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ASSESSMENT THE ROLE OF FORMAL STRATEGIC PLAN IN FIRM PERFORMANCE

Mahad Ahmed Jimale

Student, MBA (Strategic Management), University of Somalia [UNISO], Mogadishu, Benadir, Somalia

ABSTRACT

This research aims to analyse the drivers of Formal strategic Plan to high levels of organizational performance. The study has the following objectives; The objective of this study was to examine the role of organizational Structure on Firm Performance for the University of Somalia in Mogadishu-Somalia. The second object is to identify the impact of environmental turbulence on firm performance. Finally, to determine the effect of Firm Size on firm performance. The study was utilized descriptive research design in order to describe the variables of the study. The target population of this study was 176 and sample size of 122. The Data was being collected used structured questionnaire as a research instrument. The data was being analysed using percentages, frequencies and regression analysis with the help of Statistical Package for Social Science (SPSS version 25). most of the respondents agreed that Strategic planning is a set of concepts, tools and procedures that organizations use to develop strategic Guidance and achieve the objectives of the organization which also improve the performance of the organization. The respondents agreed that When organizational Structure improved can increase firm performance. The study sought to establish the effects of Environmental turbulence on firm performance. From the findings indicated that the most of the respondents agreed that Dynamic environment effects firm performance. The study sought to establish the effects of Environmental turbulence on firm performance. From the findings indicated that the most of the respondents agreed that Dynamic environment effects firm performance According to the firm performance the findings indicated that the most of the respondents agreed that Firm performance can reduce Employee Turnover. The results and findings indicated that stakeholders or board of directories and top management must follow the step that increase the performance of the organization. The researcher recommends Stake holders should increase formality of its strategy which increases the performance of organization and also recommended the stakeholders to formulate the structure of the organization which helps top management to control the performance of the organization. According to the limitations there are numerous limitations but some of them are security, the environment because the university have many campuses, so that you cannot get all staffs you need at one time and finally there was also the limitation of the scarcity of time and money resources. The top management were very sensitive with the relevant information fearing leakage of vital information to competitors.

KEYWORDS: *Formal Strategic Plan, Organizational Structure, Environmental Turbulence, Firm size and firm Performance*

1. INTRODUCTION

Not only formal strategic planning undertaken by organizational service but it is one of the most important indicators of top management's commitment to developing and implementing coherent and comprehensive organizational strategies (Bryson et al., 2011). It is also a key resource for promoting comprehensive public management in a democratic society.

Formal Strategic planning is a combination of ideas, actions and tools that uses by organizations when determining their overall strategic direction and the resources essential to achieve organization's strategic objectives (Bryson, Berry, & Yang, 2010). Although parts of strategic planning are common to all forms of organizations, the application of planning processes requires to be carefully tailored to Organizational sector environment when we applied to Organizational services (Elbanna, Andrews, & Pollanen, 2016).

1.1 Statement of the problem

Most organizations spend most of their time understanding and responding to unexpected changes and problems instead of anticipating and preparing for them, This is called crisis management. Organizations caught off guard, and may spend a great deal of time and energy playing catch up. They use up their energy coping with inundated problems with little energy to anticipate and prepare for the next challenges. This is a vicious cycle that locks many organizations into a reactive position. This research study is to determine the impact of formal strategic planning on organizational performance, which at the long run enhances organizational survival.

The purpose of this study was to determine how, why and whom with what effect formal Strategic Plan uses in strategic decision making. As these questions had been view little studied in the past, it seemed as important to use a quantitative method to obtain as rich as database on the topic as possible. It was decided to focus on understanding the role of formal strategic plan in firm Performance for Some Selected Organizations in Mogadishu Somalia. The research study focused on strategic decisions taken in organizations. In addition, Some Organization in Mogadishu Somalia chosen were involved in some kind of formal strategic planning which had a more general focus so special attention was given for examining the role of formal strategic planning process. The full results of the entire study can be found. In this study we restrict our attention to the data that was collected on the roles of formal strategic planning in the Some Selected Organization in Mogadishu Somalia.

