

# Strategic Planning Intensity and Firm Performance: A Case of Zimbabwe Mining Development Corporation

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## Abstract

There has been a widespread embracement of the concept of strategic planning in developing countries as a tool for turning around non-performing entities to viability. In Zimbabwe the current economic environment, where the country is faced with a possible slide into deflation characterized by numerous company closures, has called for astute planning systems. It is however not clear whether this planning benefits the firms. The purpose of this study was to investigate the relationship between strategic planning intensity and performance amongst mining firms. The case study approach was adopted, focusing on Zimbabwe Mining Development Corporation (ZMDC). The objectives of this study were to identify factors affecting strategic planning intensity at ZMDC and to establish the influence of strategic planning intensity on the performance of mining firms. The study mainly used quantitative data collection methods. Data was collected through questionnaires and key informant interview guide. The data was analyzed using SPSS. The study established a variety of factors that affect the organizations' strategic planning process. Further, a positive relationship was found between strategic planning intensity variables and organizational performance. The study recommends that the strategic planning workshops be encouraged for all firms in the mining industry.

**Keywords:** Firm Performance, Planning Intensity, Strategic Planning.

## 1. Introduction

Zimbabwe Mining Development Corporation (ZMDC) was established by an act of Parliament number 31 of 1982 with a mandate to invest in the mining industry in Zimbabwe on behalf of the state. For this reason the corporation is required to plan, coordinate and implement all mineral prospecting, exploration, mining and mineral beneficiation programmes in which the state has interests. It is clear that ZMDC is of strategic importance to the economy of Zimbabwe. According to the 2014 national budget which is anchored on the Zimbabwe agenda for sustainable socio-economic transformation (ZIM-ASSET) economic blueprint, the ailing Zimbabwean economy is expected to be driven largely by the Mining industry. Statistics from the Chamber of Mines of Zimbabwe indicate a pathetic decline in mineral production and a surge in closure of mining firms and this is of great concern to the government, industry and the nation at large because of the downstream effects of unemployment and economic stagnation. This situation is particularly disturbing given the dire state of the Zimbabwean economy despite the abundant mineral resources in the country. Because of the concern, there has been a widespread embracement of the concept of strategic planning in Zimbabwean firms as a tool to turn the non-performing mining firms to viability.

Strategic planning is a process of using systematic criteria and rigorous investigation to formulate implement and control strategy and formally document organizational expectations (Mintzberg 1994). Since the period around 1999 there has been significant research work to examine the effect of formal strategic planning on the performance of organizations particularly in developed countries. This has produced an array of contradictory findings (Thune & House 1999; Taiwo & Idunnu 2010).

This study seeks to determine the relationship between the intensity of the strategic planning within those firms that do strategic planning and the performance of such firms. ZMDC is a parastatal (state-owned company). This research could give the government an insight into the importance of the strategic planning on this and all other parastatals.

### 1.1 Statement of the Problem

The majority of large Zimbabwean companies engage in strategic planning year in, year out, spending time and money outbound and yet their performance cannot be tied up to the resources spent in the exercise. Furthermore, performance levels of mining firms fell on a wide scale of rating despite the fact that some of these firms have well documented strategies which on paper should enhance the firm's competitiveness.

In an attempt to address this unfortunate development, there is need to critically assess the involvement and engagement of management on firm performance to enable management to appreciate its worth in attaining internal efficiency and competitive advantage in the market place. No such studies had been conducted in Zimbabwe's mining industry.

## **1.2 Research objectives**

The objectives of the study were:

- 1) To assess the influence of strategic planning intensity on the performance of a mining firm.
- 2) To identify factors affecting planning intensity and their influence on the engagement of managers in strategic planning

## **1.3 Research hypothesis**

This study hypothesises that strategic planning intensity has a positive influence on an organization's performance.

## **2.0 Literature Review**

### **2.1 Lack of conclusive evidence of usefulness of Strategic Planning**

There have been several research works to investigate the effect of strategic planning on the performance of firms in both developed and developing countries (Herold 2001; Arasa & K'Obonyo 2012). Ansoff (2001) has shown that strategic planning improves financial performance. This was further supported by Arasa et.al (2012). Contrary to this however, Mintzberg (1990) and Armstrong (1999) have vehemently denied that strategic planning improves firm performance.

Strategic planning researchers and theorists have generally agreed that whether the strategic planning process is formal or non-formal, it can be sub divided into three main categories of strategy formulation, strategy implementation and strategy evaluation and control (Armstrong 1982; Suklev and Debarliev 2012). Whether formal or informal strategic planning is carried out, managers should emphasize the substantive analytical elements of the process; i.e. scanning the environment, analyzing the competitive activity, assessing strengths and weaknesses, identifying and evaluating alternative courses of action and reviewing plans.

