outcomes indicated that the correlation between these two is strong with a Pearson correlation coefficient of 0.716 which is also significant at the 1 percent level. To facilitate the examination of the moderating effect of employee participation on this relationship, the researcher carried out a correlation analysis to establish the relationship between employee participation and these variables i.e. strategic planning and strategic planning intermediate outcomes. The results of the analysis indicated that there is a strong relationship between participation and, the two variables (with Pearson correlation coefficients of 0.623 and 0.792 for strategic planning and strategic planning intermediate outcomes respectively). These correlations are significant at the 1 percent level.

Partial correlations were run to test hypothesis 4, that is, "the strength of the relationship between strategic planning and strategic planning intermediate outcomes depends on employee participation in the strategic planning process". The results of the analysis for the moderating effect of employee participation in strategic planning on the relationship between strategic planning and strategic planning intermediate outcomes are shown in table 17 below. The results indicate a strong correlation between strategic planning and strategic planning intermediate outcomes ($r = 0.716$). This correlation was reassessed to determine whether it reflects the direct relationship, independent of the variables' association to employee participation in the strategic planning process. The results of the reassessment indicate that the direct correlation between the two variables weakens. This is reflected by the falling Pearson correlation coefficient from 0.716 to 0.465 when controlling for employee participation. Hence, employee participation and involvement in strategic planning influences the strength of the said relationship.

Table 17: The results of the correlational analysis of the moderating effect of employee participation in strategic planning on the relationship between strategic planning and strategic planning intermediate outcomes

| Control Variables | | | Strategic planning intermediate outcomes |
|---|---|---|---|
| None | Strategic planning | Correlation (r) | .716 |
| Employee participation | Strategic planning | Correlation (r) • | .465 |

Based on these results, the hypothesis that "the strength of the relationship between strategic planning and strategic planning intermediate outcomes depends on employee participation and involvement in strategic planning" holds. It is evident therefore, that employee participation in strategic planning does influence the strength of the relationship between the two variables.

The researcher further examined the moderating effect of the various aspects of employee participation on the relationship between strategic planning and strategic planning intermediate outcomes, that is, leadership participation and involvement, wider staff participation and worker involvement in various strategic planning tasks. The results of this analysis are presented in tables 18, 19 and 20. Table 18 indicates that when controlling for leadership participation, the strength of the relationship between strategic planning and strategic planning intermediate outcomes weakens. This is reflected in the Pearson correlation coefficient which falls from 0.716 to 0.421.

Table 18: Results of statistical test on the influence of leadership participation in strategic planning on the relationship between strategic planning and strategic planning intermediate outcomes

| Control Variables | | | Strategic planning intermediate outcomes |
|---|---|---|---|
| None | Strategic planning | Correlation (r) | .716 |
| Leadership participation and involvement | Strategic planning | Correlation (r) | .421 |

When controlling for wider staff participation, the strength of the relationship between strategic planning and strategic planning intermediate outcomes also declines. Table 19 shows that the Pearson correlation coefficient falls from 0.716 to 0.615 after removing the effect of wider staff participation.

Table 19: Results of correlational analysis (r) for the influence of wider staff participation in strategic planning on the relationship between strategic planning and strategic planning intermediate outcomes

| Control Variables | | | Strategic planning intermediate outcomes |
|---|---|---|---|
| None | Strategic planning | Correlation (r) | .716 |
| Wider staff participation and involvement | Strategic planning | Correlation (r) | .615 |

From table 19 above, it can be concluded that wider staff participation does influence the strength of the relationship between strategic planning and strategic planning intermediate outcomes.

When controlling for staff participation in strategic planning tasks the strength of the relationship between strategic planning and strategic planning intermediate outcomes weakens. Table 20 shows that after removing the effect of staff participation in the various strategic planning tasks the Pearson correlation coefficient falls from 0.716 to 0.520.

Table 20: Results of the correlational statistical test (r) for the influence of staff participation in strategic planning tasks on the strength of the relationship between strategic planning and strategic planning intermediate outcomes

| Control Variables | | | Strategic planning intermediate outcomes |
|---|---|---|---|
| None | Strategic planning | Correlation (r) | .716 |
| Participation in various strategic planning tasks | Strategic planning | Correlation (r) | .520 |

Based on the results of this analysis, it can be inferred that staff participation in various strategic planning tasks does influence the strength of the relationship between strategic planning and strategic planning intermediate outcomes. Of the three aspects of employee participation and involvement in strategic planning, leadership has a greater influence on the relationship between strategic planning and strategic planning intermediate outcomes compared to the other two (wider staff participation and task participation).

### 4.4.3 Relationship between employee participation in the strategic planning process and firm performance

Our objective 5 of the study was to examine the relationship between employee participation in the strategic planning process and firm performance. In addressing this objective, hypothesis 5 had been formulated for testing, that is,

H5 There is a relationship between employee participation in strategic planning and firm performance

Correlation analysis was carried out to establish the relationship between the two variables. The analysis results indicated that there is a correlation between employee participation in the strategic planning process and overall firm performance, recording a Pearson product moment correlation of 0.750. This correlation is significant at the 1 percent level. A further analysis revealed existence of a relationship between employee participation and both the financial and non-financial performance indicators with Pearson correlation coefficients of 0.637 and 0.682 respectively. These results are presented in table 21 below.

