STRATEGIC PLANNING AND PERFORMANCE IN SELECTED MANUFACTURING FIRMS IN ENUGU STATE

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Abstract
This study investigated strategic planning and performance of ten (10) selected manufacturing firm in Enugu state. Strategic planning is an essential management contrivance in any manufacturing firm today. The tests of the modern business environment and fast changing global economy demands high productivity speed and flexibility for firms that seeks to thrive. In order to achieve the required efficiency and effectiveness, firms must change their structure strategically. The objectives of the study were to determine whether there is relationship between strategy formulation and firm performance in Enugu state, to identify whether there is relationship between strategy evaluation and firm performance in Enugu state. Ten manufacturing firms of different product lines in Enugu state were used and the sample comprised all senior staff of the manufacturing firms only. Descriptive cross-sectional survey was used in collecting data. Data were analyzed with simple percentage. Using the Chi-square statistical tool, the hypotheses were tested. It was found that there is relationship between Strategy formulation and firm performance in Enugu state, there is relationship Between Strategy evaluation and firm performance in firms in Enugu state. We recommended that management of manufacturing firms should endeavour to make sure that their employees/organization includes all factors of the Strategy formulation when applying the strategy in order to boost performance, firm management should endeavour to make sure that their employee includes all factors of the Strategy implementation when applying the strategy in order to boost performance. The work concluded that there is relationship between Strategy formulation and firm performance in Enugu state, there is relationship Between Strategy evaluation and firm performance in firms in Enugu state.

Keywords: Strategic planning, Performance, Business Environment, strategy Implementation and Evaluation

Introduction
It has been argued that although there is a general perception and belief that strategic planning improves organization effectiveness, if wrongly pursued the anticipated value may not be tapped. Steiner (1979) points out that a wrong strategy or a wrongly formulated strategy may not translate into the anticipated value for the organization. Johnson, Scholes and Whittington (2005), note that strategic drift occurs when the organization’s strategy gradually moves from relevance to the forces at work in its environment.

Tourangeau (1987) shares these sentiments but cautions that strategic business planning cannot be expected to cure all that ails an organization i.e. address other shortcomings of the management process, but can best be seen as a partial solution to management problems. Strategic planning, or any other management technique is of limited value by itself, only a partnership with all parts of the management particularly execution, controls and rewards can result in synergy and lead to substantial advancement. In their survey to see how successfully
companies translate their strategies into performance, Mankins and Steele (2005) observed that companies typically realize only about 60 percent of their strategies potential value because of defects and breakdowns in planning and execution. Hofer and Schendel (1978) argue that strategy is important and therefore its formulation should be managed and not left to chance.

Each of the stages in the strategic planning process cannot be taken for granted. Wendy (1997) explained strategic planning as the process of developing and maintaining consistency between the organization’s objectives and resources and its changing opportunities. Wendy further argues that strategic planning aims at defining and documenting an approach to doing business that will lead to satisfactory profits and growth. It is also perceived that the development of implementation programme, evaluation and control systems facilitates smooth execution and implementation of the planned tasks.

Bryson (1989), Stoner (1994) and Viljoen (1995) argue that strategic planning assists in providing direction for organization members to know where the organization is heading and where to expend their major efforts. It guides in defining the business the firm is in, the ends it seeks and the means it will use to accomplish those ends.

McCarthy and Minichiello (1996), note that a company’s strategy provides a central purpose and direction to the activities of the organization and to the people who work in it. Adding to this argument, Kotter (1996) contends that the primary goal of strategic planning is to guide the organization in setting out its strategic intent and priorities and refocus itself towards realizing the same.

David (1997) argues that strategic planning allows firms to be more proactive than reactive in shaping its own future, initiate and influence (rather than just respond to) activities, and thus to exert control over its destiny. It assists in highlighting areas requiring attention or innovation.

The process of strategic planning shapes a company’s strategy choice. It reveals and clarifies future opportunities and threats and provides a framework for decision making throughout a company. It helps organizations to make better strategies through the use of more systematic, logical and rational approach to strategic choice.