1.2 General Objectives

The general objectives of this study is to examine the the role of formal strategic plan in firm performance in a developing countries (Somalia).

Most of researchs done is based on the developed countries situation Given the fact that the role of formal strategic planning is fast being embraced in the developing countries, it is important that the effects of this practice is researched and documented.

1.2.1 Specific Objectives

1. To examine the role of organizational Structure on Firm Performance.
2. To identify impact of environmental turbulence on firm performance.
3. To determine the effect of Firm Size on firm performance.

1.4. Research Questions.

1. What is role of Organizational structure on Firm Performance?
2. What is the impact of environmental turbulence on firm performance?
3. What is the effect of Firm Size on firm performance?

1.5. Justification

The findings of this study were helpful to the many organizations that has a Problem within its strategic Plan in Mogadishu- Somalia for making the formal strategic Plan and implementation and the Firm Performance. Most organizations in the city does not have formal Strategic plan, while some of them does not apply the strategy they formed.

The Results of this study are beneficial to the following groups of people

1. Formal strategic planning process can ensure top managers are on the same page!
2. Formal strategic planning is more extra likely to result in top managers paying attention to the same important problems at the same time
3. Formal strategic planning systems can help groups to deal effectively with conflicts

1.6. Scope

The study was limited to the role of formal strategic plan in firm performance in University of Somalia [UNSIO] in Mogadishu-Somalia. This study was focused on one of the main cities which Mogadishu. This was selected because this city is the capital of the country and also holds the largest Universities in the country. In addition to that the required respondents of the study are easily accessible in this university in order to get the needed information.

1.7. Limitations of the study

Similar to other studies, this research has several limitations that provide directions for future studies. The research findings are limited to the Formality of Strategic plan in firm performance with a case study of University of Somalia [UNISO] in Mogadishu-Somalia. The study of formal strategic planning and firm performance is a very complex activity, therefore to gather rich data on such research work may be best accomplished if the researchers adopt mixed method for data gathering techniques. This was improved the

understanding on strategic planning and firm performance relationship.

2. LITERATURE REVIEW

Strategy is a term that virtually every business person believes they know and understand. Despite numerous studies proved that there is no commonly accepted and universal definition (Ghobadian & O'Regan, 2002). the term strategy is often used in a contradictory manner, today the definition of strategic planning include terms such as corporate focus, strategic thrust or strategic committed (Bhatty, 1981; Rosenberg Hansen & Ferlie, 2016).

2.1 Formal Strategic Plan

Formal Strategic planning can be described as a process of using the systematic criteria and difficult investigation to formulate, implement, and control the strategy, and formally document organizational expectations. Past studies of manufacturing firms have indicated that strategic planning results in superior financial performance, measured in terms of 'generally accepted' financial measures (e.g. Sales, net income, ROI, ROE, ROS). Subsequent studies (Åge, 2015; Andrews, Boyne, Law, & Walker, 2009; Bisbe & Malagueño, 2012) have contradicted the notion of a strategic planning–superior performance relationship. However, more recent studies provide convincing and evidence that strategic planning does indeed result in greater financial performance. The fact that these studies accounted for factors that responsible for past research contradictions (e.g., methodological flaws, non-robust statistical methods) provides additional support for their conclusions.

2.2. Organizational Structure

The firm's organizational structure is a critical to its information processing capability and has a significant influence on the context and the nature of human interactions (D. Miller, 1987). Previous research has investigated the relationships between structure and strategy and between structure and environmental uncertainty, structures. Organizations may be viewed as being either mechanistic or organic (Zaim, Demirbag, Glaister, Dincer, & Tatoglu, 2008). Organizations relying on organic structures are characterized by a high level of mutual change and tends to encourage flexibility and decentralized decision making. In contrast, a mechanistic organization is characterized by a higher level of standardization and formal rules to facilitate control and coordination, which in turn favourably influences the organization's choice of formal strategic planning practices (Baker, 1992), Assessed organization structures along formalization, centralization and structural integration dimensions and noted that formalization had a significant and positive impact on the rationality of strategy making approaches. The nature of the external environment (varying from very uncertain and unstable to certain and stable) will influence the organization's structure adopted by the firm (Schwenk & Shrader, 1993).

