



# STRATEGIC PLANNING AND COMPANY PERFORMANCE OF HOSPITALITY FIRMS IN RIVERS STATE

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## ABSTRACT

*This study examined the relationship between strategic planning and company performance of hospitality firms in Rivers State, Nigeria. The research design adopted was Cross sectional comprising eight (8) hospitality firms in Rivers State Nigeria. The selected participants of the study were operating at managerial levels in their respective firms. In the bid to develop this work has an invaluable piece, secondary data were collected from relevant and reliable sources relating to strategic planning, and company performance of hospitality firms. The existing facts in the literatures set the tune for the primary study conducted as field survey, were sixty eight (68) copies of questionnaire were gathered and analysed using Spearman's rank correlation coefficient statistical tool. It determined the relationship existing between the variables, and the obtained p-value, were used to test the hypotheses formulated. Findings revealed significant relationship between the dimensions of strategic planning namely; strategic formality, time horizon, strategic control, and strategic implementation. It was then concluded that practices directed at boosting strategic thinking significantly contribute to better company performance for firms studied. This gave rise to our recommendations for hospitality firms in an environment beclouded with unprecedented changes, to adopt strategic managerial practices that will encourage more employee participation in strategic planning for hospitality sector wide success.*

**KEYWORDS:** *Competitive strategy, strategic implementation and sustainable competitiveness*

## INTRODUCTION

In the field of strategic management and entrepreneurship, company performance has been considered as one of the ultimate criterion variables ((Shehu & Mahmood, 2014). It is central to all other business activities either at the top management or mid-operational level. Most companies are established for the sole purpose of profit-making. How much a company has realized is dependent on how well or bad it has fared within the business year. Therefore, high company performance is obviously preferred and requires adequate and diligent planning known

to a majority of business scholars as strategic planning (Shehu & Mahmood, 2014).

Going forward, Strategic planning according to Ocasio and Joseph (2008) is a purposeful act to formulate productive strategy. Strategic planning can be a formalized procedure seeking to produce a specific result. Trkman (2010) deduced that strategic planning is the most common tool employed by successful SMEs, aiming to provide suitable direction using available resources at the best place, time and objectives (Johnson, Whittington, Scholes, Angwin, & Regner, 2014).



According to Morgan (2012), the success level of the business compared to market competition could determine company performance. Trkman (2010), seconded the motion stressing that evaluation is a critical issue. Hence, the facts of company's true state of affairs involves auditing of the entire organization. However, the reality of customer brand loyalty, increase in sales volume, customer satisfaction, rise in market shares and adequate return on investment are integral components of firm performance (Morgan, 2012). A research involving managers of organizations in 15 countries around the world, Aldehayyat (2011) revealed that 81% of the organizations regularly assess the relevance of strategic planning than other topics in management sciences.

The hospitality industry in Rivers State, has been affected by many social and environmental factors in the state, such as rising number of communal clashes, political wars and more recently, the alarming rate of kidnapping and serial killings of young women in some hotels within the state. Therefore, the hospitality industry require dynamic capabilities (Aldehayyat, 2011) to adapt to the hostile changing environment in order to grow and compete with their business rivals within and outside Rivers state. Chon and Olsen (1990) argued that sound management decisions would enable in order for hospitality firms to sustainable for years to come.

By this, The aim of the study is to theoretically review how strategic planning would lead to company performance in the hospitality industry; It shall empirically assess the relationship between strategic planning and company performance of hospitality firms in Rivers state Nigeria.

## LITERATURE REVIEW

### Concept of strategic planning

According to Chandler (1990) strategy is the determination of the long-run goals and objectives and the adoption of courses of action, and allocation of resource necessary for achieving the set goals. A strategic company can attain competitive advantage over competitors through a competitive strategy (Porter, 1996).

Competitive strategy makes the difference. It involves deliberate selection of different set of activities to deliver a unique mix of value. It is mostly achieved through a process referred to as strategic planning. Notable scholars have argued that firms that engage in strategic planning tends to have higher company performance (Johnson et al., 2014).

Strategic planning has enabled firms to deal with the changing environment by adjusting many aspects of the business operations. Strategic planning is crucial for a sustainable competitiveness (Aldehayyat, 2011). Stonehouse and Pemberton (2002, p. 854), argued that strategic planning is the center of long-term objectives, having implementation of plans designed to fit the purpose of the business. Daft (2012, p. 180), deduces that strategic planning is the act of determining goals and defining the means for achieving them. Over the years management literatures tends to recognize the value of planning. A quote attributed to Benjamin Franklin states that, 'if you fail to plan, you have planned to fail'. Critically, these words have inspired some managers to invest on long term goals and be forward thinking while others engages in short term/sighted business practices which are less strategic but less risky and brings back quicker return on investment.