Table 21: Results of the correlational statistical analysis (r) for the relationship between employee participation and firm performance

| | | Financial performance | Non-financial performance |
|---|---|---|---|
| Employee participation | Pearson Correlation | .637(") | .682(") |
| | Sig. (2-tailed) | .000 | .000 |

n = 31, " Correlation is significant at the 0.01 level (2-tailed).

We also did an analysis to establish the link between the various aspects of employee participation. Table 22 below shows the results of the correlation analysis in respect to this relationship. The results reveal that all the three aspects of employee participation are related to overall firm performance and these relationships are significant at the 1 percent level.

Table 22: Results of the correlational statistical analysis (r) for the relationship between various aspects of employee participation and firm performance

| Participation aspect | | Overall Firm Performance |
|---|---|---|
| Leadership participation and involvement | Pearson Correlation | .649(") |
| | Sig. (2-tailed) | .000 |
| | n | 31 |
| Wider Staff involvement | Pearson Correlation | .600(") |
| | Sig. (2-tailed) | .000 |
| | n | 31 |
| Involvement in various strategic planning tasks | Pearson Correlation | ,590(") |
| | Sig. (2-tailed) | .000 |
| | n | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

A further analysis was carried out to establish the relationship between various aspects of employee participation and the financial and non-financial performances. Results from the correlation analysis indicate the existence of a relationship between the three aspects of participation and both financial and non-financial performances. These correlations are also significance. These analysis results are presented in table 23 below.

Table 23: Results of the correlational statistical analysis (r) for the relationship between various aspects of employee participation and, financial and non-financial performance

| Participation aspect | | Non-financial Performance | Financial Performance |
|---|---|---|---|
| Leadership participation and involvement | Pearson Correlation | .637(") | ,664(") |
| | Sig. (2-tailed) | .000 | .000 |
| | n | 31 | 31 |
| Wider Staff involvement | Pearson Correlation | .667D | .509(") |
| | Sig. (2-tailed) | .000 | .003 |
| | n | 31 | 31 |
| Involvement in various strategic planning tasks | Pearson Correlation | ,564(") | .525(") |
| | Sig. (2-tailed) | .001 | .002 |
| | n | 31 | 31 |

" Correlation is significant at the 0.01 level (2-tailed).

From the correlation analysis results, it can be said that indeed there is a relationship between employee participation and firm performance.

# CHAPTER 5: SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Summary

### 5.1.1 General

The concept of strategic planning traces its roots to the USA. By 1960s we are told that formal strategic planning was increasingly getting adopted in the USA and in other developed countries. Today the practice has gained a lot of prominence worldwide and across businesses, public and private. Various writers have argued that strategic planning facilitates effective organization performance. Past studies have also concluded that there is a link between strategic planning and firm performance. However, these studies mainly focused on the direct relationship between strategic planning and firm performance and did not recognize the existence of other factors that could influence the relationship under investigation.

Our study brought in additional dimensions within the strategic planning process that were not given attention in the previous studies that is the intervening and moderating variables. As pointed out in chapter one, our study set out to determine the circumstances under which strategic planning is related to firm performance, the specific objectives being to examine the: relationship between strategic planning and firm performance, relationship between strategic planning and strategic planning intermediate outcomes, relationship between strategic planning intermediate outcomes and firm performance, the influence of employee participation in the strategic planning process on the relationship between strategic planning and strategic planning intermediate outcomes, and, the relationship between employee participation and firm performance. The following hypotheses in respect of each of these objectives were formulated and tested.

H1 Strategic planning is related to firm performance

H2 Strategic planning is related to strategic planning intermediate outcomes

H3 There is a relationship between strategic planning intermediate outcomes and firm performance

H4 The strength of the relationship between strategic planning and strategic planning intermediate outcomes depends on employee participation and involvement in the strategic planning process

H5 There is a relationship between employee participation in the strategic planning process and firm performance

Of the targeted 43 insurance companies operating in Kenya, 31 participated. The likert type scale was used to capture the extent to which strategic planning process is carried out. All firms that responded indicated that they do practice strategic planning. Study findings indicated that corporate statements (mission, vision) were explicit across the firms studied having an overall mean score of 4.4 out of a possible maximum of 5 points and a standard deviation of 0.67. Findings also indicated that firms do very well in identification of the SWOT issues but do not do as much when it comes to critically analyzing the same.

Both the financial and non-financial performance indicators were utilized. On financial performance indicators, findings indicate that firms perform better on claims ratio with a mean score of 3.45 (standard deviation of 0.76) compared to performance on premium growth and profits. On the non-financial indicators, firms perform best in lead time in claims payments with a mean score of 3.83 and standard deviation of 0.86.

To facilitate the testing of the formulated hypotheses, correlation analysis technique was utilized where the Pearson correlation coefficients were computed. This analysis was employed because our intention was not to examine the cause/effect relationships but rather the existence of linkages between the variables of interest.

### 5.1.2 Strategic planning and firm performance

Correlation analysis was employed to facilitate the examination of the relationship between strategic planning and firm performance. Results of the analysis indicate that there is a positive correlation between strategic planning and firm performance with the Pearson correlation coefficient of 0.616. This relationship is significant at the 1 percent level.

The relationship between strategic planning and both financial and non-financial performance was examined. Results of the correlation analysis indicate that there is a positive relationship between strategic planning and financial performance with a Pearson Correlation coefficient of 0.600. A further analysis indicates that there is a positive relationship between strategic planning and non-financial firm performance ($r = 0.539$). All these correlations are significant at the 0.01 level. It is worth noting that although these correlations are significant, they are only fairly strong as indicated by the Pearson correlation coefficients of 0.600 and 0.539 for financial and non-financial indicators respectively. It was observed that firms that exhibit higher levels of strategic planning perform better in both financial and non-financial indicators compared to those exhibiting low levels of strategic planning.