Environmental instability may influence organization's structure where managers develop more flexible mechanisms to cope with uncertainties stemming from the lack of clarity in the operational environment. Uncertainty relates to the level of unpredictability of changes in customer tastes

2.3. Environmental turbulence

The external environment of the firm has a high intuitive appeal as a factor that may influence the planning-performance relationship (L., 2013) "Environment" is normally taken to mean those forces acting on the firm beyond the control of management (French, Kelly, & Harrison, 2004). note that although studies have found that certain aspects of strategic planning are associated with performance, theory also predicts that these associations will be influenced by external environment (Zaim et al., 2008). Note that if one of the purposes of strategic planning is to guide the organization in its relationships with the environment then organizations that accurately project and anticipate environmental changes should display an uncommon or distinctive level of performance. In this sense strategic planning process may be more useful in a turbulent environment than a placid one (D. Miller, 1987).

2.4. Firm Size

Strategic planning is often seen as to more useful management tool for relatively larger firms, but its appropriateness and use by small and medium size firms has also been highlighted (Brinckmann, Grichnik, & Kapsa, 2010). Identify as a major methodological concern the influence that a firm's size may have on the planning-performance relationship. They call for explicit research consideration to firm size, particularly in regard to how this variable may interact with the formality dimension. Size has been argued to be a significant contingency variable to be measured when designing effective strategic planning systems (Pearce, Freeman, & Robinson, 1987). It may be further argued that in large organizations the strategic planning system functions as a co-ordination mechanism to integrate and control various parts of a firm (Zaim et al., 2008). Argue that as larger firms are more complex and require more control and integration, strategic planning may affect their performance relatively more. Small firms, tend to relinquish formal strategic planning process since they operate in relatively less complex industry environments and their internal operations are highly manageable by a single manager or small group of managers, without the need to engage in comprehensive planning (Pearce et al., 1987).

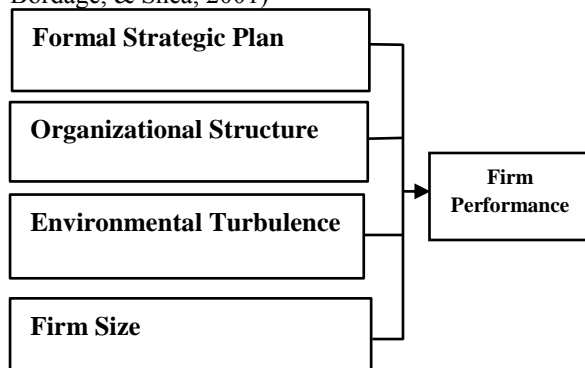
2.5. Firm Performance

It is generally recognized that it is difficult to select a single measure of firm performance (C. C. Miller & Cardinal, 1994) notes that the formal strategic management literature lists several quantitative

objectives that can be set to guide performance over a period of time, as well as qualitative objectives. note that the dependent (performance) variables have been measured in numerous ways in the literature (C. C. Miller & Cardinal, 1994). And point out that some performance variables may be more susceptible than others to strategic planning intervention. Generally further argues that despite obvious difficulties in measuring qualitative objectives, there is a strong identical case that they should be included in assessments of performance (S., 2018). Therefore, care needs to be taken in identifying the adopted measures of performance.

2.6. Conceptual Framework

Most research reports cast the problem statement within the context of a conceptual or theoretical framework. A description of this framework contributes to a research report in at least two ways because it identifies research variables and clarifies relationships among the variables. Linked to the problem statement, the conceptual framework sets the stage for the presentation of specific research question that drives the investigation being reported. For example, the conceptual framework and research question would be different for a formative evaluation study than for a collective study, even though their variables might be similar. Scholars argue that a conceptual (theoretical) framework always underlies a research study, even if the framework is not articulated (McGaghie, Bordage, & Shea, 2001)



Independent Variable (IV) Dependent Variable (DV)

Figure 2. 1 Conceptual Framework.