### Contingency plan and company performance

According to Al-Shaikh (2001), the benefits of strategic planning are arguably presentable in various ways. Essentially, these include the aspect of generating adequate information, evaluation of all feasible options, considering the business environment, innovative ideas, motivation and quality communication. Strategic planning is interchangeable as Long-term planning, it is important not only for SMEs but also for large corporations. Strategic planning enables the firms to seize available opportunities (Drucker, 2018).

Drucker (2018), argues that strategic plan is needed not only in manufacturing firms but also across all industries including hospitality firms in order to raise nationwide company performance.

A wide range of literatures have deliberated on the importance of strategic planning. Many but to mention few are; Kraus, Piff, and Keltner (2011), demonstrated that strategic planning can be seen as preparation for the future and a strategic contingency plan to manage environmental complexities. In same light, Miller and Cardinal (1994), argued that strategic planning is indeed relevant for SMEs and large corporations to maintain a sustainable capacity in an unstable business environment. Holland, Clark, Katz, and Peace (2007); Wheelan and Hunger (2008) equally claimed that there is a strong link between strategic planning and organizational success. Similarly Sexton and Van Auken (1985), proposed the inclusion of strategic planning to business procedures for it brings about effectiveness and efficiency. Johnson et al.



(2014), note that proper strategic planning is a key successful business character. Notwithstanding the fact that the situation determines the approach.

Some scholars have gone forward to generate frameworks such unidimension of strategic planning, for example expressing strategic plan as a formality in board meetings, Veskaisri, Chan, and Pollard (2007); O'Regan and Ghobadian (2007); the other focused on time horizon which translates to managers default position to follow a short term or a long term plan, regardless of the resources available (Rhyne, 1986). Going forward, others have expanded the boundary of knowledge for strategic planning through the investigation for multi-dimensions. Notably (Holland et al., 2007); in their multi-dimensions research investigated four dimensions namely strategic formality, time horizon, strategic control, and the use of empirical measurement tools. They took a bold step to seek relationships between dimensions, more than one ways to strategically plan for the future, ruling out unidimension to strategic planning, for it may not be appropriate in all environment, time horizon, for all organizational resources including finance and human resource. A contingent strategic plan may not be consistent for posterity sake but by it, management and employee participation levels can be measured with a high degree of accuracy and reliability. Critical factors that may be barriers to implementation would be eradicated through formal board resolution based on results from environmental scanning (Aldehayyat, 2011).

### **Strategic implementation and company performance**

According to Daft (2012) Company performance is defined as the way a firm has utilized its resources in achieving the short or long term organizational goals. Ocasio and Joseph (2008), defined company performance as the level at which the SMEs or corporations have successfully implemented the strategic plans. According to (Daft, 2012), the measurement of company performance is essential, to determine the best way to implement a concurrent plan for better performance. The evaluation of company performance is expected to include the measurement of both financial and non-financial resources, to ascertain the true state of affairs of the company. In the studies (Veskaisri et al., 2007), company financial performance was the focus, through calculation for profitability ratios. However, Veskaisri et al. (2007) stated that the financial performance measurement alone is a limitation. it is insufficient and problematic to

generalize financial standing as overall company performance. Either objective and subjective perspectives in the form of triangulation, have been suggested to be proper ways of implementation. However there are very limited research still that has considered a pluralist approach. Johnson et al. (2014), argued that both objective or subjective measures can be applied, but only few researchers have managed to implement strategic plans based on management or employee involvement and not the traditional review of financial status. Shehu and Mahmood (2014), argued that implementation is fruitful using results based on financial data, preferably easy to analyze using the right digital tools, they are objective and hardly influenced by counter opinion. However, the question is whether firms are willing to disclose relevant and confidential financial data if not for legal compliance.

Existing literatures have pointed out that it is somehow challenging to obtain complete financial report in public domain. For this reason, where there is high human capital input like the hospitality firms, subjective measures can be helpful to determine company performance. Progressively, the research in-view shows effort been made to retrieve non-financial data where appropriate. In this case, data is based on eight(8) functional departments of hospitality firms in Rivers state. It is most appropriate been that the hospitality firms in the study are service-based having higher rate of human resource influence (Daft, 2012).

### **Relationship between strategic planning and company performance**

Existing literatures (Shehu & Mahmood, 2014) are concerned about the essence of strategic planning in manufacturing and service organizations; (Trkman, 2010) the relationship between Hospitality and Strategy. They revealed strategic planning and its relationship with company performance, but very little is said about the concept in regard to hospitality firms. In line with that assumption, Holland et al. (2007) argued that research on strategic planning has not slowed down over the years, despite the overuse of the planning as a concept, it is still relevant till date. It is important to examine the impact of strategic planning on company performance across industries in order to enjoy better economic development (Miller & Cardinal, 1994).

From Global sources reviewed, it was found that Athiyaman and Robertson (1995) investigated strategic planning in Austrian hospitality firms, tourism and manufacturing companies. They found that there are no statistically significant differences between the



sectors in relation to the four dimensions of strategic planning. (Navleen, 2015) conducted a comparative study within the Indian hospitality firms. It was discovered that a relationship between strategic planning dimensions and business performance, but challenges in the implementation varied from region to region. This necessitates an empirical study that draws on the peculiarity of chosen population of study, in terms of strategic planning and company performance. In this case, it is about the hospitality firms in Rivers state, Nigeria.