### 5.1.3 Strategic planning and strategic planning intermediate outcomes

The relationship between strategic planning and strategic planning intermediate outcomes was examined. Results of the correlation analysis indicate that there is a relationship between strategic planning and strategic planning intermediate outcomes ($r = 0.716$) and this correlation is significant at the 1 percent level. The analysis also reveals that there is a relationship between strategic planning and each of the constituent strategic planning intermediate outcome variables.

The researcher went further to examine the relationship between strategic planning and each of the strategic planning intermediate outcome variables. The analysis results indicate that there is a correlation between strategic planning and all the strategic planning intermediate outcome variables and these correlations are significant at the 1 percent level. It was observed that firms that are characterized with higher levels of strategic planning do experience higher levels of attainment of strategic planning intermediate outcomes.

### 5.1.4 Strategic planning intermediate outcomes and firm performance

The results of the correlation analysis indicate that there is a strong link between strategic planning intermediate outcomes and the eventual firm performance. This relationship is strong with a Pearson correlation coefficient of 0.704. There appears to be a stronger link between strategic planning intermediate outcomes and non-financial performance (correlation of 0.777) compared to the one with the financial indicators (0.644). All these correlations are significant at the 1 percent level. It was observed that firms that experience higher levels of attainment of strategic planning intermediate outcomes also experience higher levels of overall firm performance.

### 5.1.5 The moderating effect of employee participation in the relationship between strategic planning and strategic planning intermediate outcomes

The researcher sought to examine the influence of employee participation and involvement in the strategic planning on the relationship between strategic planning and strategic planning intermediate outcomes. Results of the analysis indicate that employee participation and involvement in the strategic planning does influence the strength of the relationship between strategic planning and strategic planning intermediate outcomes.

The initial analysis results indicate a strong correlation between strategic planning and strategic planning intermediate outcomes ($r = 0.716$). However, when employee participation is controlled for, this correlation weakens. This is reflected by the falling Pearson correlation coefficient from 0.716 to 0.465 when controlling for employee participation. Hence, employee participation and involvement in strategic planning influences the strength of the said relationship.

### 5.1.6 Employee participation and firm performance

Correlation analysis was carried out to establish the relationship between strategic employee participation in the strategic planning process and firm performance. The analysis results indicate that there is a correlation between two variables ($r = 0.750$). This correlation is significant at the 1 percent level. A further analysis revealed existence of a relationship between employee participation and both the financial and non-financial performance indicators with Pearson correlation coefficients of 0.637 and 0.682 respectively.

## 5.2 Discussion

### 5.2.1 Strategic planning and firm performance

The relationship between strategic planning and firm performance was examined. Various writers have argued that strategic planning leads to effective company performance. Our hypothesis and assumptions were drawn from such arguments and also similar past studies. We first acquainted ourselves on the conduct of strategic planning within the studied sector and thereafter examined the relationship between strategic planning and firm performance. Although similar studies have been carried out elsewhere, we pursued this objective one for purposes of treating this as a replication with extensions study.

It is worth noting that though strategic planning is widespread across the sector studied, the firms studied do not have planning departments. This finding is in conformity with Adegbite's (1986) which reported that planning was widespread in Nigeria. Our finding, however, seems to be at variance with that of Aosa (1992) which indicated that less than half of the companies studied had strategic plans and these plans were actually extended budgets. Aosa also observed that majority of companies had no explicit corporate statements. This variance could be attributed to the different study periods among other explanations. Findings from our study indicated that corporate statements (mission, vision) were explicit across the firms studied having an overall mean score of 4.4 out of a possible maximum of 5 points and a standard deviation of 0.67 implying very small variations across the firms studied.

The previous studies heavily utilized financial measures in examining the relationship between strategic planning and firm performance. However, our study used both financial and non-financial indicators. Results of the analysis reveal the existence of a relationship between strategic planning and firm performance with a Pearson moment product coefficient of 0.616. Examining the strategic planning constituent variables and their link to firm performance (which was also decomposed into various financial and non-financial indicators) it was evident that no doubt there are correlations. It is worth noting that although these correlations are significant, they are only fairly strong as indicated by the Pearson correlation coefficients of 0.600 and 0.539 for financial and non-financial indicators respectively. It was observed that firms that exhibit higher levels of strategic planning perform better in both financial and non-financial indicators compared to those exhibiting low levels of strategic planning. Examining the strategic planning constituent variables and there link to performance, it was evident that no doubt there are correlations between these constituent variables and performance. Within the financial indicators, it appears that there is a stronger relationship between strategic planning and company profits as compared to the relationship with indicators premium growth and claims ratio. Within the non financial indicators, improved lead time in claims payment and declining rate of cancellation of policies appear to have a stronger link to strategic planning as compared to the rest of the indicators. Probably this is an indication of the attention companies are giving to customer issues for continued loyalty and retention.

