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Article

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Impact of strategic planning on the performance of commercial banks: the case of public commercial banks in Eastern Hararghe, Ethiopia

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ABSTRACT

The financial institutions in emerging countries in general and Ethiopia in particular, where financial dualism is mostly practiced, strategic planning is critical to encounter the dynamic nature of the economic system. This study aims to examine the impact of strategic planning on the performance of public commercial banks in the context of Eastern Hararghe, Ethiopia. The study considered strategic planning perspectives: environmental scanning, strategy formulation, implementation, and evaluation as explanatory variables whereas organizational performance was a dependent variable. A cross-sectional research design was used to investigate the relationship and impacts of the variables. A sample was drawn from managers and senior staff, who engage in planning and monitoring activities. Structured questionnaires were designed and administered based on a five-point Likert scale to gather the data. Descriptive statistics and econometric regression analysis techniques were employed after proper coding and testing of the reliability of the items. The findings revealed that strategic planning strongly and positively correlates with the bank's overall performance. Finally, the study recommends that commercial banks should adopt strategic planning processes to enhance their overall performance.

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1. Introduction

Commercial banks play a pivotal role in driving economic growth and development by acting as a catalyst in the development process (Sime et al., 2020). They promote the habit of saving and mobilizing funds from numerous small households and businesses across a wide geographical area. Consequently, these mobilized funds are utilized for productive purposes (Isayas, 2022). In the current era of globalization, the business environment undergoes constant change and to deal with the challenges of the market, necessitating companies to evaluate both micro and macro environmental factors is needed to effectively address market challenges and achieve their objectives (Azeem et al., 2021). Bank performance evaluation is essential to provide information to understand the organization's operational capacity and competitiveness (Mengistu, 2015).

In recent years, financial institutions have moved into greater competitiveness with a broad range of products and services (Liu, 2021). In response to the unpredicted market dynamism, commercial banks have shown a renewed interest in marketing their goods and services more effectively (Tien et al., 2021). Banks today are focused on becoming more competitive by adopting strategies that give them an advantage over others. To do this, it is compulsory to design practical strategies that help banks identify the appropriate marketing strategies to attract new customers and retain existing ones (Čater & Pučko, 2010; Chigamba & Fatoki, 2011). Otherwise, as the annual report of the Commercial Bank of Ethiopia disclosed the typical

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reasons for an inefficient organization and the failure of commercial banks in Ethiopia are attributed to inefficient use of resources, weak philosophy to adopt and utilize strategic planning practices, and lack of strategic roadmaps within the structure organization (Commercial Bank of Ethiopia [CBE], 2021).

However, each of these challenges can be effectively addressed through strategic planning (Obonyo & Arasa, 2012). To meet these challenges, banking sector administrations must adopt new approaches that strengthen competitive positions by increasing internal and external performance levels, particularly strategic performance. The outcome of several studies on the relevance of strategic planning to enhance the overall performance of organizations revealed that strategic planning has become a part of modern management tools and one of the most important approaches to improving the performance of organizations (Gomera et al., 2018; Omotayo et al., 2018; Rahman, 2019). On the contrary, some studies come up with different results, even contradicting each other such as (Ameur & Mhiri, 2013; Ongore & Kusa, 2013; Tesfaye & Shete, 2015).

Although several studies have examined the relationship between strategic planning and strategic performance, some gaps observed. Worth mentioning: Scolastica and Mboya (2021), Nyanaro and Bett (2018), Ndege and Ithara (2014) examined the influence of strategic planning on bank financial performance in Kenya, Karsh et al. (2020), examined the impact of strategic planning on the performance of bank employees in Palestine, and studies have also been conducted to assess the impact of strategic planning on management practices in the case of Berhan Bank in Ethiopia (Mesfin, 2021). All of them have taken financial performance and employee commitment as the performance indicator. However, this study considered additional performance indicators; such as efficiency, profitability, customer satisfaction, quality service, and market share by creating an index.

With this intention, the objective of the research presented in this article is to examine the impact of strategic planning on the performance of banks within Eastern Hararghe, Ethiopia. Eastern Hararghe, the focal point of this study, holds significance as a hub for large-volume trade, owing to its proximity to Dire Dawa, the nation's sole import-export gateway. The banking sector in this region experiences substantial cash flow and active resource mobilization. Therefore, strategic management of business operations is imperative, alongside measuring the resultant impacts against the banks' objectives.

To address this, the research aims to provide insights into the following key questions: (1) How and to what extent do the selected banks carry out their strategic planning? (2) What is the impact of strategic planning on a bank's overall performance? (3) Which aspects of strategic planning do banks excel in, and where do they face weaknesses?

The outcomes of this research are expected to make a significant contribution by bridging the existing gaps in knowledge. Moreover, the findings are expected to be beneficial for administrators, business managers, and policymakers within banking sector. They can utilize this information to develop sustainable development programs and formulate intervention guidelines aimed at enhancing the effectiveness of banking strategies in meeting customer needs. Additionally, these findings will serve as a foundation for future research endeavors by scholars exploring similar topics in different contexts.