2.7. Research gaps

Various studies have been conducted on strategic planning and organizational performance both locally and internationally. First, According to (Falshaw, 2006) A study on Evidence on formal strategic planning and company performance and established that there is no relationship between formal planning process and subjective company performance (Falshaw et al., 2006). Second, (Rintari & Moronge, 2014) Investigated , a study to analyse the role of strategic planning practices on the performance of public institutions in Kenya this study established that environmental scan in strategic planning contributed most to the organizational performance of Public Service

Commission of Kenya followed by stakeholders’ involvement then resources allocation while communication contributed the least to organizational performance of Public Service Commission of Kenya (Rintari & Moronge, 2014). Thirdly, Yusuf, Mohamud & Hussein (2015) Discussed a study on the relationship between strategic management and organizational performance in Mogadishu-Somalia, The findings revealed the existence statistically significant has a positive relationship between strategic management and organizational performance, the study also indicate that there is a statistically significant moderate positive relationship between strategic management and organizational performance on the basis of the findings (Yusuf, Mohamud, & Hussein, 2015). All the above research studies were focused on strategic Management and performance and their findings cannot be mentioned of the formality of that strategy. Finally, according to the Existing Literature, there is allot confusion for the Role plays formality of strategy on the performance of the organization, that is why I am doing this research to Explain this Gaps and Show if this gap is exist or not.

3. METHODOLOGY

The target population of this study is 176 (according to current staff at UNISO as confirmed by Ahmed Abukar Ahmed HR Director) in Mogadishu-Somalia. Sample size measures the number of individual samples measured or observations used in a survey or experiment. The data collected was sorted, organized and analysed with the help of Statistical Package for Social Sciences (SPSS Version 25). This study also Primary data was used to collect data using questionnaire.

$$n = \frac{N}{1 + N(e)^2} = \frac{176}{1 + 176(0.05)^2} = 122.$$

Where N is the population size, n=Sample Size and e is the margin of error

4. RESEARCH FINDINGS AND DISCUSSION

This section of the study presents the background information of the researchers’ respondents those who participated in the study.

From the data collected, out of the 122 questionnaires administered, 122 were filled and returned, which represent 100 % response rate.

4.1 Reliability Statistics

Cronbach’s alpha was used to determine the internal reliability of the questionnaire used in this study. Values range between 0 and 1.0; while 1.0 indicates perfect reliability Cronbach Alpha value is widely used to verify the reliability of the construct. Therefore, Cronbach Alpha was used to test the reliability of the proposed constructs. The findings indicated that Organizational Structure had a coefficient of .676, Environmental Turbulence of 1.000 and Firm Size had a coefficient of .659. The

results indicate that the questionnaire used in this study had a high level of reliability.

4.2 Descriptive Statistics

The study sought to establish the demographic data of the respondents. The researcher began by a general analysis on the demographic data obtained from the respondents which included; the gender, duration of existence and the key players in the telecommunication companies in Mogadishu Somalia. This research targeted 122 participants in regard to establishing the role of formal strategic Plan on firm performance in university of Somalia in Mogadishu and 122 questionnaires were generated.

4.2.1 Response of Gender distribution

The descriptive statistics of the study indicated that 106 (86.9%) of the respondents were men while the remaining 16 (13.1%) were women, this clearly shows that the most UNISO staff are male.

4.2.2 Response of age group

From the table 4.4, shows that 3 (2.5%) of the UNISO staff have been in existence for at least 20 years, 66 (54.1%) have been in existence for 21-30years, 41(34.4%) for 31-40 years and 11 (9%) have been in existence for 21-30 years. These results are consistent with Visvanathan et al, (2006). As one of the major companies processing occupations of mankind and in ancient times economically and socially backward people were employed in this profession. This clearly indicates that majority of the University of Somalia have been there for long between 21 up to 30 years.

4.2.3 Marital Status

The descriptive statistics of the study indicated that 94 (77.0%) of the respondents were Married while the remaining 28 (23.0%) were women, this clearly shows that the most UNISO staff are Married dominated.

4.2.4 Level of education

The descriptive statistics of the study indicated that there are numerous levels of education in university of Somalia. Most of the respondents 71 (58.2%) holds Master's Degree, while Bachelor Degree holds 44 (36.1%), while PHD Degree holds 5 (4.1%) and the least respondents Have no Degree 2(1.6) %.