Our findings on the relationship between strategic planning and firm performance conforms to the theoretical arguments by Hofer and Schendel (1978), Henderson (1979), Greenley (1986), David (1997) that companies record improved performance once they effectively embrace strategic planning. Our findings also are in agreement with those of other studies which observed that indeed there is a relationship between strategic planning and firm performance. These include studies by Ansoff (1970), Gershefski (1970), Thune & House (1970), Caeldries & Van Dierdonck (1988) and Miller & Cardinal (1994) all of which concluded that there is a link between strategic planning and firm performance. This finding, therefore, is an indication that findings from previous studies, carried out in the developed countries, during different time periods, within manufacturing businesses and utilizing mainly financial performance measures are in tandem with the ones from the developing countries context i.e. the relationship between strategic planning and firm performance could exist regardless of context (geographical or business sector). It is also important to note that this was treated as a replicative study.

### 5.2.2 Strategic planning and strategic planning intermediate outcomes

The relationship between strategic planning and strategic planning intermediate outcomes was examined. The study findings indicate that firms that are characterized with higher levels of strategic planning do experience higher levels of attainment of strategic planning intermediate outcomes. Results of the correlation analysis indicate that there is a relationship between strategic planning and strategic planning intermediate outcomes (r = 0.716). Further, there is a correlation between strategic planning and all the expected intermediate outcomes. However, the link is stronger between strategic planning and, variables firm-environment-fit, sustainable competitive advantage and improved innovations as compared to the rest of the other variables. This correlation is statistically significant at the 1 percent level. Findings further indicate that the relationship is strong between analysis of business environment and strategic planning intermediate outcome (r = 0.785). Analysis of business environment has exceptionally strong correlation with all the strategic planning outcomes other than efficiency in allocation of resources with all the correlations being significant at the 1 percent level. Therefore the hypothesis "there is a relationship between strategic planning and firm performance" does hold.

These findings are in agreement with the contentions by: McCarthy and Michiello (1996) that a company's strategy provides a central purpose and direction to the activities of the organization; Kotter (1996) that strategic planning results in a viable match between the firm and its external environment; Porter (1980), Miller and Cardinal (1994), Hax and Majluf (1996) and Grant (1996) that an objective analysis of external and internal environment facilitates an establishment of the firm-environment fit; Porter (1980), Quinn (1980), Ohmae (1983) and Kotter (1996) among others that the identification of strategic issues and, strategy analysis and selection facilitates the achievement of sustainable competitive advantage, improved innovation and efficiency. Our findings are also in tandem with those of Caeldries and

Van Dierdonck (1988) who observed that strategy enables a firm to strengthen its competitive position and facilitates coordination and integration of behavior.

### 5.2.3 Strategic planning intermediate outcomes and firm performance

The researcher was interested to find out whether the level of attainment of strategic planning intermediate outcomes has spiral over effects to the eventual firm performance. The study findings indicate that firms that experience higher levels of attainment of strategic planning intermediate outcomes also experience higher levels of overall firm performance. The results of the correlation analysis indicate that there is a strong link between strategic planning intermediate outcomes and the eventual firm performance. There appears to be a stronger link between strategic planning intermediate outcomes and non-financial performance (correlation of 0.777) compared to the one with the financial indicators (0.644) in overall terms. Of the various strategic planning intermediate outcome indicators, attainment of the enhanced firm-environment-fit, sustainable competitive advantage, improved innovations and improved coordination appear to have strong influence on the ultimate firm performance.

These findings conform to the postulation by Johnson, Scholes and Whittington (2005) that organizations must remain within the relevance of the forces at work in its environment in order to deliver on its strategic intentions. The results are also in conformity with the argument by Thompson, Strickland and Gamble (2007) that realignment to market conditions is crucial as good strategy alone even if combined with good strategy execution may not avoid period of sub par performance. Hence for strategic planning to be effective i.e. to deliver on the expected ultimate intentions, it is imperative that the expected strategic planning intermediate outcomes are achieved.

### 5.2.4 The moderating effect of employee participation in the relationship between strategic planning and strategic planning intermediate outcomes

The researcher's interest was to find out whether employee participation and involvement in strategic planning does influence the attainment of strategic planning intermediate outcomes. The assumption that the higher the level of participation and involvement in the strategic planning process, the higher the level of realization of strategic planning intermediate outcomes was, therefore investigated. The .results of the correlation analysis indicate that in overall the correlation between employee participation and strategic planning outcomes is strong (Pearson correlation coefficient of 0.792). When relating the specific involvement aspects, the results indicate that the relationship is stronger between the strategic planning intermediate outcomes and, aspects leadership and task involvement and only fair with wider employee participation.

Results of the analysis reveal that the relationship between leadership participation/involvement on the one hand and sustainable competitive advantage, improved ownership/commitment and coordination of company activities on the other hand does exist and it is strong. The relationship between leadership participation and focused firm direction was however, found to be fair against expectation that the link between these two should be strong. All the correlations however, are significant at the 1 percent level. As expected the link between wider staff participation and ownership/commitment is strong and significant at the 1 percent level. The results also indicate that the link between worker participation in various tasks and sustainable competitive advantage is strong. It was observed that companies that reported high participation did better in the realization of the strategic planning intermediate outcomes.