Steiner (1979) notes that strategic planning stimulates the future on paper and it encourages and permits a manager to see, evaluate and accept or discard a far greater number of alternative courses of action than he might otherwise consider.

**Statement of the Problem**

In Nigeria, the operating environment for manufacturing firms is constantly changing in the face of a volatile economic environment and a highly competitive market. Thus faced with much greater levels of uncertainty and risk capital, many firms do not adequately plan for their future through effective strategic thinking and planning; and even when they do, poor communication and poor goal comprehension becomes a problem. Hence despite the fact that business survival rates are depressing 50% within the first 5 years, many business believe that strategy planning is either unnecessary or too hard to implement; due to unrealistic expectations during management structure, disjointed command( Hatchway management
consulting (2013). Moreover some firms that implement strategic planning may never gain the benefits, including the promise of better performance, because they half-heartedly engage in the practice or lack of necessary resources (Bryson, 2004). Thus, unless manufacturing firms properly invest in the strategic planning process of strategic planning, the expected benefits are not likely to materialize. Implementing would therefore be alleged as being about changing organizational structure and allocating resources. Nevertheless, Johnson and Scholes (2013), notes that, transforming strategies into action is a far more difficult and a complex task. A study conducted by Melnyk, Stewart and Swink, (2014) established the existence of a positive relationship between strategic evaluation and organizational performance. Rintari and moroge (2012) investigated the influence of monitoring and control strategies on firm performance in manufacturing firms. The study found that implementing and control strategies through environment scan contributes most to firm performance. The study majorly focused on improvement of firm performance through monitoring and controlling. Kitonga (2013) revealing there is positive relationship between monitoring and controlling strategies and firm performance. The study majorly focused on improvement of firm performance through monitoring and controlling. Kitonga (2013) revealing there is positive relationship between monitoring and controlling strategies and firm performance in manufacturing firms. Bryson (1989), Stoner (1994) and Viljoen (1995) argue that strategic planning assists in providing direction for organization members to know where the organization is heading and where to expend their major efforts. It guides in defining the business the firm is in, the ends it seeks and the means it will use to accomplish those ends.

Objectives of the study
The main objective of the study is to investigate the effect of strategic planning on firm performance in manufacturing firms in Enugu state. The specific objectives.

i. Determine whether there is relationship between strategy formulation and firm performance in Enugu state.

ii. Identify whether there is relationship between strategy evaluation and firm performance in Enugu state.

Hypotheses
Based on the statement of the problem and research objectives, the following hypotheses provided the direction for this study.

H0: There is no relationship between Strategy formulation and firm performance in Enugu state.

H0: There is no relationship Between Strategy evaluation and firm performance in firms in Enugu state.

Significance of the study
It is expected that on completion, the finding of this study will be beneficial to the government, business and with academics in the following ways:

1. It shall be of benefit to business managers to improve on their strategic planning skills.
2. It will provide reliable and valid information which will be very important in educational planning and development.
3. It will also aid the government in their long-term strategy formulation, especially in formulating polices for manufacturing firms.

Scope of the Study
The scope of the study was limited to Enugu State, Nigeria as the research area. The manufacturing firms, with different product lines and sizes were selected to provide insight to the study. These firms were selected from the records of Manufacturers’ Association of
Nigeria (MAN), Enugu branch, through a random sampling without replacement. Because it is very difficult to study all the manufacturing firms in Enugu State, these limitations called for the determination of a manageable sample size from the population. The Ten (10) selected manufacturing firms are; A.C Drugs Ltd, B.B.i paints, Inter colour paints Nemel pharmaceutical, Star aluminium, Chime aluminium, Sharon paints, Triple star, Uwaekwe oil mills, Judex Drugs limited.