Lucky et al. (2012) studied strategic planning in Nigeria Banks; they found out that strategic planning improves better company performance. They identified a significant positive relationship between formal planning process and company performance. Similar studies in Egyptian organizations revealed that strategic planning practice is positively related to company performance. However, Ocasio and Joseph (2008) in their own study revealed that the customer perception about the star ratings of the hotels, employees cooperation with management change was a positive performance determinant (Shehu & Mahmood, 2014). Between the five star hotels and Michelin restaurants the amenities that make the difference are quality accommodation and room services, high class chefs and meals, competitive advantage with efficient airport shuttle, safe and spacious parking, state-of-the-art fitness centre. A research on Chinese hospitality firms

uncovered the fact that strategic planning by the functional departments from gate keeper to receptionists to room attendants, and chefs leads to higher star rating, which goes to improve customer loyalty and the better the company performance (Lucky et al., 2012).

This research provides new empirical evidence as latest material about the relationship between strategic planning and company performance with dimensions relating to contingent plan explored through environmental complexities and strategic implementation beginning with proper measurement of organizational factors for strategic response to the performance of the functional departments.

## METHODOLOGY

This study adopted a cross sectional survey research design in studying eight (8) hospitality firms which constitutes our accessible population, however our study units include the managerial employees of the firms having that our unit of analysis is at organizational level of the organization. The human resource department provided us the data on functional departments within the organization. Out of one hundred and sixty nine (169) employees; sixty eight (68) copies were retrieved and analyzed; the instrument with which we elicited data from the respondents is the questionnaire and was analyzed using Spearman's Rank order coefficient of correlation statistical tool.

## RESULTS AND DISCUSSION

**Table 1.1: Spearman' rank order correlation coefficient: A test of association between the variables**

		Strategic.Planning	Company.Perf
Spearman' rho	Correlation Coefficient	1.000	.864**
	Sig. (2-tailed)	.	.000
	N	68	68
	Correlation Coefficient	.864**	1.000
	Sig. (2-tailed)	.000	.
	N	68	68

*SPSS output, Version 20 – Field Survey, 2019*

Table 1.1 presents Spearman's rank order correlation run to ascertain the relationship between strategic planning and company performances reported by sixty eight (68) respondents. A strong positive correlation coefficient value was reported between variables which were statistically significant ( $\rho = .864^{**}$ ,  $p = .000 < 0.05$  (alpha value) this suggests that there is significant relationship between strategic

planning and the criterion variable (company performance)

**Decision:** The null hypotheses stated are rejected and we state that there is significant relationship between the strategic planning and company performance of selected hospitality firms in Port Harcourt.



## DISCUSSION OF FINDINGS

The study examined the relationship between strategic planning and company performance of selected hospitality firms in Port Harcourt. The hypothesis raised was tested to find support for the propositions, thus;

The result of the tested  $H_{01}$  reported the existence of a significant relationship between strategic planning and company performance; ( $\rho = .864^{**}$ ,  $p = .000 < 0.05$ ); this empirical position is in consistence with the view of (Aldehayyat, 2011) who asserted that strategic planning is crucial for a sustainable competitiveness.

Stonehouse and Pemberton (2002) also argued that strategic planning is the center of long-term objectives, having implementation of plans designed to fit the purpose of the business.

According to Al-Shaikh (2001), the benefits of strategic planning are arguably presentable from various points of view. Essentially, these include the aspect of generating adequate information, evaluation of all feasible options, such as the business environment, innovative ideas, motivation and quality communication.

## CONCLUSION

Empirical reports from data analyzed lend the following conclusions relative to the scope of our study;

Strategic planning directly relates with company performance; having that strategic management is not just a set of rules to follow but a philosophical approach to business undertakings, therefore managers think and apply the thought in business processes to achieve result.

Accordingly, strategic planning is significantly related with company performance in that; it clarifies the vision of the business by aiding the definition of short and long term business objectives, identifies the process of how to accomplish the business goals and pass the knowledge unto organizational members.

### Recommendations of the Study

From the prior findings and conclusions reached relative to the variables studied, the following are the recommendations;

- i. Strategic thinking within the organization should be encouraged to boost the knowledge, technologies, and sustain the environment where hospitality businesses operate.
- ii. For the fact that economic situations are fluid, managers are advised to continually develop contingent approaches in achieving organisational goals and objectives.

- iii. The Successful implementation of a strategic plan is critical to theoretical underpinnings been justified. Therefore managers should improve on their emotional intelligence to enable employees understand their duties and responsibilities for the achievement of the organisational goals and objectives.
- iv. Finally to ensure best outcomes in implementation, the strategic planning and execution stages should be closely monitored.

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