The Influence of Strategic Planning on Organizational Performance: A Case in Malaysian Healthcare System

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ARISTOCTIVE INFO

Background: Strategic planning is a popular topic that has attracted a great concern of scholars and practitioners. This topic has been linked to many organizational outcomes including performance of organization. Objective: The purpose of this paper was to examine the relationship and influence of strategic planning on organizational performance. Finally the study examined the most triggering component that contributed to organizational performance. Results: The study found that strategic planning components were related to organizational performance. These components had indicated a significant influence on organizational performance. It was found that strategic planning barrier was the most triggering aspect that influenced organizational performance. Conclusion: Components of strategic planning level, strategic planning implementation and barriers of strategic planning are the key factors that enhanced organizational performance of Malaysian healthcare system.

INTRODUCTION

In the current global competitive environment, organizations tend to identify, support and enhance their capabilities to adapt with environmental changes (Samad, 2011a). They need to have human capital with new knowledge, skills and competency as well as a proper strategic planning to face with competition especially in sectors that are characterized by saturation and compactness (Samad, 2005). Further the lack of strategic planning will force the organizations to be in poor competitive positions and ultimately failed to achieve its objectives (Hamidizadeh and Hosseinzadeh, 2007). Strategic planning is a popular topic that has attracted a great concern of scholars and practitioners. This is due to its impacts on organizational outcomes such as organizational performance (Samad et al., 2013). Ghamdi (2005), (Samad and Amri (2011) acknowledged the importance of strategic planning for successful organizations. Hence the development of strategic planning need to be given priority as this is one of the effective ways for an organization to gain a competitive advantage (Teece et al., 1997). Strategic planning is one of the important aspects that any manager will undertake in business (Harrison (1996), (Samad, 2013a). This is because it assists organization to allocate and focus the input, attention and effort towards the targeted output in more effective and efficient manner (Bobek and Stojan, 2012), (Samad, 2012b). Strategic planning can help business move towards achieving objectives and goals through strategic specific of the company by taking considerations of several factors such as the stakeholders’ interests, market share, financial consideration and customer satisfaction (Patten, 2010), (Samad and Abdullah, 2012).

The influence of strategic planning on organizational performance has been widely researched. Since 1980s scientists and researchers have focus strategic planning on two streams of thought: 1) the impact of strategic planning on agencies, firm or organizational performance and 2) the role of strategic planning on making strategic decision (Grant, 2008), (Samad, 2012a). Studies have revealed that management of organization make a difference on their performance in many forms (Lynn et al., 2001). Executing good performance of organization can be a challenge when the strategic plan is not properly carried out and organization lacks of knowledge to develop appropriate strategic planning (Samad et al., 2013). This is pertinent both in public and private organization and across sectors with no exception of healthcare system in Malaysia.

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In today’s rapid era of globalization, environmental changes and the subsequent rising concern for the current and future health of society, the call for good strategic planning in healthcare system around the world including Malaysia is growing stronger (Samad, 2006b). In tandem to this Malaysian Ministry of Health (MOH) has indentified five health sector functional programmes which require good strategic planning. These include aspects related to population health, personal health, research and innovation, human capital development, technical and other support programmes (MOH, 2014). Other issues of concern involve healthcare delivery, quality and standards of care, rising cost of care, cost drivers, financing the system, health awareness and lifestyle, empowerment of individuals and communities, information and communication technology, research and innovation, human capital development, mismatched supply and needs or demands (Samad and Yusuf, 2014), (MOH, 2014). However the three most challenging health related problems in Malaysian healthcare system are on the rise in lifestyle diseases, an ageing population and rapidly spreading infectious diseases (http://www.um.edu.my/). Accordingly no comprehensive model has been formulated to tackle these issues. Shortage of doctors, training and competencies of doctors, quality of service, negligence cases and quality of healthcare in remote and rural areas are also among the problems that have contributed to the performance and reputation of healthcare system in Malaysia (Subramaniam, 2013), (Shuaib and Shuaib, 2000), (Saravanavanavan, 2012), (Samad et al., 2013), (Samad, 2006a). This implies of shortcomings in the healthcare strategic management which calls for a strategic planning in order to achieve the required or standardized quality and performance of healthcare system. This is in line with the Ministry of Health plan which has determined the key result areas, strategies, outcomes and key performance indicators of health sector in which the monitoring and evaluation is done through planning, preparation and implementation stage (MOH, 2014).

