Effect of Basic Planning Factors on Performance of Manufacturing Firms in Nigeria

Prof. Ayuba A. Aminu[1], Prof. S.K. Msheliza[2], I.M.B. Chekene[3],

[1]*(Department of Management, University of Maiduguri-Nigeria)*
[2]*(Department of Finance, University of Maiduguri-Nigeria)*
[3]*(Department of Management, University of Maiduguri-Nigeria)*

Abstract: *The Vision, mission, objective, strategy and policy are the basic factors of corporate planning in most business firms. It could be that these factors enhance corporate performance, which informs its popularity among companies. Since the main objective of the study is to investigate the effect of basic planning factors on the performance of manufacturing firms in Nigeria, to achieve this, eighteen Northern Nigeria manufacturing firms were purposively selected for the study. The relative effect of these factors on employee behaviour and company performance was assessed. Questionnaire and interview methods were used in sourcing the primary data. The targeted respondents are the members of the planning team. The qualitative data collected were subjected to logistic regression technique. The result shows that these factors have significant effect on corporate performance. But planning stakeholders' knowledge of the factors as it regards corporate planning is not as one might have anticipated. We therefore design an "explicit mechanical model of corporate planning" that shows the inter-relationship between these basic planning factors and other planning variables as a necessary management practice for enhancing corporate performance.*

Keywords: *Vision, Mission, Objective, Strategy, Corporate Planning, Corporate Policy, Corporate Performance.*

1. Introduction

Strategic planning can be viewed as a broad managerial process of developing a vision, mission statement, goals and objectives which serve as influential guides to employees using the top-bottom management approach (Warner, 2000). He looks at a vision as "a short, succinct, and inspiring statement of what the organization intends to become and to achieve at some point in the future, often stated in competitive terms". According to strange and Mumford (2005), "a vision involves a set of beliefs about how people should act, and interact, to make manifest some idealized future state". They further argued that a vision may contain commitment to: creating an outstanding value for customers and other stakeholders; developing a great new product or service; and/or developing a great company.

Warner (2000) looks at a mission statement as "an organization's vision translated into written form. It makes concrete the leader's view of the direction and purpose of the organization". He posits that the major outcome of strategic planning and strategic road-mapping, after gathering all necessary information, is the setting of goals for the organization based on its vision and mission statement. Therefore, having well-defined visions, mission statements and goals change nothing except if executives are seen to live with them, and constantly communicate them to their employees. Mission statements are also regarded as critical starting point for almost every strategic initiative. More so, mission statement is intended to motivate, and in so doing, control the behaviour of organizational members towards common organizational goals. They are supposed to provide a context for strategy and they should be the ultimate reference point in making resource allocation decision (Bart *et al.*, 2001).

Vision and mission statement contents are sometimes misplaced because of their close relationship in terms and application. Vision statement defines the desired or intended future state of a specific organization or enterprise in terms of its fundamental objective and/or strategic direction. It outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provide clear decision-making criterion (Lowen, 1997). While a company's mission is its reason for being. It is based on the present. Business mission, often expressed in the form of a mission statement, conveys a sense of purpose to employees and serves as a projection of company image to customers. In the strategy formulation process, the mission statement sets the mood of where the company should go (Bart, 2001). It is in view of the importance that this study was conducted to investigate the effect of basic planning factors on the performance of manufacturing firms in Nigeria as there are not enough studies investigating the impact of such factors on firm's performance.

1.1 Hypotheses of the Study
In order to assess the relevance of the effect of basic planning factors towards manufacturing firm's performance null hypotheses were established;

H_{O1}*: *vision statement does not significantly affect performance of manufacturing firms.
***$H_{O2:}$** mission statement does not significantly affect performance of manufacturing firms.*
***H_{O3}**: establishing a clear statement of objective does not significantly affect performance of manufacturing firms.*
***H_{O4}**: designing clear strategy does not significantly affect performance of manufacturing firms.*
***$Ho_{5:}$** establishing company policy does not significantly affect performance of manufacturing firms.*

2. Literature Review
2.1 Corporate Planning and Strategy
Corporate planning and strategy is the course charted for the total organization in attempts to specify, what set of businesses the organization intends to be in (Ansoff, 1965). From the foregoing explanation, corporate planning and strategy is primarily concerned with the scope and resource development components of strategy. Corporate level strategies include the overall strategies of growth, stability, turnaround and retrenchment, or combination of factors. This strategy is based on providing the best quality service that will be focused on competitive advantage and synergy.

2.2 Performance
Performance is defined as the yield or results of activities carried out in relation to the purposes being pursued. Its objective is to strengthen the degree to which organizations achieve their purposes (Lebas *et al*, 2002). To effectively implement the strategic plan, management must know if the plan's goals are being achieved on time and with the allocated resources. Getting the right answers means having the right performance measurement framework. One cannot begin to manage performance until one can accurately measure it.