2. Literature review

2.1. Concept of strategy

The word 'strategy' is derived from the Greek word 'strategos', which means 'the roles of a general' (Chen & Mohamed, 2010). The Oxford Dictionary defines strategy as a design of action planned to attain a long-term or general goal. Originally, it was called business policy and has advanced substantially with the concentrated efforts of researchers and practitioners (Wheelen et al., 2017). It is not possible to have a strategic plan without a clear strategy. Rudd et al. (2008) noted that, without a strategy, an organization is like a ship without a rudder. It goes round in circles and like a tramp, has no specific place to go.

2.2. The strategic planning process and its perspectives

According to Leebaw (2019), in his work on participatory and ethical strategic planning states that strategic planning started in the 1940s and was popular in the 1960s and 1970s. However, the planning

method was developed in the mid-1960s based on the ideas of American business schools. Strategic planning has received big attention from development, and business and public organizations as a means of crafting the vision, mission, and goals and includes methods for measuring progress (Obonyo & Arasa, 2012; Scolastica & Mboya, 2021). Strategic planning is a foundation for strategic management. It is a progressive exercise in which all level managers should be involved in the process (Boateng et al., 2015; Owolabi & Makinde, 2012).

The process of strategic planning is designed to achieve the firm's vision and mission, which comprise four major perspectives: environmental analysis or scanning, strategic formulation, implementation, and adjustment/evaluation/control. These four basic elements interact with each other (Jenster & Søylen, 2013; Mesfin, 2021; Wheelen et al., 2017; Zafar et al., 2013) and they are also persuasive to the success or failure of the organization. Since the emphasis of the study is to investigate their impact on organizational performance the researchers have attempted to briefly discuss each of them as follows:

Environmental Scanning is also termed as situational analysis in the planning process where the first phase of strategic planning starts (Azhar et al., 2013). Both internal and external situations must be examined and communicated properly (Neolaka et al., 2023). Internal scanning conducts a SWOT analysis by focusing on the strengths and weaknesses of an organization while external evaluation conducts a SWOT analysis by concentrating on the opportunities and threats. Some of the main factors analyzed via internal scanning include resources and value-adding activities, the process used, and the organizational culture (Peng, 2021).

The business landscape entails three main factors: the micro, macro, and market environment. The micro-environment encompasses various aspects of the business including the corporate culture, goals, mission, vision, and departments. Organizational resources including expertise, human capital, and finances also constitute the micro-environment of a business (Pimentel et al., 2013). The macro-environment entails variables that are beyond the control of a business which are mainly analyzed through the PESTLE (Political, Economic, Socio-cultural, Technological, Legal, and Environment) tools (Cheong & Hoang, 2021). Some of these variables include economic issues such as inflation, demographic changes, and the emergence of new technology among other factors (Karami, 2012; Otieno et al., 2018). For this study purpose, respondents were asked whether the Bank scans its internal and external environment timely, which will have an impact on reducing risks and enhancing the probability of growth as Karami (2012); and Mang'ana et al. (2017) studied.

Strategy Formulation: is a process of determining the organization's mission, goals, and objectives by crafting the appropriate strategy (Chungyas & Trinidad, 2022). According to Wickert et al. (2021) states, strategy formulation guides top managers to define their destiny, and the means to accomplish these ends. According to Chaika (2021), the industrial enterprise strategy formulation passes through three phases, whose terminology is often complicated: mission, vision, and objectives setting.

The mission statement of an organization represents the products and services that the organization aims to provide and the markets in which it intends to operate. Daft (2021) and Rothaermel (2017) postulate that effective communication of a mission statement is a valuable management tool for the company moving in the intended direction. The vision statement determines the future path of the organization, what the organization intends to reach, and the center it aims to achieve. The vision statement is important in an organization as an instruction towards the chosen direction (Obeidat et al., 2016). Strategic objectives are the results of planned activity that state what is to be accomplished by when and it should be quantified. It is also the organization's performance targets that are planned to be achieved. Strategic objectives perform five functions in an organization namely: setting the responsibilities of managers, providing the framework for planning, using for the integration of organizational activities, and acting as a motivator to employees to work hard to achieve the targets are finally used to evaluate and control the performance of managers (Maina, 2020). For this study, researchers examine the existence of the organization's mission, vision, and objectives vividly and who is involved in the preparation of the plan.

Strategy Implementation: refers to putting the strategy into action at all levels (Babafemi, 2015; Tawse & Tabesh, 2021). Organizational culture is the assumptions, beliefs, and values that members of a group in an organization are guided by based on the rules and regulations. Communication is an important element in the strategy implementation process and they are a major component that should be

recognized (Hantiro & Maina, 2020). Kibe (2014) concludes that proper communication in an organization is an integral part of strategy implementation due to its ability to provide information on time to the stakeholders hence empowering them to act in good time. Opano (2013) opined that a 'plan without effective and measurable implementation is no plan at all' and those managers must combine sound strategy-making with good strategy execution for company performance. This study treats strategic implementation as interconnected with other perspectives in strategic planning.