Review of Related Literature

Concept of Strategic Planning

Steiner (2009) defines strategic planning as the systematic and more or less formalized effort of a company to establish basic company purposes, objectives, policies and strategies. It involves the development of detailed plans to implement policies and strategies to achieve objectives and basic company purposes. Strategic planning is an organization’s process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy including its capital and people (Adeleke et al, 2008).

These plethoras of definitions are complementary in the sense they express and sometimes confuse with planning itself. Is strategic planning synonymous with planning? We will rely on the insights drawn earlier in the definitions of planning, long term planning and consequently strategic planning in this study, to propose a better description of strategic planning as a means designed to pursue well-articulated goals of an organization with reliable alternative means to ensure the attainment of these articulated goals.

What makes strategic planning different from ordinary planning include the following:

i. Strategic planning is aimed at capturing, occupying and maintaining competitive positions to have edge over contemporaries while planning is aimed at undergoing normal flow of business activities.

ii. Strategic planning is intended to have long run effects on the firm while planning may only have short run effects.

iii. Strategic planning due to its affiliation with the military and sensitive issues creates actions and alternative actions (intended to responds to possible future changes) towards the goal of the organization while planning may not because there is always time to change the one and only plans without much damage.

iv. All strategic plans are long term but not all long term plans are strategic plan. Some long term plans are not properly planned.

v. Strategic planning is environment conscious while plan/long term plan is not. Strategic planning assumes that an organization must be responsive to a dynamic, changing environment.

vi. A plan is concrete in nature, doesn’t allow deviation, and not flexible, but strategic planning is very flexible and open for adaptation and change when needed as a result of real-time strategic issues. Grant (2003) notes that empirical research is strategic planning systems have focused on two areas: the impact of strategic planning on firm performance and the role of strategic planning in strategic decision making. The latter area of research explored the organizational process of strategy formulation.
Firm Performance
Firm performance is defined as outcome of the combination of the strategies and capabilities and their deployment to achieve specific goals. Deployment and implement of the firms’ strategy and capability and measuring their outcome depends on the industry where a firm operates. Typically, firms gauge organizational performance using financial and non-financial outcomes related to certain aspects of the quality and operations they employ (Lee et al., 2015).Imaga, (1996) define productivity as the output per unit of a factor of production. Evans (1996) suggested that firm performance is the measurement of the achievement level of an enterprise's strategic objectives, and is also an indicator of overall enterprise competitiveness. An appropriate firm performance assessment affords its manager the understanding of the status of the firm. Popular assessment indicators are income, productivity and profitability of the firm. Xu (2007) suggested that "firm performance" is divided into "efficiency" and "effectiveness". While, Drucker (1966) provided a very good interpretation for "efficiency" and "effectiveness", that Efficiency is "doing things right"; effectiveness is "doing the right things". Neither efficiency nor effectiveness should be neglected, but this is not to say that efficiency and effectiveness are equally important.

For a firm, it is certainly preferable to improve efficiency and effectiveness at the same time; however, if both cannot be obtained, the firm should focus on effectiveness prior to aiming at improving efficiency. Lee, et al., (2013) define firm performance as an indicator of the overall enterprise competitiveness, and it is also the measurement of the achievement level of an enterprise's strategic objectives. While popular assessment indicators for firm performance are income, productivity and profitability of the firm. Therefore, an appropriate firm performance assessment affords its manager the understanding of the status of firm.