While all those stages of monitoring and evaluation especially the planning has been promoted and recommended as a means or process of monitoring and evaluating the healthcare system, its influence or impact on the performance of healthcare system has not been comprehensively investigated (Samad and Yusuf, 2014). Thus far considerable managerial influences on organizational performance have been linked to behavioural aspects (Samad, 2013b), (Samad, 2005). This study attempted to link the broader strategic elements of management with organizational performance. Further management theory offer a powerful rationale on the consideration of components to be integrated in the comprehensive model of strategic planning and performance of organization (Samad, 2011a), (Samad, 2011e). Currently research in this area has tended to be inconclusive demonstrating an unclear understanding of what should constitute a good or effective strategic planning (Chun and Rainey, 2005). Further, study on the influence of strategic planning toward the performance of healthcare system in Malaysia is rather unknown, yet almost all of them embraced strategic planning as a core strategy of their business or management (Samad and Yusuf, 2012). This study therefore attempted to examine the contribution of strategic planning on the performance of healthcare system in Malaysia.

Literature Review:
Strategic Planning:

Strategic planning has been defined in a variety of perspectives according to the context and background of the scholars (Samad, 2012b). Bryson (2004) defines strategic planning as a discipline of effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it. Hamdan (2006) addressed strategic planning as a process in which the message of the organization is determined as well as how goals, strategies and policies are laid to achieve these objectives. Wilkinson and Monkhouse (1994) define strategic planning in terms of method used to position an organization by prioritizing its use of resources according to identified goals in an effort to guide its direction and development over a period of time.

There are several strategic planning models suggested by scholars. Church et al (2008) suggested a model of strategic planning that includes strategic formulation and strategic implementation. Danes’s et al. (2008) model of strategic planning involves a) the improvement of target business objectives, (b) strategies to accomplish objectives, (c) financial planning, (d) mission statement, (e) developing a long-term strategic plan, and (f) evaluation of external factors which impact the company. Yusuf and Saffu (2009) suggested strategic planning which constitutes aspects of: a) analyzer, b) prospect, c) defender d) reactor. Efendioglu and Karabulut’s (2010) model of strategic planning consists of : (a) strategic planning (b) Strategic issues planning process and (c) using strategic analysis tools. Bobek and Stojan (2012) suggested five aspects of strategic planning: a) formality of strategic planning, b) strategic planning techniques, c) participation of management, d) involvement in strategic planning and e) problems of strategic planning implementation. Meanwhile Saenz’s (2010) model is based on strategic planning level and strategic planning implementation. The strategic planning level consists of 1) normative planning; 2) analysis of environment; 3) planning; 4) operative planning and 5) evaluation and control. Meanwhile implementation process consists of: 1) spread vision and mission; 2) periodical revision of plan and 3) considering amendment.