Appraisals of the reasons why companies need corporate planning suggest that; first, it should improve the performance of companies (Neely, 2002). Prescriptive strategic management theory stresses the planning of a mission, the setting of objectives, and the implementation of strategies and control systems to ensure the objectives are achieved. Secondly, strategic planning could lead to indirect improvements in performance by improving the effectiveness of management throughout an organization. Such benefits include process advantages, such as the ability to identify and exploit future marketing opportunities, personnel advantages such as the encouragement of a favorable attitude to change, and the view that strategic planning keeps the company synchronized with the external environment so that changes can be adopted accordingly. Strategic planning may therefore be effective as a process of management, regardless of the performance achieved (Mayle *et al*, 2002).

3. Research Methods
From the sampling frame which is Northern Nigeria Manufacturing Firms, a sampling point of 18 companies were purposively selected across the three geopolitical zones of northern Nigeria. The sampling points include Kano, Kaduna, Jos and Maiduguri. Through questionnaire and interview methods a primary data were sourced. The secondary data were obtained from books, journals and internet sources. Targeted respondents include CEOs, planning officers, company secretaries and other members of planning team. The qualitative data obtained were analyzed using logistic Regression technique in order to establish a relationship between the variables. Logistic regression model was implicitly derived, with performance as the dependent variable and mission, vision, objective, strategy and policy are the independent variables. However, in the course of analyses 'planning' was used as proxy for performance in the model. Viz; Kumar (2005); Strange et al (2005); Drucker (1973) and Kotler (1991) pointed out that basically corporate planning should consist of; vision statement, mission statement, statement of objective, clear strategy and policy *vis-à-vis* analysis of SWOT. Going by the above work, a model of planning was implicitly specified as follows:

Model 1
Planning = $\boldsymbol{f}(l_o + l_1$stat. obj. + μ)
Where;
Stat. obj. = statement of objective
μ = error term
A priori expectation
$l_1 > o$

Model 2
Planning = $\boldsymbol{f}(l_o + l_2$ mis. stat. + μ)
Where;
Mis. Stat. = mission statement
μ = error term
A priori expectation,
$l_2 > o$

Model 3
Planning = $\boldsymbol{f}(l_o + l_3$ vis. stat. + μ)
Where,
Vis. Stat. = vision statement
μ = error term
A priori expectation,
$l_3 > o$

Model 4
Planning = $\boldsymbol{f}(l_o + l_4$ clr. str. + μ)
Where;
Clear str. = clear strategies
μ = error term
A priori expectation
$l_4 > o$

Model 5
Planning = $\boldsymbol{f}(l_o + l_5$ polc. + μ)
Where;
polc. = company policy
μ = error term
A priori expectation
$l_5 > o$

4. Results and Discussions

Table 1 show that establishing company policy recorded the highest mean of 3.04 followed by planning department with a mean of 2.61 and setting of clear strategy for achieving the stated objectives with the mean of 2.41. Clear vision statement has mean of 1.8, clear mission statement has 1.7 and clear statement of objective has the least mean of 1.6.The table further shows that the most important character or the most versatile of the basic planning characters in manufacturing firm is the establishment of company policy with highest coefficient of variance (COV) of 300.3, followed by having clear statement of objective with COV 246.9.

Table 1: Basic Planning Factors

	Mean	Std. Dev.	COV
clear vision statement	1.80	0.906	198.6
clear mission statement	1.79	0.882	202.9
statement of objectives	1.60	0.648	246.9
clear strategies for achieving the sated objectives	2.41	1.187	203.0
Company policies that drive the organisation's culture and priorities	3.04	1.012	300.3

Source: *Field survey, 2014.*

Hence, planning team should pay special attention to the establishment of company policy. When the policies are carefully established and tactically imposed on all and sundry without exception, there is every possibility of mass compliance. In the long run if strategically managed, a new attitude would be formed among employees, which means dedication to company policy. Setting clear objective is also a difficult task in planning. It is the core factor of planning as indicated in Fig.1, the explicit model of corporate planning.

4.2 Models analysis

Table 2 shows the significance of the basic planning factors in determining the possible variations in planning department. The model on Mission statement revealed a coefficient value of .7063. It is rated highly significant with probability of .000 at 5% significance level. The R^2 value for this factor = .273 which simply means 27% of variations in company performance results from having clear mission statement. This finding agrees with our *a priori* expectation. Therefore, we reject the null hypothesis which states that mission statement does not significantly affect performance of manufacturing companies and accept the alternative hypothesis.