Strategy Evaluation: is the systematic investigation carried out by an organization and it is a critical tool for managers to understand the reasons behind the failures and success of certain objectives, performance standards, and/or any other performance indicator (Mio et al., 2022). In this sense, evaluation is used as a strategic learning tool and has continued to play a role in strategy formulation and implementation. It played a vital role in protecting the business from collapse (Dubihlela & Sandada, 2014). Effective strategy evaluation must follow four steps: setting performance standards, actual performance measurement; variance analysis, and taking corrective action where necessary (Wickert et al., 2021). An organization that does not practice performance measurement would hardly deal efficiently and effectively with the uncertainty inherent to the environment, resulting in poor use of resources and consequently increasing the probability of failure.

2.3. Organizational performance and measurements

Armstrong and Taylor (2014), defined performance as behavior that accomplishes results. The term performance refers to a set of outcomes produced during a certain period of their job time and does not refer to the traits, personal characteristics, or competencies of the performer. The evaluation of an employee's performance reveals the contribution of an individual to the organization's objectives (Toppo & Prusty, 2012). Therefore, performance is about job-related requirements expected of a worker and how well they translate into action. For this particular study purpose, the researchers preferred a performance in the banking industry to be expressed in a list of indicators; such as competitiveness, market share, profitability, customer satisfaction, quality service, efficiency, and many more as Galletta et al. (2022).

Performance measurement systems are characterized as strategic expert systems by which organizations observe and measure their intangible performance elements in the form of qualitative and quantitative assessments (Fried, 2010). Performance measurement approaches can be divided into two types namely objective and subjective measurement (Elgestad Stjernfeldt et al., 2019). Objective measurement is based on financial measures whereas, subjective measurement is based on self-reported measures. Self-rating success (SRS) is one of the important approaches in subjective measures. SRS is obtained by asking the owners to rate their success on a scale from 1 (not very successful) to 5 (very successful). Subjective measures are preferred by some researchers because they capture a broad concept of a firm's performance; On the other hand, it is difficult to obtain objective data for confidentiality reasons (Geng et al., 2015; Huseynov et al., 2017; Ismail et al., 2017; Sundvik, 2017). With this in mind, thus, this study used a subjective performance measurements approach to assess the performance of the bank from different dimensions. These performance indicators considered for this study are discussed as follows.

2.3.1. Employees' commitment

A delightful atmosphere can be created by a satisfied employee in the organization, so employees will have better performance (Basalamah & As'ad, 2021; Sanjaghi, 2013). Dost et al. (2011) investigated the impact of employee commitment on organizational performance and concluded that organizational performance can be enhanced by involving employees in decision-making. However, most of the past studies on employee commitment may not apply to the Ethiopian business environment. As such, it is pertinent to examine the role of employee commitment in achieving organizational performance in the Ethiopian context.

2.3.2. Operational efficiency

This is an economical usage of physical resources, systems, and structures. Operational efficiency minimizes waste and improves the ability of a business to provide products of good quality and render

services of high standards to their clients (Upadhyay & Gupta, 2012). Operational efficiency can be measured both in quantitative and qualitative terms. Among these measures are financial performance, customer satisfaction, internal control, and business process, employees' growth and development in the organization (Karimzadeh, 2012). Studies by Wasiuzzaman and Tarmizi (2010) have found a positive impact and important operational efficiency in the profitability of commercial banks. The study, therefore, used this non-financial performance variable to measure the bank's performance efficiency in the study environs.

2.3.3. Service quality

Service quality is an important aspect of measuring performance (Sangeetha & Mahalingam, 2011). Service quality is a method of managing a business and its processes to ensure and serve customer satisfaction, thereby increasing the competitiveness and effectiveness of the organization's service. It is critical for the growth, development, and expansion of a business (Rahaman et al., 2011). In the service industry, quality of service is usually more important than in the manufacturing industry (Dadwal, 2017). As a result, it is vital to consider how service quality affects a company's organizational performance in the context of the study environment.

2.3.4. Customer satisfaction

Customer Satisfaction is currently the main non-financial indicator that many organizations pay close attention to (Hallencreutz & Parmler, 2021; Ali et al., 2021). According to Ali and his colleagues, customer satisfaction and service quality have a positive and strong relationship. Customer satisfaction has developed into a crucial indicator of a company's performance and, as a result, has drawn significant care in business-related literature. Son et al. (2021) investigated into the relationship between worker and customer satisfaction. According to the research, customer satisfaction is influenced by employee satisfaction. Per se, it is relevant to look at this subjective measure variable in the context of the study area to achieve a business' organizational performance.

2.3.5. Market share

Market Share is a significant non-financial performance metric that is calculated by comparing a bank's total assets over a specific period to the total assets of the industry. Market share and bank profitability ought to be positively correlated. A large market share can produce a variety of goods to leverage market power, which can then set a high price and produce high profits. According to some studies, like Mirzaei et al. (2013) and Sahile et al. (2015), a high market share is correlated with bank profitability. Therefore, this variable was used in the study as a non-financial variable to assess its effect on the performance of the bank in the study area.