To effectively attend to hypothesis 4, 'the strength of the relationship between strategic planning and strategic planning intermediate outcomes depends on employee participation', partial correlation analysis was carried out. Results of this analysis indicate that employee participation and involvement does moderate the relationship between the two variables. This is reflected by the falling Pearson correlation coefficient from 0.716 to 0.465 when controlling for employee participation. Hence, employee participation and involvement in strategic planning influences the strength of the said relationship. The researcher further examined the moderating effect of the various aspects of employee participation on the relationship between strategic planning and strategic planning intermediate outcomes, that is, leadership participation and involvement, wider staff participation and worker involvement in various strategic planning tasks. When controlling for leadership participation, the strength of the relationship between strategic planning and strategic planning intermediate outcomes weakens. This is reflected in the Pearson correlation coefficient which falls from 0.716 to 0.421. When removing the effects of wider staff participation and worker participation in various strategic planning tasks the respective correlations between strategic planning and strategic planning intermediate outcomes drops, as reflected by the falling Pearson correlation coefficient (from 0.716 to 0.615 and 0.520 after controlling for wider participation and participation in strategic planning tasks respectively). Of the three aspects of employee participation and involvement in strategic planning, leadership has a greater influence on the relationship between strategic planning and strategic planning intermediate outcomes compared to the other two (wider staff participation and task participation).

These findings are in tandem with the postulations by Thompson and Strickland (1989) that strategic leadership instills high levels of commitment amongst workers. These findings also conforms to Cooke (1994) view that worker participation enables workers to design and engage in the most efficient ways resulting in optimum productivity. It also concurs with arguments by Summers and Hyman (2005) that getting staff from various cadres, departments and geographical regions is one way of eliciting their voluntary commitment and support which is so critical for smooth implementation of company programmes. The finding that there is correlation between leadership involvement and innovativeness is also in agreement with the contention by Thompson, Strickland and Gamble (2007) that strategic leadership keeps the organization innovative and responsive. The study findings also appear to confirm earlier similar studies' observations. Day (1984) and Robert (1991) observed that commitments come from widespread involvement in the decision making process.; Reid (1989) in his study of 94 companies in the UK, had noted that managerial involvement in planning is essential if companies were to benefit from planning; Guth and MacMillan (1986) observed that the involvement of middle managers in the strategy development was important as it enhanced success in its implementation.

### 5.2.5 Employee participation and firm performance

A correlation analysis was carried out to establish the relationship between employee participation in the strategic planning process and firm performance. The analysis results indicated that there is a correlation between employee participation in the strategic planning process and overall firm performance, recording a Pearson product moment correlation of 0.750. This correlation is significant at the 1 percent level. A further analysis revealed existence of a relationship between employee participation and both the financial and non-financial performance indicators with Pearson correlation coefficients of 0.637 and 0.682 respectively. We also did an analysis to establish the link between the various aspects of employee participation. The results reveal that all the three aspects of employee participation are related to overall firm performance and these relationships are significant at the 1 percent level. From the correlation analysis results, it can be said that indeed there is a relationship between employee participation and firm performance.

This finding concurs with arguments by Summers and Hyman (2005) involving workers elicits their commitment which is crucial for smooth implementation of company programmes. The finding that there is correlation between leadership involvement and innovativeness is also in agreement with the contention by Thompson, Strickland and Gamble (2007) that strategic leadership keeps the organization innovative and responsive. Our findings also appears to agree with those of Wooldridge and Floyd (1990) who observed that involvement of managers in strategy development was associated with improved company performance. Aosa (1992) examining the relationship between managerial involvement in strategy and company effectiveness in Kenya observed that high managerial involvement had little impact on success in implementing strategy among local companies but the impact of such involvement was significant among foreign firms. Nevertheless Aosa noted that participation is crucial in planning and strategy development. Das (2000:225) notes that the success of BOC during the 1980s and 1990s was attributed to the accepted ownership of the corporate agenda in totality and pursuing the same with great determination and steadfastness by the successive CEOs. This points to the critical part leaders and top management is called upon to play in spearheading the strategic planning process in their quest to drive the course of the organization.

## 5.3 Recommendations

### 5.3.1 The research community

After this study, a window has been exposed for further specific studies to be pursued. Issues came out which because of the initial intentions and scope of this study could not be attended to conclusively. Therefore various studies have been proposed. Free comments by the respondents which have not been given deserved attention in this study are taken into account in the proposed studies. It could be of interest to the research community for a step to be taken towards studying how strategic planning knowledge and skills influences the process and effectiveness of strategic planning. Secondly a research could be carried out to study how the outside driven strategic planning differs from the inside driven strategic planning in terms of process and delivery of the strategic planning intentions. It could also be of interest to have a study looking at the dimension of ownership (local and foreign), their respective strategic planning practices and effectiveness. In this study we did not control for the effects of contexts and time periods because of our initial scope and resource constraints. A study could be carried out giving attention to this dimension.

### 5.3.2 The practicing managers

As revealed from the study findings, every step in the strategic planning process is important. If the company business or purpose is not clear, how will the workers know that they are on the right track? Or if the business environment has not been critically analyzed, how will the organization understand its internal competences or business opportunities from where appropriate strategies are crafted to facilitate a fit and success. In a nutshell what we are saying is that the process of strategic planning should be given its deserved attention in terms of all the prescribed steps within the existing literature.

As the study reveals, there is a strong link between strategic planning and firm performance when high level participation and involvement is present. Therefore employee participation should not be taken for granted. The results of this study reveals that to attain the desired levels of strategic planning outcomes employee involvement in the strategic planning process is important. Through participation and involvement, workers voluntary commitment and desire to achieve even high is unlocked. Therefore companies leadership need to consider having key staffs across the organization participate in various activities for which they have the respective capacities for purposes of increased ownership and commitment which is critical in translating the strategic planning intentions into value.