Theoretical Framework

Resource Advatage Theory and Firm Performanc
According to this theory by Hunt (1995), Sustained, superior financial performance in a firm occurs when a firm’s comparative advantage in resources continues to yield a position of competitive advantage despite the competitive actions of rivals. Firms are rewarded because they deliver superior value. Superior performance and a sustainable competitive position depend primarily on the resources of the firm. This theory is applicable to the current study in that managers in manufacturing firms must strategically plan to transform basic resources into core competences, which form the foundation of super competitive positions/ performance in specific market segments. Managers in these firms should realize that it is resources that are difficult to imitation and substitute that are basis for superior performance. These resources are embedded as core competencies within the manufacturing firms. Managers need to realize that the most effective barrier to imitation is when their competitors do not understand the competencies on which the advantage is based. Sustainable advantage/superior performance will be achieved if manufacturing firm continues to invest and accumulate resources that led advantage and cannot be imitated by their rivals (Hunt, 1995)
Strategy Formulation and Firm Performance
The study also revealed that there is a difference between the results and approaches of measuring formulation strategy effectiveness and organizational performance which confirms the case that selecting the appropriate approach to measuring the relationship between implementation strategy and organizational performance must be done with caution. This agree with numerous studies that found that strategy formulation has a positive relationship with strategy implementation and firms performance (Dennison, 2000; Daft 2012; Franklin 2011; Aldehayyat and Twaisisi, 2011; Owolabi and Makinde, 2012).

Strategy Evaluation and Firm Performance
A study conducted by Melnyk, Stewart and Swink, (2014) established the existence of a positive relationship between strategic evaluation and firm performance. Their study conducted in the USA with 210 firms sought to measure the impact of metric measurements on performance. The study found that 82% of firms that had well-articulated objectives had better performance that companies that did not have well-articulated objectives. Further, the study noted that in setting objectives, firms have to be sure the objectives are aligned with the desired performance. Otherwise evaluation measures can be yield undesired data, or measure that which has no link with performance of the firm.

Similarly, a study by Ferreira and Otley (2009) indicated the existence of a significant relationship between well-articulated firm objectives and firm performance. In their study, they noted that firm performance for 62% of 128 firms they examined tend to increase with increase in level of clarity concerning performance objectives. To this, Chenhall (2005) argues that setting objectives enhances firm’s capacity and capability to influence employees’ behavior since it structures performance control, communication and firm learning which is essential for firm performance. Equally, objectives enable evaluators to establish whether the organization is on course to achieve its performance targets of not (Choi, Hecht & Tayler, 2013). Evaluation of performance has significant importance in determining the performance levels and standards within a firm. Chenhall, 2005). A study conducted by Cruz, Scapens and Major (20110) on 54 firms on the influence of performance evaluations on firm performance revealed the existence of a significant relations between the two. In this study, they also noted that (74%) of the firms indicated that evaluation of performance was important in that it provided mechanisms for reflection, realignment, and restructuring of their projects to meet firms performance targets. On the other hand, Choi et al., (2013) argue that evaluation of performance provides necessary feedback to employees and the firm on areas they need to improve. Such knowledge is not only essential but fundamental in establishing performance cultures within firm.

Strategy Implementation and Firm Performance
The study also revealed that there is a difference between the results and approaches of measuring formulation strategy effectiveness and organizational performance which confirms the case that selecting the appropriate approach to measuring the relationship between implementation strategy and organizational performance must be done with caution. This agree with numerous studies that found that strategy formulation has a positive relationship with strategy implementation and firms performance (Dennison, 2000; Daft 2012; Franklin 2011; Aldehayyat and Twaisisi, 2011; Owolabi and Makinde, 2012).
Monitoring Strategy and Firm Performance
A research study done by Rintari and Moronge (2012) investigated the influence of monitoring and control strategies on firm performance of the firm in Kenya. The study found that monitoring and controlling strategies through environmental scan contributes most to firm performance. A study on the influence of monitoring and control of strategies was conducted by Kitonga (2013) revealing that there is a positive relationship between monitoring and control of strategies and firm performance. However, Kitonga’s study focuses on the monitoring and control of strategies while the current focuses on monitoring and control these strategies at all levels in the firm. Tesot (2009) carried out a research on the effects of strategic management practices on performance in Kenya. Her findings indicated that performance in these organizations was below the optimal level because monitoring and control strategies were not well adapted across the Fund. Majority of the respondents indicated that monitoring and control as a process involved the personnel on a minimally and as a result it was usually ignored.