2.3.6. Bank's profitability

Profitability is an important indicator of a bank's performance. A bank's operating performance, which includes profitability, is determined by its mission, regulations, and management actions (Guluma, 2021). Traditionally, profit maximization is the guiding principle of all profit-oriented business organizations. When the company's management generates enough profits, shareholders and other investors are satisfied and the company is better able to meet the demands of other stakeholders. Profitability in banks becomes necessary for cost absorption, reinvestment, attracting further financing, maintaining public trust, and motivating (Ayalew, 2021). The study therefore used this variable as a non-financial variable to measure its influence on the bank's overall performance.

In comparison to the rest of the world, Ethiopia's financial system is sluggish. Given the increasing quantity of import-export trades and the complexities of the economic system around the globe, the current banking system is incapable of providing efficient and dependable services. As a result, the country has yet to fully reap the benefits of strategic management that uplifts the overall performance of the economy. Performance is a major axis for measuring the success and failure of organizations in their strategic goals and decisions in the strategic literature (Almansoori et al., 2021).

2.4. Conceptual framework

The variables that are employed in the study and how they interact are described by the conceptual framework (Yegzaw, 2022). The conceptual framework shown below illustrates how the strategic planning perspectives affect the overall performance of the bank under consideration. The conceptual model was created based on reviews of earlier works of literature to explain the relationships between the factors deemed essential to the literature part's discussion

The conceptual framework used by Rahman (2019) illustrates organizational performance from the perspectives of operational efficiency, financial turnover, and management system, while the performance indicators in our framework also include additional performance indicators like employees' commitment, operational efficiency, service quality, customers' satisfaction, market share, and profitability to meet the study's goal.

Regarding the independent variables, various studies have been made by adopting one of the strategic planning views, as Okwemba and Njuguna (2021a) did when they independently examined the impact of environmental scanning and strategic assessment on the organizational performance of Chemelil Sugar Company in Kisumu County, Kenya. Ngigi and Robert (2023) made an effort in a different study to demonstrate the connection between organizational performance and strategic formation. While Mailu et al. (2018) investigated how strategic implementation affects organizational performance. Four strategic planning perspectives on the organization's overall performance, however, are included in our analysis. So, this is the gap that this study has filled. As a result, the research investigates the impact of strategic planning on the success of Ethiopian commercial banks at the Harar and Haramaya branches in question.

The following four research hypotheses were developed based on the research objective and research framework (Figure 1):

H1: Environmental scanning has a positive and significant impact on the performance of selected commercial banks in Ethiopia,

H2: Strategic formulation has a positive and significant impact on the performance of selected commercial banks in Ethiopia,

H3: Strategy implementation has a positive and significant impact on the performance of selected commercial banks in Ethiopia, and

H4: Strategy evaluation has a positive and significant impact on the performance of selected commercial banks in Ethiopia.

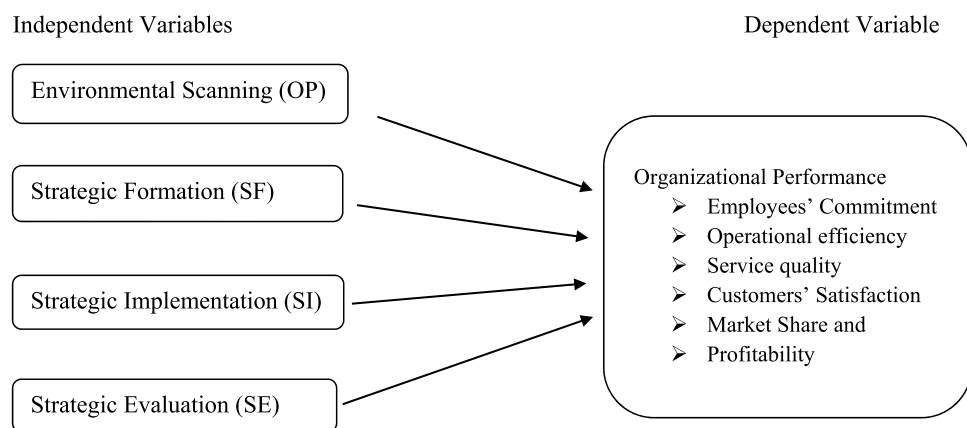


Figure 1. Conceptual framework. Source: Developed from the evidence of researchers review and (Yegzaw, 2022, Rahman 2019).

3. Research methodology

3.1. Research design

To explore the connection between strategic planning and organizational performance within public commercial banks operating in Eastern Hararghe, Ethiopia, a cross-sectional research design was employed; specifically descriptive survey research design was used. The study targeted a population of 116 managers and senior staff across twelve branch offices situated in Harar city and Haramaya town. Accordingly, the respondents were selected proportionally from all branches to ensure the representativeness of the population using Yamane's formula (as cited in Adam, 2020) outlined in Equation (1) below. Consequently, a total of 90 respondents were selected, consisting of 26 (29%) managers and 64 (71%) non-managerial senior staff who are actively involved in the planning process.

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

Where n is the sample size, N is the population size, and e is the margin of error (i.e. $e=5\%$).