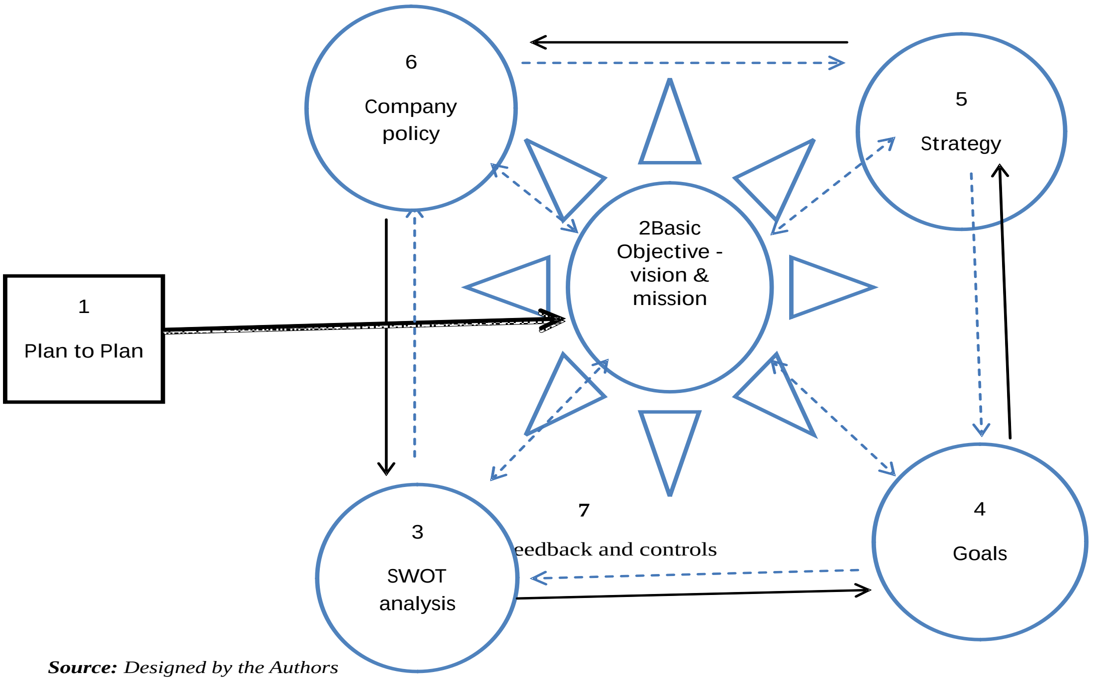
Table 2: Basic Planning Process Factors

	Coefficient	R^{2-}value	F	Probability
Vision	.7053	.201	31.98	.000
Mission	.7063	.273	29.35	.000
Objective	.5901	.340	40.23	.000
Strategy	.7000	.522	85.17	.000
Policy	.6771	.453	64.59	.000

Source: *Field survey, 2014.*

It was revealed also that vision statement has a coefficient value of .7053. This value is rated highly significant with a probability of .000 at 5% confidence level. This planning factor's R^2 value indicates that 20% of possible variations in performance of companies results from having clear vision statement. The finding agrees with our *a priori* expectation. Therefore, we reject the null hypothesis which states that vision statement does not significantly affect performance of manufacturing companies and accept the alternative.

Establishing a clear strategy in achieving the company objective is revealed to have a coefficient value of .7000 and it is highly significant also, with probability of .000 at 5% level of significance. It has a high R^2



Source: *Designed by the Authors*

Figure 1: Explicit Mechanical Model of Corporate Planning

Step one in the model shows that introducing corporate planning in an organization needs an executive virile decision because it would radically change the entire philosophy of operations and administration of the organization. Step two, is to establish the core factors of the entire plan, the basic objectives. Planning team under the supervision of the CEO should establish the company objectives. These objectives must emanate from the corporate vision and mission statement of the organization. Step three is the total analysis of the company and the environment in which it operates.

The organization should assess its strengths and weaknesses in line with its basic objectives/company dream (vision and mission), and further scan its external environment to peruse for opportunities to invest in and scan for threats to manipulate and surmount, where possible (SWOT analysis). SWOT analysis simply forms the data base of the company, from where the company goals should evolve. Fourthly, goals must emanate based on the information in the company data base. Goals are the road map, the bench mark, and the prescribed steps towards achieving the basic objective of an organization. The fifth step is the designing of strategy to use in achieving the goals and objectives. After situation analysis, a clear picture of the firm and its environment is in hand and specific alternatives can then be developed. Strategy describes how an organization intends to achieve the clearly defined objective. This step is so critical in planning, for it will dictate how resources are to be allocated - budgeting. The sixth step in the model is the company policy. Policies are the ways and manner in which the established strategies are to be executed. In other words, company policy is way the company is being run. It is the outcome of corporate culture and philosophies that should govern the employee behaviour towards the business objective.

Organizational Culture is the commonly held attitudes, values, beliefs and behaviours of its employees. The culture of an organization is as unique and diverse as an individual's personality. Corporate culture is composed of three elements --- shared values, decision making patterns and overt behaviour patterns. It may be called organizational climate, corporate style, corporate ethos, and sometimes, beliefs, assumptions, schemas, corporate eye glasses, common maps (Barney *et al*, 1992).

The seventh step is the feedback and control. This is represented with doted lines. It shows that for every action in any of the steps there must be a feedback for control purposes, so that all actions must be in harmony with the basic objective. Apart from the model, there is also the need to develop a new culture which promotes involvement through Workshops and seminars. This would enable the planning pilots to carefully formulate and communicate company philosophy and use planning to shape the future business profile.

5. Conclusion

Conclusively, since the planning stakeholders agreed that the basic planning factors enhance corporate performance it is an indication that they believe in corporate planning as a worth-while business practice. As such, this explicit mechanical model of corporate planning under the auspices of corporate culture would boost the understanding of the stakeholders and consequently improve corporate performance.

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