### **2.2 Factors affecting the intensity of strategic planning**

It has been argued that the intensity with which managers engage in strategic planning activities depends on managerial (strategic planning expertise and beliefs about the effect of planning on performance), environmental (stiff competition, complexity and dynamism in the business environment) and organizational (e.g. the size, age and structural complexity) factors of the firm (Kallman & Shapiro 1978); Cragg and King (1988) as cited by Hopkins and Hopkins (1997).

Ansoff and McDonnell (1990) argue that the strategic planning process brings in significant changes that in most cases are not well received or beneficial to individuals and as such, fierce resistance to the process and outcomes is always expected. They further suggest that the strategy formulation process has to be interactive and has to involve all managerial levels to collectively and constructively discuss areas of potential conflict and therefore help minimize resistance.

Thompson and Strickland (1989) state that organization-wide commitment is instrumental to the successful implementation of strategic plans and ultimately the achievement of set objectives. Wooldridge and Floyd (1990) concur with the notion that involvement of line managers in strategic planning process enhances organizational effectiveness. This seems to point out that strategic leadership has the effect of improving employee commitment for the successful implementation of firm strategies.

Al-Shammari and Hussein (2007) confirmed in their study of 28 Jordanian manufacturing firms that firms which engaged in strategic planning process have better adaptability to operating environment than non-planners and this adaptability enhanced their comparative performance.

Shea-Van Fossen, Rothstein and Korn (2006) in their meta-analysis study contradict earlier findings by revealing a positive relationship between strategic planning and firm size. This has left this field contentious mainly due to the dichotomy in firm size coding and differences in the sample sizes.

Hill and Jones (2009) criticize the formal strategic planning process as incapable of accommodating the dynamism, complexity, uncertainty and ambiguity that are characteristic of the real world in which business operates. The strategic planning process is derailed by unforeseen environmental changes which are not captured during the formal planning. This assertion therefore tends to support the need for improved interaction between key strategic planning participants and key constituent variables to harness premiums from timeous response to environmental changes.

Mintzberg (1994) pushes forward the notion that strategic planning generates value for a firm if it is done with committed management putting all their efforts into the planning process. This was further tested in the banking industry with affirmative results. The research revealed that the amount of strategic planning that a firm conducts positively affects its performance.

### **2.3 Strategic planning intensity and firm performance**

Hopkins and Hopkins (1997) affirmed through empirical research work that financial performance was in most

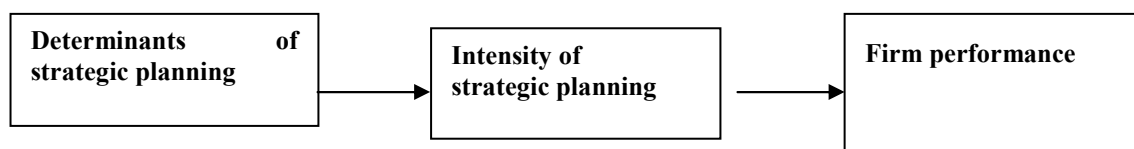
cases higher in firms that showed little difference in the amounts of efforts and emphasis that management put on the three main components of the strategic planning process. They further tested this relationship in banks and established that banks that planned with greater intensity formally or informally outperformed those that did so with little intensity. Mintzberg (2000) argues that there is need for commitment at the top and commitment at the bottom in organisations for successful implementation of strategies as this involves substantial changes in human resources, benefits, information systems and the process is bound to face stiff resistance (organizational culture issues, resource allocation constraints, policy changes inertia, re-structuring perceptions among other factors). Arasa et al. (2011) argue that a participatory approach by all employees including non managerial staff improves understanding and commitment by all to the strategic planning process and reduces conflict and resistance to the implementation of strategies. Hamel (1992) supports this by asserting that strategy should exploit both the energy of the youth and the wisdom of age where majority of employees participate through communicative and or consultative means.

It is increasingly becoming evident from previous research work that the amount of efforts and commitment by managerial employees to a firm's strategic planning process has a significant impact on the firm's performance. Commitment and efforts are necessary managerial ingredients to enhance coherence and effectiveness of strategy. When a firm's executive commits ample time interactively to the strategic planning process, it sends a clear message to subordinate staff on the importance attached to the process and this gives birth to effective strategies from the constructive dialogue and debates which contribute to attainment of organizational goals. Management should continuously and religiously pursue all efforts to recalibrate a firm's competitive assets and continue to seek for opportunities that can be exploited and threats that should be avoided to keep the firm competitive in its line of business.