To gather the data, a structured questionnaire was designed and administered based on a five-point Likert scale. From the total distributed questionnaire 86 were returned of which only 80 (93.02%) were complete and valid for analysis (Table 1).

To ensure the validate of the instrument, pilot tests were conducted by selected respondents to assess their understanding and gather feedback. Following data collection, adjustments were made to the questionnaires based on the received responses.

3.1.1. Method of data analysis

The collected data was analyzed based on the objective of the study. Data clearing and editing were done before the final regression and testing of the result. The mean and standard deviations are computed for the descriptive analysis and presented in a tabular form. Whereas, for inferential statistics, Pearson correlation coefficient, ANOVA, and multiple linear regression procedures were computed to infer the relationship and impacts of strategic planning perspectives on organizational performance. A multiple linear regression model is specified in Equation (2).

Table 1. Target population, sample size, and return rate and validity of the questionnaires.

S. No	Branch commercial banks' name	No. of distributed			No. of returned			No. of valid question			% Of valid ques
		Managerial	Non-managerial	Total sample	Managerial	Non-managerial	Total sample	Managerial	Non-managerial	Total sample	
1	Harar Branch	3	20	23	3	18	21	3	17	95.2	95.2
2	Jegol Branch	3	9	12	3	8	11	3	6	81.8	81.8
3	Abobeker Branch	2	7	9	2	6	8	2	6	100.0	100.0
4	Gelmeshira Branch	1	2	3	1	2	3	1	2	100.0	100.0
5	Hakim Branch	2	2	4	2	2	4	2	2	100.0	100.0
6	Jenael Branch	2	2	4	2	2	4	2	2	100.0	100.0
7	Abadir Branch	2	3	5	2	3	5	2	2	80.0	80.0
8	Helal Branch	1	2	3	1	2	3	1	2	100.0	100.0
9	Shenkor Branch	3	6	9	3	6	9	3	5	88.9	88.9
10	Haromaya Branch	3	5	8	3	5	8	3	4	87.5	87.5
11	Lukuman Branch	1	2	3	1	2	3	1	2	100.0	100.0
12	Finklie Branch	3	4	7	3	4	7	3	4	100.0	100.0
Total		26	64	90	26	60	86	26	54	80	93.0

$$OP_i = \tau_0 + \tau_1 ES + \tau_2 SF + \tau_3 SI + \tau_4 SE + \epsilon_i \quad (2)$$

Where, *OP* (organization performance) is the dependent variable, and *ES* (environmental scanning), *SF* (strategic formation), *SI* (strategic implementation), and *SE* (strategic evaluation) are the independent variables. The coefficients are denoted by beta; τ_0 is the constant confident and β_1 to β_4 are the marginal effects of X_i 's, which measures the change in the mean value of *OP* per unit change in their respective independent variables. ϵ_i is the stochastic term or the residual, that represents omitted variables, errors, and unexplained variables in the model.

According to Tutz (2021) and Boone and Boone (2012), the five-point Likert scale is considered an interval scale if it fulfills the normality test. Therefore, the researchers compute the average score of each variable in the analyses made on the base of composite scores of the items. Pearson correlation and multiple linear regressions were the main econometrics methods employed in this study to analyze the relationship between variables. Pearson's correlation coefficient (*r*) measures how strong is the correlation between two variables. Values of Pearson's correlation coefficient are always between -1 and $+1$ (Bhattacharjee, 2012). Whereas, the regression analysis makes it possible to predict the variable based on other variables. The data was analyzed using Statistical Package for Social Sciences (SPSS-Ver 20) software.

4. Results, analysis and discussion

In light of the research objectives and research questions, this section aims to present the data analysis, research findings, and their interpretation. This investigation's main goal is to determine how strategic planning affects the performance of public commercial banks. Inferential statistics are thus presented after descriptive statistics. Before analyzing the data, a reliability test was conducted under this part.

4.1. Reliability and internal validity testing

Cronbach's Alpha scale was used to measure reliability. The values range between 0.00 (no consistency) to 1.00 (perfect consistency). According to Sekaran and Bougie (2016), the alpha value is considered weak if it is less than 0.60, acceptable when the alpha score is between 0.60 and 0.70, good if it is between 0.70 and 0.80, and it is excellent if the value is greater than 0.80. As a result of this study, Cronbach's alpha is 0.83 which means that 83% of the variance in the scores are reliable variance. Therefore, 17% is error variance. As exhibited in Table 2, the instrument used in this study is reliable for further analysis.

Thus, the result of alpha indicates the data collection instrument is valid to assure internal validity, besides the sampling procedures applied.

4.2. Descriptive analysis of the strategic planning

The statistical descriptive analysis of respondents' perception of organization performance across the four strategic planning perspectives was analyzed and presented in frequency Table 3.

Upon analyzing the overall perception of respondents towards strategic planning perspectives, the aggregate mean and standard deviation scores were determined to be 3.72 and 0.46, respectively. According to the five-point rating scale criterion, strategy formulation received the highest rating at a large extent, with a mean score of 3.96 and a standard deviation of 0.644. Environmental scanning followed closely with a mean score of 3.80 and a standard deviation of 0.565, while strategy evaluation obtained a mean score of 3.78 with a standard deviation of 0.746. Strategy implementation received the lowest rating, with a mean score of 3.36 and a standard deviation of 0.765.