According to Das (2000), strategic management should encourage a shared understanding of the situational context among the participating managers by exposure to multiple perspectives and a synthesis of alternative scenarios. This enables the management team's overall ability to work together for a common goal and also to exploit the entrepreneurial skills of individual managers and other staff. Ansoff and MacDonnell (1990) arguments that strategic staff is needed to support line executives to design and supervise the planning process, provide environmental "'Puts, identify new portfolio opportunities, analyze portfolios and develop plans and ^dgets cannot be taken for granted. Further, Ansoff and MacDonnell contends that by involv1n§ staff the likely incidences of resistance to new changes are minimized.

Borrowing from these view points and our findings, then one can conclusively argue that a participatory approach to strategic planning need be pursued for effectiveness and success.

A committed and strategic leadership needs to be present to drive the process, communicate the company intentions to the workers and mobilize staff towards realizing the organization course. Das (2000:198) asserts, "the days when CEOs spent most of their time on vision statement or focusing on key financial data, or representing their companies on some external assignments are over". The top management needs to be seen to be committed to the process so that the rest of the workers can follow suit. This is in terms of the personal attention, efforts and resources directed towards the process and effectively sharing and communicating the company's strategic aspirations.

> "Our CEO is involved but the commitment from him and his entrusted team is not total" was a free comment from a manager in one of the companies.

Leadership goes beyond just participation. It must be strategic with commitment so as to drive the process effectively, unlock employee commitment and mobilize staff towards greater productivity and innovation. Further our findings indicates leadership participation and involvement in the strategic planning process has a greater influence on the strength of the relationship between strategic planning and strategic planning intermediate outcomes compared to wider staff involvement and staff participation in the strategic planning tasks. Therefore increased role and involvement of top management in the strategic planning process is likely to improve the effectiveness of strategic planning.

Free comments from 30 percent of the respondents indicated that one of the bottlenecks to effective strategic planning within their firms is that the process is spearheaded by managers with little training and skills in strategic planning, the few chosen by the CEO. We recommend that businesses within the sector direct efforts and resources to develop and nurture the necessary skills and competences in this area. This will work towards ensuring that the quality of the strategic planning process is not compromised.

## 5.4 Limitations of the study

No similar studies had been carried out in this subject area in Kenya, i.e. determining circumstances under which strategic planning is related to firm performance. This implied inadequate relevant literature particularly on the new dimensions brought in, that is the influence of the intervening and moderating factors in the relationship between strategic planning and firm performance. Nevertheless we had to do with the theoretical postulations and a few similar studies conducted outside Kenya for purposes of synthesizing our study findings.

Secondly, as anticipated there was a general tendency by some firms of not being open and willing to provide the solicited for information for purposes of concluding this study. Some of the targeted respondents could give several un-honored promises and appointments. They could hardly create and schedule time for purposes of having an interview with us. Patience and endurance paid off on our part - as more that 5 visits were made in some instances. This at the end of the day meant that we took longer in the data collection stage than had been anticipated.

Thirdly, some of the information required were not either readily available or the respondents were unwilling to divulge the same. This is in particular to financial data on performance. Earlier we had wished to capture absolute figures, but after pre-testing our questionnaire, we realized that respondents were more willing to indicate the range to which their company performed on the indicators of interest as opposed to stating the actual absolute figures. To address this we categorized the performance into appropriate bands.

There were also hurdles in the administration of questionnaires and interviews which was done by the researcher alone. It proved a very cumbersome and tiring exercise also given the resource constraints - time, funds. In addition to this there were limited resources to effectively meet the typing and re-typing, the necessary stationary and printing of the many drafts. The initial scope and design restricted us to targeting only the top managers. It could add value if other staff were given chance also to provide information from their independent and perceived perspectives.

Finally these study findings have been compared to others which were carried out outside Kenya (in particular those done in the developed countries) and during different time periods. In our study we did not control for the effects of context and time periods. It could have been possible to do so but we limited ourselves to the initial scope of this study. Also the study could have been too wide to the extent that it could not be completed within the anticipated timeframe and resource constraints. These variations notwithstanding, these differences were thought to be also important when treating this as a replication with extension's study.

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APPENDICES

## Appendix I: Study Questionnaire

**This questionnaire has been designed to collect data and information from insurance firms in Kenya, to be used in examining the influence of strategic planning in overall firm performance. Towards achieving the research objectives, your participation in this study is considered crucial. The information collected from you will be treated with strict confidence, and shall be used for only the intended purposes.**

**General information**

**Name of firm (optional)**

**Name of respondent (optional)................................Position**

**Part A Strategic planning**

**1. Does your firm embrace the concept of strategic planning? Yes • No •**

**If yes, when did you start embracing the practice of strategic planning?**

**2. As one of the key steps in strategic planning to what extent on a scale of 5 to 0 has your firm expressed the following in an effort to defining the firm's purpose, goals and philosophies? Where very large extent, large extent, average, small extent, very small extent and not defined at all being represented by scores 5,4,3,2,1 and 0 respectively.**

| | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|
| i. Vision | • | • | • | • | • | • |
| ii. Mission statement | • | a | • | • | • | • |
| iii. Corporate values | • | • | • | • | • | • |
| iv. Long-term objective | • | • | • | • | • | • |