4.2.5 Job Title

According to the job title the study indicated that almost 91 (74.6%) of the UNSO staff are lecturer. While 31(25.4%) are office holders.

4.2.6 Work Experience

The descriptive statistics of the study indicated that there are numerous levels of education in university of Somalia. Most of the respondents 38 (31.1%) have experience of 5 years & above, 37 (30.3%) have experience of 3-4 years, 33 (27.0%) have experience of 1-2 years and finally the least of the experience 14(11.5%).

4.3 Data Analysis and Presentation

4.3.1 Formal Strategic plan

The study sought to establish the effects of formal strategic Plan on firm performance. From the findings indicated in table 4.9 most of the respondents agreed that Strategic planning is a set of concepts, tools and procedures that organizations use to develop strategic Guidance and achieve the objectives of the organization. a mean of 4.40, the respondents agreed Formal Strategic plan has direct influence on continuous strategy implementation achievement by a mean of 4.40 and a mean of 4.40 Formal Strategic planning can be described as a process of using the systematic criteria and difficult investigation to formulate, implement, and control the strategy and finally the respondents agreed The significance of performance and formal strategic planning have been a central area of investigation for researchers over the past three decades with mean of 4.40.

4.3.2 Organizational Structure

The study sought to establish the effects of organizational structure on financial performance. From the findings indicated that the most of the respondents agreed that When organizational Structure improved can increase firm performance by mean of 3.36, If organizational Structure come from top to down has a positive impact on firm performance by a mean of 3.27, Organizational structure plays important roles on firm performance by mean of 3.67 and finally the respondents agreed If the organization have a good vision, mission and objectives can develop firm performance with mean of 3.83.

4.3.3 Environmental Turbulence

The study sought to establish the effects of Environmental turbulence on firm performance. From the findings indicated that the most of the respondents agreed that Dynamic environment effects firm performance. by mean of 3.48, Environmental Turbulence and Market size have an impact on firm performance.by a mean of 4.41, Environmental turbulence interconnects between strategic planning and firm performance by mean of 3.11 and finally the respondents agreed Environmental turbulence has impact on firm performance with mean of 3.08.

4.3.4 Firm Size

The study sought to establish the effects of Firm Size on firm performance. From the findings indicated that the most of the respondents agreed that Large firms have better profit than the small firms. by mean of 3.49, Firm size influences the performance of the organization. by a mean of 3.34, The relationship between innovation strategy and firm size can control firm performance by mean of 3.32 and finally the respondents agreed Firm size has a positive relationship on firm performance with mean of 3.21.

4.3.5 Firm Performance

The final step is to discuss the result of our final variable which is firm performance. From the findings indicated that the most of the respondents agreed that Firm performance has direct Relation to Return on Asset. by mean of 3.49, Firm performance can reduce Employee Turnover. by a mean of 3.28, Firm Performance can increase Employee Productivity.by mean of 3.23 and finally the respondents agreed Firm Performance can Influence Gross Margin Revenue with mean of 3.15.

4.4 Regression Coefficients

Table 4.14 presents the regression results on how: formal strategic plan, environmental turbulence, organizational Structure and firm size determine firm performance of the university of Somalia [UNISO] in Mogadishu Somalia. The multiple regression equation was that: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ and the multiple regression equation

Where:

Y represents the dependent variable, firm performance

β_0	Constant	β_1	Regression coefficient
X_1	Formal strategic Plan	X_2	Environmental Turbulence
X_3	Organizational Structure	X_4	Firm size

ϵ error term

$Y = 0.922 + 0.100X_1 + 0.062X_2 + .129X_3 + .378X_4 + \epsilon$. As depicted in table 4.14, there was positive and significant effects of Formal Strategic Plan on firm performance ($\beta = 0.100$; $t = 1.150$; $p < 0.05$). There were positive and significant effects of organizational Structure on firm performance ($\beta = 0.129$; $t = 1.464$; $p < 0.05$). However, there was positive effects of training and development on Firm performance ($\beta = 0.92$; $t = 0.896$; $p > 0.05$). These findings are reliable with the work of (Khan, et al., 2013) which showed that employee motivation was found to be significantly and positively correlated with performance. The findings were further consistent with that Pal (2013), who showed that there is positive and significant relationship between employee motivation and employee performance. Furthermore, it is in line with (Pratheepkanth, 2011), (Danish, 2015), & (Kimani, 2012). These studies confirmed items formal Strategic Plan, Organizational Structure, Environmental Turbulence and firm size had positive significant effects on firm performance.