Table 2. Reliability test for strategic perspectives and performance.

No	Variables	Cronbach's alpha	Number of items
1	ES/OP	0.610	11
2	SF/OP	0.718	11
3	SI/OP	0.670	11
4	SE/OP	0.655	10
	Overall reliability	0.829	25

Source: Survey result (2022).

Table 3. Respondents' perception of banks' performance across strategic planning perspectives.

Strategic planning perspectives/Indicator variables and items	Symbol	Mean	SD
I. Environmental scanning	ES	3.80	0.565
The bank scanned its external influencing factors timely	ES1	3.68	0.985
The bank had mechanisms to scan its internal and external environmental factors	ES2	4.13	0.905
Environmental scanning minimizes unpredicted occurrences and helps manage associated risks	ES3	3.76	0.809
The firm analyzed its internal influencing factors timely	ES4	3.91	0.885
The firm had formal mechanisms to analyze its existing strategies, customers, and competitors	ES5	3.43	0.868
II. Strategy formulation	SF	3.96	0.644
The bank's vision and mission statements and long-term objectives formality and attainability status	SF1	4.04	0.887
The bank Employees involved in the formulation of short-term operational objectives	SF2	3.96	0.847
The bank's strategic plan is established by identifying & formulating its influencing factors wisely	SF3	4.15	0.812
Bank managers working towards goal achievement by using strategy formulation guiding alternatives	SF4	3.98	0.898
All the concerned bodies of the bank are aware of its goal.	SF5	3.92	0.831
III. Strategy implementation	SI	3.36	0.765
The bank executed its strategy its resources and communication with the staff members	SI1	3.31	0.975
The firm designs motivational and reward systems by communicating with its employees properly	SI2	3.38	0.960
The bank operated its strategy by basing its objectives and expected performance	SI3	3.45	0.884
The bank structurally facilitated the execution process by matching its strategy with its responsibilities	SI4	3.39	0.936
The firm puts policies into action via the development of programs, budgets, and procedures.	SI5	3.29	0.987
IV. Strategy evaluation	SE	3.78	0.746
The organization measured its actual performance timely	SE1	3.91	0.896
The business firm compared its performance with its objectives or standards	SE2	3.51	0.996
The firm recognized the difference and identified the reason for the deviation	SE3	3.81	0.915
The bank maintained alternative strategies for potential threats /Taking corrective actions	SE4	3.86	0.903
Overall strategic planning impacts performance	OP	3.72	0.460

Source: Survey result (2022).

This suggests that the selected banks placed significant emphasis on strategy formulation, indicating clearly defined and documented missions, visions, and goals. Environmental scanning and strategy evaluation were moderately emphasized, ranking second and third, respectively. As a profit-oriented public enterprise, the bank has a mechanism to scan the external threats and opportunities and analyze them to make an informed decision. In terms of evaluation, the firm has a culture of measuring performance on a regular basis, yearly. However, they were relatively weak in comparing results against objectives and identifying reasons for variations.

The results also revealed that strategy implementation received less emphasis, suggesting a need for the organization to focus more on executing the plan comprehensively. Hence, the bank is expected to do a lot by focusing on all aspects of its performance, specifically from the strategy implementation perspective. The study confirms a positive relationship between strategic planning perspectives and performance, aligning with previous findings by Mang'ana et al. (2017), Nyagaki (2022), Okwemba et al. (2021a), and Onikoyi et al. (2022).

Furthermore, descriptive analysis found that the standard deviations of the strategic planning dimensions had the lowest coefficient of variation, indicating that respondents were similar in their perceptions and pay close attention to the variables. This suggests that the effects of strategic planning on bank performance followed a normal distribution, indicating organizational satisfaction among respondents.

4.3. Descriptive analysis of the status of strategic performance

This study evaluates the current level of performance in CBE through the lens of strategic planning, considering six key elements outlined in Table 4.

These elements include employees' commitment, operational efficiency, service quality, customer satisfaction, market share, and organizational profitability.

An overall mean and standard deviation of ($M=3.68$, $SD = 0.464$) suggest that the constructed performance parameters significantly contribute to the organizational performance of banks. Among these parameters, profitability and customer satisfaction received the highest ratings, with mean of ($M=3.88$, $SD = 0.886$) and ($M=3.84$, $SD = 0.848$), respectively. This indicates that the selected banks prioritize profitability and customer satisfaction. These findings align with the bank's annual report of 2020/21, which highlights the achievement of the highest profit (USD 357.41 million) before tax in the history of CBE (2020/21). In addition, this result indicates that respondents were less varied in their opinion of the responses given under organizational performance parameters as their standard deviation spread ranged from 0.848 to 0.898. Hence, the finding shown in Table 4, is consistent with the literature reviewed. To deduce the result of the study inferential statistics are computed hereunder.