#### 2.4 Conceptual framework

In order to lend clarity to the phenomenon under investigation, that is, relationship between strategic planning intensity and firm performance, a conceptual framework has been developed as illustrated by Figure 2.1. The study is guided by this conceptual framework which basically outlines the relationship between variables and among variables.

Figure 2.1: A conceptual model showing the relationship between Strategic planning intensity (independent variable) and firm performance (dependent variable)



#### 3.0 Research Methodology

The study triangulated quantitative and qualitative data collection methods, with emphasis on the quantitative research paradigm because it largely depended on quantitative data analysis to establish the existence of the relationship between the variables under investigation.

A survey was used to capture data of a statistical nature on factors affecting strategic planning intensity, extent to which management is engaged in the strategic planning process, and the influence of strategic planning intensity on the performance of a mining firm. Key informant interview guides were used to derive an insight on research phenomena by capturing perceptions on strategies that can be implemented at ZMDC to improve firm performance. Performance of ZMDC was assessed over different time periods through comparing profit margins. Financial information was obtained from ZMDC's annual reports.

Data collection involved administration of questionnaire to a chosen sample consisting of management personnel (top, middle and low level management). Structured questionnaires with ratings on a scale of 1 to 5 ranging from strongly disagree to strongly agree on a 5 point Likert scale were used. An interview guide was administered to 6 strategic personnel at ZMDC, which included 2 junior managers from the finance and human resources department, the marketing manager, business development executive and two production managers from ZMDC operations. The population for the study comprised managerial employees and directors at ZMDC. According to Human Resources records at ZMDC, there were 125 managerial staff.

Stratified sampling was applied on managerial employees and directors at ZMDC, whilst non probability sampling methods were used to select key informant interview participants. Specifically, systematic random sampling was used where every third person who appeared on the ZMDC employee register was selected. The sampling interval was  $(125/49) = 2.6$  which was rounded up to three. The researcher subdivided the subjects into junior management, middle management, and senior management/directors.

**Table 3.1 Population and Sample Frame**

Response Category	No of Staff population	Sample Size
Senior management / Directors	8	6 conveniently selected
Middle management	20	16 randomly selected
Junior Management	32	27 randomly selected

Judgmental sampling technique was used for the selection of key informant interview participants because few people have expertise and influence in the area of strategic planning in organisations. The use of judgmental technique had the advantage that information was received from 6 employees and management who had been at ZMDC for more than 15 years and had extensive knowledge and experience in strategic planning. Although the method is believed to be biased, it improves the validity and the reliability of the results. Gay (1996) argues that the method is subject to bias.

For firm performance, this research examined the performance of the firms using financial ratios over different time periods.

#### 4.0 Results and Discussion

The findings are preceded by a presentation on background characteristics of the study sample. Data was gathered from management at ZMDC and the organization's employees. The findings are presented in order of the themes of the study.

#### 4.1 Response Rate

**Table 4.1 Responses by category of participants**

LEVEL	Questionnaires distributed	Questionnaires returned	Response rate
Senior management / Directors	8	6	75.0
Middle management	20	16	80.0
Junior Management	32	27	84.4
<b>TOTAL</b>	<b>60</b>	<b>49</b>	<b>81.7</b>

The high responses from junior management and employees at ZMDC were a result of the rigorous follow ups over the phone.

#### 4.2 Factors affecting strategic planning intensity at ZMDC

Respondents' perceptions were asked to identify factors affecting strategic planning intensity at ZMDC through questions which were presented on a 5 point Likert scale which ranged from *Strongly Disagree*, *Somewhat Disagree*, *Neutral*, *Somewhat Agree* and *Strongly Agree*.

**Table 4.3 Chi square test for factors affecting strategic planning intensity at ZMDC**

FACTORS		Chi-Square	df	Asymp. Sig.
1.	Technological changes are important in strategic planning	11.102 <sup>a</sup>	4	.025
2.	Price forecasts for all inputs are done to support planning	8.857 <sup>a</sup>	4	.065
3.	We pay adequate attention to external factors	6.816 <sup>a</sup>	4	.146
4.	Internal business changes are considered as very important	10.837 <sup>b</sup>	3	.013
5.	Business unit knowledge is fully utilized and integrated in strategic planning	18.837 <sup>b</sup>	3	.000
6.	We go to great length to get information necessary for strategic planning	14.592 <sup>b</sup>	3	.002
7.	Strategic planning improves shareholder value	19.878 <sup>a</sup>	3	.002

A chi square test was conducted in SPSS in order to evaluate the significance of organisational, environmental, and managerial factors in affecting strategic planning intensity at ZMDC. The results are presented in table 4.3 above.