5 MAJOR FINDINGS

In this section we present the summary of the findings of the study, draw conclusions, make recommendation and suggestions for further research in line with the objectives of the study which aimed at determining the influence of strategic planning practices on the performance

According to the relationship between formal strategic plan and firm performance of university of Somalia (UNISO) in Mogadishu Somalia. From this research, it was found that there is a positive correlation between formal strategic plan and firm performance. Correlation and regression result showed that ($r = 0.183$, $P < 0.05$), ($\beta = 0.100$; $p = 0.05$) respectively. Therefore, an increase in use of formal strategic Plan led to increase in firm performance. A unit increases in formal strategic Plan would lead to increase in the firm performance of University of Somalia, in Mogadishu by a factor of 0.183.

The second objective of the study was to establish the effect of Environmental Turbulence on firm performance of UNISO in Mogadishu, Somalia. Based on the results of this study Environmental Turbulence affects firm performance of UNISO in Mogadishu Somalia the findings indicated that firm performance increased by 0.434. while Regression and correlation results ($\beta = r = 0.434$, $p = 0.01$) indicated that that there was a positive and significant relationship between Environmental Turbulence and firm performance in university of Somalia, Mogadishu Somalia. This agreed with the study conducted by (Kimani, 2012) as well as Khan, et al. (2013) and (Pratheepkanth, 2011).

The third objective of the study was to establish the effect of firm size on firm performance of UNISO in Mogadishu, Somalia. Based on the results of this study firm size affects firm performance of UNISO in Mogadishu Somalia the findings indicated that firm performance increased by 0.434. while Regression and correlation results ($\beta = r = 0.527$, $p < 0.05$) indicated that that there was a positive and significant relationship between firm size firm performance in University of Somalia, Mogadishu Somalia. This agreed with the study conducted by Kimani (2012) as well as Khan, et al. (2013) and Pratheepkanth (2011).

The final objective of the study was to establish the effect of organizational Structure on firm performance of UNISO in Mogadishu, Somalia. Based on the results of this study organizational Structure affects firm performance of UNISO in Mogadishu Somalia the findings indicated that firm performance increased by 0.406. while Regression and correlation results ($\beta = r = 0.406$, $p < 0.05$) indicated that that there was a positive and significant relationship between firm size firm performance in University of Somalia, Mogadishu Somalia. This agreed with the study conducted by Kimani (2012) as well as Khan, et al. (2013) and Pratheepkanth (2011).

5.1 Conclusions

Based on the findings of this study, the following conclusions were drawn. The results reveal that formal strategic Plan, Organizational Structure, firm size and Environmental Turbulence have significant and positive effects on firm performance for the university of Somalia,

Mogadishu Somalia. The results of correlation analysis in this study have demonstrated that formal Strategic Plan have positive relationship with firm performance, which is statistically significant (p-value<0.05). This means that enhancing formal Strategic Plan positively improves firm performance.

5.2 Recommendations

The researcher recommended that the university of Somalia should increase formality of its strategy which increases the performance of organization. The researcher also recommended the stakeholders to formulate the structure of the organization which helps top management to control the performance of the organization. According to environment the stakeholders of the organization should avoid the turbulence of the environment. Finally, the university of Somalia have the largest size according to the students, staffs and campuses, so that to keep this stakeholder must care their staff as well as students.

5.3 Suggestion for further research

The purpose of this study was to determine the Role of formal Strategic Plan on firm performance in university of Somalia. The researcher therefore recommends that a similar study be conducted across all universities in whole countries and not just this university so as to increase the generalizability of the results.

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