4.4. Correlation analysis

As depicted in Table 5, all strategic perspectives are significantly correlated with the organization's performance. As compared to others, strategy formation is strongly correlated ($r=0.742$), followed by environmental scanning ($r=0.665$), strategy evaluation ($r=0.631$), and strategy implementation ($r=0.454$). As the intercorrelation shows, the independent variables have a loose and significant correlation except for the correlation between ES and SI. This is one indication that multicollinearity does not exist. This finding contrasts with the results of Boateng et al. (2015), whose finding shows a weak but significant correlation between the degrees of strategic planning process formality and their institutional performance in Ghana private universities. In our study, however, the correlation between strategic planning and organizational performance is notably higher and statistically significant. Besides the correlation test for multicollinearity, VIF (Variance Inflation Factor) determines the strength of correlation between the independent variables, it is predicted by taking the variable and regressing it against every other variable. The VIF score

Table 4. Descriptive analysis for constructed variables and organizational performance.

Strategic performance indicator variables and items	Mean	SD
Employees are committed and highly motivated by the bank's delightful services	3.49	0.894
The bank's operational efficiency, really improving its financial performance competency	3.71	0.892
Employees/Customers' want/expectation is fulfilled by the bank's quality services	3.44	0.898
Customers are satisfied with the services offered by the bank.	3.84	0.848
The bank's market share (deposits) is continuously increasing	3.67	0.896
The profitability of commercial banks is continuously increasing	3.88	0.886
Performance of Banks	3.68	0.464

Source: Survey result (2022).

Table 5. Correlation matrix.

Variables	OP	ES	SF	SI	SE
OP	1				
ES	0.665**	1			
SF	0.742**	0.461**	1		
SI	0.454**	0.158	0.307**	1	
SE	0.631**	0.408**	0.435**	0.331**	1

Source: Survey result (2022).

**Correlation is significant at the 0.01 level (2-tailed). b. Listwise $N=80$

Table 6. Co-linearity statistics.

Variable	VIF	Tolerance (1/VIF)
SF	1.37	0.732601
SE	1.46	0.687285
ES	1.17	0.856164
SI	1.40	0.714796
Mean VIF	1.35	

Source: Survey result (2022).

Table 7. Breusch-Pagan/Cook-Weisberg test for heteroskedasticity.

Breusch-Pagan/Cook-Weisberg test for heteroskedasticity	
Ho: Constant variance	
Variables: fitted values of OP	
chi2(1) = 3.33	
Prob > chi ² = 0.0682	

Source: Survey result (2022).

of an independent variable represents how well the variable is explained by other independent variables. The recommended minimum standard for VIF is less than ten and tolerance is less than one.

This suggests that there is no multicollinearity or that the variables are not explained by other factors. Therefore, regression can be made without removing any of our explanatory variables. As a result, [Table 6](#) shows VIF value is very low (i.e. 1.35), this suggests that there is no multicollinearity or that the variables are not explained by other factors. Therefore, regression can be made without removing any of our explanatory variables.

Before the regression analysis, the presence of heteroscedasticity was checked using the Breusch-Pagan test. It is used to check whether the variance of the residual from the predicted value is dependent on the values of the independent variables.

From [Table 7](#), since the test statistic has a p -value above an appropriate threshold ($p < 0.05$) we do not have evidence to reject the null hypothesis that is a constant variance. This implies that our data is free of heteroscedasticity problems or that the variables have a constant variance from the stochastic term.

4.5. Regression analysis, coefficient determination and hypotheses testing

A multiple linear regression model was applied to determine the relation between the coefficient of strategic planning perspectives and organizational performance.

Results on the goodness of fit are presented in [Table 8](#). The findings designate that the study factors or the overall strategic planning perspectives were fittingly enlightening organizational performance. This deduction is reinforced by the finding of R square of 0.779, which shows that the explanatory variables jointly explain 77.9% of organizational performance, with the remaining 22.1% stated by variables not included in the model.

The multiple regression of OP on ES, SF, SI, and SE ([Table 9](#)) confirms the model is statistically significant as the value of significance was less than 5% ($\alpha=0.05$). The result revealed that strategic planning has a positive effect on organizational performance. From the table, the coefficients indicate there is a direct relationship between the dependent and independent variables.

Table 8. Goodness of fit/model fitness summary.

Model	Coefficient
<i>R</i>	0.883
<i>R</i> square	0.779
Adjusted <i>R</i> square	0.767
Std. error of the estimate	0.204
Significant.	0.000

Predictors: (Constant), ES, SF, SI, SE.

Dependent variable: OP.

Source: SPSS Regression Output, 2022.

Table 9. Relation between coefficient of strategic planning perspectives & bank's performance.

Model	Unstandardized coefficients		Standardized coefficients	<i>t</i>	Sig
	<i>B</i>	Std. error	Beta		
(Constant)	0.732	0.185		3.947	0.000
ES	0.255	0.047	0.341	5.382	0.000
SF	0.274	0.043	0.419	6.396	0.000
SI	0.105	0.032	0.190	3.231	0.002
SE	0.139	0.036	0.246	3.838	0.000

Dependent variable: strategic organization performance.