#### 4.3 The influence of strategic planning intensity on the performance of a mining firm

The influence of strategic planning on both financial and non-financial indicators was also examined. SPSS was used to test the hypothesis that; there is a positive relationship between strategic planning and organizational performance. The results are presented in Table 4.4.

Table 4.4 shows that there is a positive relationship between strategic planning and the financial performance of ZMDC with a Pearson Correlation coefficient (r) of 0.520. This correlation is significant at  $p < 0.01$ . Further, the analysis result reveals that there is a positive relationship between strategic planning and all the financial performance indicators. The relationship between strategic planning intensity factors and financial performance was also examined. Results of the analysis indicate that all the strategic planning intensity variables are positively related to financial performance. Results from the study support observations by Glaister, Dincer, Tatoglu, Demirbag and Zaim (2008) that there is a positive relationship between strategic planning intensity and firm performance.

The correlations between planning intensity factors of strategy formulation, strategy implementation, strategy control, strategy evaluation, and evaluation of strategic planning alternatives are significant at the 1% level. The correlation between strategy formulation and financial performance is significant at the 5% level (with a Pearson correlation coefficient of 0.271). The analysis results also indicate that there is a positive relationship between all the strategic planning intensity factors and overall financial performance indicators. Table 4.4 presents a summary of these findings.

**Table 4.4: Correlation (r) for the relationship between strategic planning intensity variables and financial performance**

Strategic planning intensity variables	Revenue growth	Return on Investment	Profit
Strategy formulation	.376(*)	.267	.271
Strategy implementation	.228	.375(*)	.452(**)
Strategy control	.332	.377(*)	.429(*)
Strategy evaluation	.318	.367(*)	.537(**)
Evaluation of strategic planning alternatives	.210	.389(*)	.500(**)

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

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

The correlation analysis carried out also revealed the existence of a positive relationship between strategic planning intensity and non-financial organizational performance ( $r = 0.539$ ). This correlation is significant at  $p < 0.01$ . Further examination results indicated the existence of a positive relationship between strategic planning and all the non-financial indicators.

Analysis results also indicated that there is a positive relationship between all the strategic planning intensity variables and non-financial performance and these correlations are significant. The relationship between the strategic planning intensity variables and the specific non-financial indicators was examined. Table 4.5 below presents these findings.

**Table 4.5: Correlation (r) for the relationship between strategic planning intensity variables and non-financial performance**

Strategic planning intensity variables	Safety record	Growth in market share	Reduction in employee turnover	Development of new products
1. Strategy formulation	.630(**)	.432(*)	.134	.167
2. Strategy implementation	.716(**)	.542(**)	.336	.412(*)
3. Strategy control	.627(**)	.465(**)	.255	.312
4. Strategy evaluation	.566(**)	.265	.483(**)	.129
5. Evaluation of strategic planning alternatives	.519(**)	.176	.516(**)	.216

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

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



As shown in table 4.5, there is a relationship between all the strategic planning intensity variables and safety record. However, the relationship is stronger between safety record and analysis of strategy implementation reporting a Pearson correlation coefficient of 0.716. All these correlations are significant at  $P < 0.01$ . Growth in market share has significant correlations with strategy formulation, strategy implementation, and strategy control.

Although there is a correlation between market share growth, strategy evaluation and evaluation of strategic planning alternatives it is a weak one. The correlation between all the strategic planning intensity variables and employee turnover is weak and therefore not significant other than for strategy evaluation and evaluation of strategic planning alternatives.

Findings from the study reveal a wide managerial involvement in goal and objective formulation, the development of strategic alternatives, and open engagement on relevant aspects of strategic planning amongst managers at ZMDC. However, data suggests that the strategic planning process is dominated by directors and senior management.

### 5.0 Conclusions and recommendations

It has been established that management was actively involved in strategic planning at ZMDC. However, the strategic planning process was controlled by senior management and directors. The involvement of less people in strategic decision making processes decreases the level of consensus among managers and this negatively affects the creation of a common understanding of responsibilities and tasks. Thus the effective implementation of strategic decisions is compromised.

This study sought to explore if strategic planning is a performance enhancement factor that is useful in the formulation of appropriate and effective policies and corporate governance best practices for boards of parastatals and other quasi government organisations.

Further, the study found a positive relationship between strategic planning intensity on the performance of financial and non-financial indicators of ZMDC. This result suggests that ZMDC has effective strategic planning processes which are well controlled and implemented by organizational management.

This study recommends that ZMDC and all other bodies monitoring performance of public enterprises continue to support effective strategic planning in their entities. It is further recommended that government also supports such activities by getting involved and adopting the plans that are brought about. This study tended to emphasize on financial performance, future research could broaden the range of non-financial dimensions of firm performance.

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