Empirical Literature
As discussed earlier, previous studies have identified the important of strategic planning on performance. There were seminal work on strategic planning and its contribution for better performance of organization, whether by testing unidimension or multidimension. For example, Aldehayyat and Twaissi (2011), has proven that the relationship between strategic planning and firms performance is positive and significant in the Middle East context.

Schwenk and Shrader (1993), through their meta-analysis study, found that, there were positive relationship between strategic planning and firm performance. Evidences from previous research has showed that that there are other dimensions of strategic planning that have been found to have positive relationship with the firms performance. Firstly, the formality of the strategic planning. Formality of strategic planning is one of the most frequently studied by previous scholars.

It has been reported that mature firms are more securely established and thus are positively associated with growth and performance (Begley and Boyd, 1986). Sorensen and Stuart (2000) also argued that older firms have a wealth of organizational knowledge and creativity, and this can lead to strategic planning. Another study found that experience is positively related to product strategies (Davidson, 1991). Similarly, Borch and Huse (1993) found that a firm’s age has a direct impact on resources as well as strategies. Hence, SME decision makers in older firms may be more inclined to embrace strategic planning.

Methodology
The study adopted a descriptive cross-sectional survey of manufacturing firms and their senior staff. The descriptive research design is interested in what is in existence at present and is not interested in finding out new issues, problems and beliefs or objects (Emele and Emele 1995).

Population of the Study
The target population of this study covered all manufacturing firms in Enugu state, but the survey population covered all senior staff members of manufacturing firms in Enugu state, and the population of the selected senior staff members is 1200. The research population of the study comprised all the senior staff personnel of the firms in Enugu state. The firms are
A.C Drugs ltd, B.B.i paints, Inter colour paints, Nemel pharmetical, Star aluminium, Chime aluminium, Sharon paints, Triple star, Uwaekwe oil mills, Judex Drugs limited.

**Sample Size Determination**

Since it is economically difficult to study all the manufacturing firms in Enugu State, the limitations called for the determination of a manageable sample size from the population of numerous functional personnel of the selected firms. The pilot survey carried out prior to the actual research revealed that only the senior staff can supply useful information needed.

The determination of the sample size was based on Yamane’s (1964) formula as given in Okeke (1995) thus.

\[
n = \frac{N}{1+Ne^2}
\]

Where:-

\[n = \text{desired sample size}
\]

\[N = \text{population of the study (thus represents all registered Manufacturing firms in Enugu state Nigeria)}
\]

\[e = \text{level of precision (5%)}
\]

\[1 = \text{Theoretical constant}
\]

Assigning values to these symbols, the sample size was calculated thus

\[
n = \frac{1200}{1+1200 	imes (0.05)^2}
\]

\[
1 + (1200 	imes 0.0025)
\]

\[
n = \frac{1200}{1+3}
\]

\[n = 300 \text{ (total number of senior staff that will answer the questionnaire).}
\]

1200 = (total number of senior staff in the population of the ten firms).

**Area of the study**

The study was limited to Enugu State, Nigeria as the research area. The manufacturing firms, with different product lines and sizes were selected to provide insight to the study. The firms are: A.C Drugs ltd, B.B.i paints, Inter colour paints, Nemel pharmetical, Star aluminium, Chime aluminium, Sharon paints, Triple star, Uwaekwe oil mills, Judex Drugs limited.

**Validity of Instrument**

We utilized the outcome of a pilot study to establish the validity of the survey instrument. We determined the content validity of the measures based on the judgment of some experts in the area of strategic management; these experts include two of my supervisors. In addition, construct validity was established based on past research works and extant theory. This is in line with Moser and Kalton’s (1997:356) observation that the essence of construct validity is its dependence on theory and the examination of the observed association is as much a test of the theory as of the scale’s validity.

**Reliability of Instrument**

A test is seen as being reliable when it can be used by a number of different researchers under stable conditions, with consistent results. Reliability reflects consistency and replicability over time. Furthermore, reliability is seen as the degree to which a test is free from
measurement errors, since the more measurement errors occur the less reliable the test (Fraenkel & Wallen, 2003; McMillan & Schumacher, 2001, 2006; Moss, 1994; Neuman, 2003).