Source: SPSS Regression output, 2022.

The unstandardized coefficient constant beta (β_0) indicates that even if all the dependent variables are excluded or kept constant the organization's performance will change by 0.732. The model shows that with a unit increase in the degree of ES, OP was improved by 25.5 percent, holding all other independent variables constant. ES also accounts for 4.7 percent of the variation in OP. This implies that a unit decrease in the degree of ES (assessing the traits and opportunity) might have resulted in a decrease in the OP by 25.5 percent. This finding is in agreement with the results of Onikoyi et al. (2022); and Mang'ana et al. (2017) who studied the relationship and effect of environmental scanning of SP on OP.

Regarding the SF, SI, and SE their corresponding coefficient value is 0.274, 0.105, 0.139, respectively. They all have a positive relationship with the OP as the ES does. This result can be interpreted as a one percent change in SF, SI, and SE, keeping other variables constant, with results of 27.4, 10.5, and 13.9% of the variation/change in commercial bank's performance respectively. Each of those dependent variables also accounts for 4.3, 3.2, and 3.6, percent of the variation in OP respectively. This implies that a unit decrease in the degree of SF for example might have resulted in a fall in the OP by 27.4 percent. There was a substantial correlation between strategy formulation and organizational performance, according to the results of the multiple linear regression. These findings are consistent with those of other previously conducted studies, including those conducted by Owich et al. (2018); Maina (2020); Ngigi and Robert (2023); Baroto et al. (2014); Al Dhaheri et al. (2020). Following the analysis result from Table 9, the linear regression was derived as:

$$OP = 0.732 + 0.255ES + 0.274SF + 0.105SI + 0.139SE + \varepsilon_i \quad (3)$$

A plethora of literature also undoubtedly supports the positive impact of strategy implementation on organizational performance, as demonstrated by Mailu et al. (2018); Mathore (2016); Khoshtaria (2018); Onyegbula et al. (2023), Njagi and Kombo (2014). Similarly, this research revealed the positive and statistically significant impact of implementation on organizational performance. Concerning strategy evaluation, previous studies have revealed the positive impact of strategy evaluation on organizational performance (Okwemba & Njuguna, 2021b). In line with the outcomes of the previous research, this study also indicates the positive impact of strategy evaluation on the performance of commercial banks in Ethiopia.

In light of this, the hypothesis that all explanatory variables have an impact on organizational performance is accepted. This implies ES, SF, SI, and SE, have a positive and significant impact on the performance of selected commercial banks in Ethiopia. When the parameters' coefficients are compared, the

effect of SF and ES is higher; whereas the effect of SI and SE are relatively low. This may be due to a weak connection between day-to-day operations and the long-term strategic activities of the organization. The bank evaluates the environment and formulates the plan but when it comes to implementation it reverts slightly to the level that was anticipated.

5. Conclusion

The results of the correlation analysis reveal a positive and significant relationship between all independent variables with the dependent one. This indicates that a change in one of the strategic planning perspectives positively influences the other dimensions of strategic planning, subsequently enhance organizational performance.

Based on the findings related to strategic planning and organizational performance, it can be inferred that public commercial banks in the study area effectively engage in strategic planning. This, in turn, leads to a positive impact on organizational performance by fostering workers' commitment, enhancing customer satisfaction, increasing efficiency, and increasing market share. However, it is noted that the implementation of strategies was rated relatively weak compared to environmental scanning, formulation, and performance evaluation. From an overall assessment of organizational performance, it is evident there is room for improvement within the commercial bank. There is a need for greater emphasis on translating strategic plans into actionable steps for implementation. This underscores the importance for commercial banks to align their implementation efforts with the strategic vision, mission, and objectives of the organization.

5.1. Limitations and policy implications for further research

Despite the encouraging findings, this study has certain drawbacks. Firstly, it focuses solely on the impact of strategic planning on organizational performance, neglecting other crucial factors such as capital structures, liquidity, organizational structure, human capital, infrastructure, technology, and corporate governance system, all of which significantly influence a Bank's performance. Secondly, the study relies on primary data gathered from a limited number of branches of CBE. Utilizing long time-series data and employing both qualitative and quantitative analysis techniques could have provided more comprehensive insights. Lastly, the study's geographical focus on Eastern Hararghe, while a busiest commercial areas in the country may not represent the diversity of economic activities in other regions. Thus, researchers are encouraged other scholars to conduct broad-ranging research that takes into account private financial institutions, more variables, and different techniques of analysis to embrace multidimensional perspectives.

Policymakers should recognize the crucial role of strategic planning on the organizational performance measured in terms of boosted employee commitment, efficient utilization of resources, quality service provision, profitability, rising customer satisfaction, and market share growth. To achieve this, policymakers must prioritize service excellence aligned with the organization's vision and mission. This can be done via proper analysis of the external environment, setting a genuine plan, effective implementation of the plan, and timely evaluation of the outcome.

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Author contribution

The authors affirm that they each contributed equally to this research.

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Data availability statement

Available on request.

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