**3. As part of the strategic planning process to what extent on a scale of 5 to 0 have the following been undertaken by your firm towards providing a critical analysis of the business environment? Where very large extent, large extent, average, small extent, very small extent and not undertaken at all being represented by scores 5,4,3,2,1 and 0 respectively.**

| | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|
| i. Identification of firm strengths | • | • | • | • | • | • |
| ii. Analysis of the identified firm strengths | • | • | • | • | • | • |
| iii. Identification of firm weaknesses | • | • | • | • | • | • |
| iv. Analysis of the identified firm weaknesses | • | 0 | • | • | • | • |

| | | | | | | |
|---|---|---|---|---|---|---|
| v. Identification of business opportunities | • | • | • | • | • | • |
| vi. Analysis of the identified opportunities | • | • | • | • | • | • |
| vil. Identification of threats to the firm | • | • | • | • | • | • |
| viii. Analysis of the identified threats | • | • | • | • | • | • |

4. Please indicate on a scale of 5 to 0 the extent to which the following tasks are carried out as part of the strategic planning process, where very large extent, large extent, average, small extent, very small extent and not carried out at all being represented by scores 5,4,3,2,1 and 0 respectively.

| | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|
| i . Identification o f firm's key strategic issues | • | • | • | • | • | • |
| ii. Critical analysis o f the strategic issues | • | • | • | • | • | • |

5. Please indicate on a scale of 5 to 0, the extent to which the following tasks are pursued towards enhancing effective selection of strategy(ies) where very large extent, large extent, average, small extent, very small extent and not pursued at all being represented by scores 5,4,3,2,1 and 0 respectively.

| | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|
| i. Generation of alternative strategies | • | • | • | • | • | • |
| ii. Setting criteria for evaluation of strategies | 0 | • | 0 | • | • | • |
| iii. Critical analysis of the generated strategies | • | • | • | • | • | • |
| iv. Evaluation of the strategies based on set criteria | • | • | • | • | • | • |
| v. Selects of strategy(ies) that most meet the evaluation criteria | • | 0 | • | • | • | • |

6. Towards enhancing effective implementation, evaluation and control of the firm's programmes and strategies, indicate on a scale of 5 to 0, the extent to which the following have been addressed, where very large extent, large extent, average, small extent, very small extent and not addressed at all, being represented by scores 5,4,3,2,1 and 0 respectively.

| | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|
| i. Identification of key result areas | • | • | • | • | 0 | • |
| ii. Defining objectives for each result area | 0 | • | • | • | 0 | • |
| iii. Defining specific targets on each result area | • | • | • | • | • | • |
| iv. Identification of activities for each result area | • | 0 | • | • | • | • |
| v. Assigning tasks and responsibilities | • | 0 | • | • | • | • |
| vi. Development of a M & E system | 0 | • | • | • | • | • |
| vii. Development of a performance feedback system | 0 | • | • | • | • | • |

viii. Development o f a performance reward system • • • • • •

Part B Participation and involvement in strategic planning process

7. Who drives the strategic planning process in the firm?

i. CEO 0

ii. Management board •

iii. Strategic planning department •

iv. Team drawn from across various departments •

v. Any other (please specify) •

8. Please rate the leadership role and involvement in the following areas towards spearheading your firm's effectiveness through the strategic planning process, on a scale of 5 to 0, where 5,4,3,2,1 and 0 represent different levels of leadership contribution i.e. very large extent, large extent, average, small extent, very small extent and not at all.

| | Area | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|---|
| i. | Providing direction and leading the process | | | | | | |
| ii. | Supports the strategic planning process | | | | | | |
| iii. | Effectively communicates the new vision | | | | | | |
| iv. | Effectively supports and builds a culture of staff involvement | | | | | | |
| v. | Builds, supports and institutionalizes a culture of quality, innovation | | | | | | |
| vi. | Mobilizes staff towards realizing anticipated goals/results | | | | | | |

9. Please indicate on a scale of 5 to 0, the extent to which the following are involved in the strategic planning process, where very large extent, large extent, average, small extent, very small extent and not at all, are represented by scores 5,4,3,2,1 and 0 respectively.

| | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|
| i. Staff drawn from all functions/departments | • | • | • | • | • | • |
| ii. Staff drawn from regions/branches | • | • | • | • | • | • |
| iii. Staff drawn from the lower cadres | • | • | • | • | • | • |
| iv. Middle management staff | • | • | • | • | • | • |
| v. Top management | • | • | • | • | • | • |
| vi. Board of directors | • | • | • | 0 | • | • |
| vii. Consulting personnel | 0 | • | • | • | • | • |

10. Please indicate on a scale of 5 to 0, the extent to which workers are involved in the following activities/tasks as part of the strategic planning process, where very large extent, large extent, average, small extent, very small extent and not at all, are represented by scores 5,4,3,2,1 and 0 respectively.

| | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|
| i. Providing data | • | • | • | • | • | • |
| ii. Data analysis | • | • | • | • | • | • |
| iii. Setting organizational targets | • | • | • | • | • | • |
| iv. Setting departmental/ individual targets | • | • | • | • | • | • |
| v. Setting staff individual targets | • | • | • | • | • | • |
| vi. Drawing organizational work plans | • | • | • | • | • | • |
| vii. Resource planning | • | • | • | • | • | • |
| viii. Generating alternative courses of action | • | • | • | • | • | • |
| ix. Evaluating courses of action | 0 | • | • | • | • | • |
| x. Making choice of course of action to be taken | • | • | • | • | • | • |

Part C Strategic planning intermediate outcomes

11. Please indicate on a scale of 5 to 0, the extent to which the following have been realized as a result of your firm embracing strategic planning (where very large extent, large extent, average, small extent, very small extent and not realized at all are represented by scores 5,4,3,2,1 and 0 respectively).

| | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|
| i. Focused firm direction | • | • | • | • | • | • |
| ii. Enhanced firm-environment fit | • | 0 | • | 0 | • | • |
| iii. Sustainable competitive advantage | • | • | • | • | • | • |
| iv. Efficiency in allocation of resources | • | • | • | • | • | • |
| v. Improved innovations | • | • | • | • | • | • |
| vi. Improved ownership and commitment to organization goals | • | • | • | • | • | • |
| vii. Improved coordination, integration and control of organization activities | • | • | • | • | • | • |

Part D Firm performance

12. Please indicate on a scale of 5 to 0, the extent to which the following is true in respect to your firm's performance, where very large extent, large extent, average, small extent, very small extent and not true at all being represented by scores 5,4,3,2,1 and 0 respectively.

| | Statement | 5 | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|---|---|
| i. | Lead time in claims payment has improved | | | | | | |
| ii. | There is growth in market share | | | | | | |
| iii. | The firm has experienced reduced employee turnover | | | | | | |
| iv. | New products have been developed and launched | | | | | | |
| v. | Surrender/cancellation of policies rate has been on the decline | | | | | | |

13. Please indicate your company's performance on the following parameters (3-year period average)

i. Premium growth rate in %: Below 10 M O D 11-200 21-400 41-600 Over 60Q

ii. Claims Ratio: Over 1000 100-710 70-610 60-510 50-41D 40 & belowo

iii. Profit %: Zero & below • M O O 11-200 21-30O 31-400 0ver400

Part E Realization of the strategic planning benefits

14. Has the anticipated value of strategic planning been realized in your firm?

Yes • No •

15. What do you think organizations should do to make strategic planning an effective and value adding process?

## Appendix II: AKI Member Companies (2006)

1. AIG Kenya, P.0 Box 49460-00100, Nairobi
2. Africa Merchant Assurance Company Ltd, P.O Box 64599-00200, Nairobi
3. APA Insurance, P.O Box 30065-00200, Nairobi
4. Apollo Insurance Company, P.O Box 30389-00100, Nairobi
5. Blue Shield Insurance Company Ltd, P.O Box 49610, Nairobi.
6. British American Insurance Company Ltd, P.O Box 30375-00100, Nairobi.
7. Cannon Assurance (Kenya) Ltd, P.O Box 30216-00100, Nairobi
8. Concord Assurance Company Ltd, P.O Box 30634-00100, Nairobi
9. CFC Life, P.O Box 30390-00100, Nairobi
10. Co-operative Insurance Company of Kenya Ltd, P.O Box 58485-00100, Nairobi
11. Corporate Insurance Company Ltd, P.O Box 34172-00100, Nairobi
12. Directline Assurance Company Ltd, P.O Box 40863-00100, Nairobi
13. Fidelity Shield Insurance Company Ltd, P.O Box 47435-00100, Nairobi
14. First Assurance Company Ltd, P.O Box 30064-00100, Nairobi
15. Gateway Insurance Company Ltd, Nairobi
16. Geminia Insurance Company Ltd, P.O Box 61316-00200, Nairobi
17. General Accident Insurance Company Kenya Ltd, P.O Box 42166-00100, Nairobi
18. Insurance Company of East Africa Ltd, P.O Box 46143-00100, Nairobi
19. Intra Africa Assurance Company Ltd, P.O Box 43241-00100, Nairobi
20. Invesco Assurance Company Ltd, P.O Box 52964-00200, Nairobi
21. The Jubilee Insurance Company Ltd, P.O Box 30376-00100, Nairobi
22. Kenindia Assurance Company Ltd, P.O Box 44372-00100, Nairobi
23. Kenya Orient Insurance Ltd, P.O Box 34530-00100, Nairobi
24. Kenya Alliance Insurance Company Ltd, P.O Box 30170-00100, Nairobi
25. Lion of Kenya Insurance Company Ltd, P.O Box 30190-00100, Nairobi
26. Madison Insurance e Company Kenya Ltd, P.O Box 47382-00100, Nairobi
27. Mayfair Insurance, P.O Box 45161 -00100, Nairobi
28. Mercantile Life & General Assurance Company Ltd, P.O Box 20680-00200, Nairobi
29. Metropolitan Life, P.O Box 46783-00100, Nairobi
30. The Monarch Insurance Company Ltd, P.O Box 44003-00100, Nairobi
31. Occidental Insurance Company Ltd, P.O Box 82788-00100, Nairobi
32. Old Mutual Life Assurance Company Ltd, P.O Box 30059-00100, Nairobi
33. Pacis Insurance, P.O Box 1870-00200, Nairobi
34. Pan Africa Life Assurance Company Ltd, P.O Box 44041-00100, Nairobi
35. Pioneer Assurance Company Ltd, P.O Box 20333-00200, Nairobi

36. Phoenix of East Africa Assurance Company Ltd, P.O Box 30129-00100, Nairobi
37. Royal Insurance Company of East Africa, P.O Box 40001 -00100, Nairobi
38. Standard Assurance Kenya Ltd, P.O Box 42996-00100, Nairobi
39. Tausi Assurance Company Ltd, P.O Box 28889-00100, Nairobi
40. The Heritage A.I.I. Ins. Company Ltd, P.O Box 30390-00100, Nairobi
41. Trinity Life Assurance Company, P.O Box 12043-00400, Nairobi
42. Trident Insurance Company Ltd, P.O Box 13501-00200, Nairobi
43. UAP Provincial Insurance Company Ltd, P.O Box 43013-00100, Nairobi