The reliability of the instrument was determined by the use of pilot study that is by the use of test-retest reliability. This means that the I administer the same test to sample of individual (30 copies of questionnaire were distributed) on two occasions and compared the results. The comparison procedure is performed by computing reliability coefficient which is a numerical index of how reliable the test is. Thus some copies of the questionnaire (300 copies of questionnaire were distributed) were distributed on a second occasion and it was observed that the degree of correlation was high 0.80 (80%). This shows that the instrument is reliable. (See appendix B p.30 for the computation).

**Data Analysis**

For the analysis of data, percentages and frequency tables were used. Moreover the test of hypotheses was done by the use of Chi-square test statistic at 0.05 level of significance. The Chi square formula is as follows:

The formulae for the Chi-square $X^2$ is

$$X^2 = \frac{\sum (O-E)^2}{E}$$

Where $X^2$ = Chi-square  
$O$ = Observed frequencies  
$E$ = Expected frequency

$X^2$ is tested at 0.05 significance level or 95% confidence level. The decision rule of chi-square ($X^2$) tool is that when the calculated value of $X^2$ is greater than the tabulated value of $X^2$ at a given confidence level and degree of freedom, the alternative hypothesis ($H_1$) is accepted and the null hypothesis ($H_0$) rejected. When the calculated value of $X^2$ is less than the tabulated value of $X^2$ at the given level of significance and degree of freedom, the null hypothesis ($H_0$) is accepted while the alternative hypothesis ($H_1$) is rejected.

**Data Presentation and Analysis**

*(Testing of hypotheses)* There is relationship between Strategy formulation and firm performance in Enugu state.

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|  | 14.7315 |

**Note:** Degree of freedom in chi square can be computed by $= (No$ of Row-1)(No of column) 
$= (5-1) (2-1) = 4x1 = 4$
Decision: Since calculated $x^2$ (14.7315) is greater than the critical value (9.488) we reject $H_1$ and conclude that there is relationship between Strategy formulation and firm performance in Enugu state.

Testing Hypotheses: There is relationship between Strategy evaluation and firm performance in Enugu state.

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Source: Research data 2018
Note: Degree of freedom in chi square can be computed by (No of Row-1)(No of column) = (5-1)(2-1)==4x1 = 4

Decision: Since calculated (25.8993) x 2 is greater than the critical (9.488) we reject $H_1$ and conclude that there is relationship between strategy evaluation and firm performance in Enugu state.

Discussion of Finding
Arising from the hypotheses testing and Research questions the Key findings of this study can be summarized thus:

i. There is relationship between Strategy formulation and firm performance in Enugu state. This is in line with numerous studies that found that strategy formulation has a positive relationship with strategy implementation and firm performance (Dennison, 2000; Daft 2012; Franklin 2011; Aldehayyat and Twaisisi, 2011; Owolabi and Makinde, 2012).

ii. There is relationship between strategy evaluation and firm performance in Enugu state. This is in line with Melnyk, Stewart and Swink, (2014) established the existence of a positive relationship between strategic evaluation and firm performance.

Conclusion from the Findings
This study examined the effect of strategic planning and firm’s performance in Enugu State. The outcome of the study showed that there are all are related to each other.

i. There is relationship between strategy formulation and firm performance in Enugu state.

ii. There is relationship between strategy evaluation and firm performance in Enugu state.
Recommendations
In consideration of the findings of this study, the following suggestions have been proposed as a way of setting good strategic planning. Bearing in mind the focus of the study, the recommendations relate to manufacturing firms.

i. Management of manufacturing firms should endeavour to make sure that their employees/organization includes all factors of the Strategy formulation when applying the strategy in order to boost performance.

ii. Firm management should endeavour to make sure that their employee includes all factors of the Strategy implementation when applying the strategy in order to boost performance.

References