It can be concluded that despite various models of strategic planning in the literature generally they highlight a process that involves stages such as formulation or planning, implementation and evaluation.
Although literature has documented various models of strategic planning (Samad, 2011c), there is no single model that seems to fit every situation and environment (Bryson, 2010). This study used a strategic planning model developed by Saenz (2010) as mentioned earlier and by Robertson’s (2011) model which highlight the barriers of strategic planning to link with the performance of healthcare system in Malaysia. This is in line with the current situation of organizations that require more sophisticated strategic planning model for their survival and superior performance (Al-Shammar and Hussein, 2007), (Samad, 2011d). In addition despite of the strenuous efforts and great works done by organizations, most strategic planning have experienced failure (Eadie, 1983), (Samad, 2011e). This is because it is not that strategic planning is ineffective instrument but because of some barriers which effect negatively on the success of strategic planning (Samad, 2010). Strategic planning can be a valuable instrument if it is applied and implemented properly (Samad, 2009), (Mintzberg, 1994) and especially in a turbulent environment (Hart and Banbury, 1994). Eadie (1983) argued that the idea of strategic planning is to continue a favourable balance between an organization and its environment for long run. Butler et al. (2000) and Samad (2007a) identified some barriers of effective strategic planning such as fear, ignorance, cynicism and a combination of time and place. Okumus (2003), (Samad, 2006b) pointed out that lack of attention from the top level management, absence of motivation, employee well being and an overall organization awareness are among the reasons for the failure of strategic planning. Robertson’s (2011) suggested model of barriers in strategic planning which includes aspects of uncertainty, limited resources, low productivity and communication. However, according to Samad et al. (2013) although voluminous literature on strategic planning, comparatively less has been focused on how to implement a strategic plan once it is developed. This phenomenon is due to the successful implementation of strategic planning is inextricably related to the barrier such as culture and other organizational factors (Samad 2005), (Samad et al., 2013). This study therefore integrates element of culture as suggested by Samad et al. (2013) in the model of barrier in strategic planning by Robertson (2011).

Strategic Planning And Organizational Performance:

Previous studies have supported the use of multiple approaches for measuring organizational performance (Samad and Yusuf, 2014), (Van der Stede et al., 2006). Van der Stede et al. (2006), (Samad (2006c) found that organizations that used extensive performance measures which include subjective non financial and objective measures have higher performance. Other research indicated of organization that implemented performance measurement from both financial and non financial performance will benefit more than relied solely on financial performance measurement (Bryant et al. (2004), (Samad and Yusuf, 2014) . Balanced Scorecard’s model (BSC) by Kaplan and Norton (2010) support the overall BSC measures on organizational performance (Hoque and James (2000). According to Kaplan and Norton (2010), measures of BSC reflect the organization’s changing business environment as well as the achievement of its goals. Further BSC serves as a framework for describing value-creating strategies that relate to tangible and intangible resources (Samad, 2007b).

Past studies revealed that there is relationship between strategic planning and organizational performance. A study by Al-Shammar and Hussein, (2007) found the importance of strategic planning on performance of manufacturing companies in Jordan. It was revealed in this study that only 39 percent of companies are strategic planner while 61 percent are not performing strategic planning. The high percentage of non-strategic planners indicates its limited use of strategic planning in Jordanian manufacturing companies. A study of 212 Macedonia companies by Bobek and Stojan (2012) indicated a significant influence of strategic planning on organizational performance based on financial and non financial aspects. Yusuf and Saffu (2009) also found a significant contribution of strategic planning on financial and non financial of firms’ services in Bahrain and UAE. This study revealed that 62 percent of firms had a long term planning philosophy, 36 percent had medium-term planning and 2 percent planned on short-term basis. Meanwhile Efendioglu and Karabulut (2010) found strategic planning has affected financial performance of organization in Turkey. Saenz’s (2010) study among business’ owners, executive, and managers in Mexico found a consistent finding of the previous research in which the strategic planning levels and the implementation process had a significant influence on organizational performance. A study of strategic planning among CEO in Mexico hospitals has also indicated a positive relationship and influence on organizational financial performance (Amer et al. (2008). Thus the following hypotheses were proposed in this study:

H1: There is a positive and significant relationship between strategic planning level and organizational performance,

H2: There is a positive and significant relationship between strategic planning implementation process and organizational performance,

H3: There is a positive and significant relationship between barriers to strategic planning and organizational performance,

H4: There is a positive and significant relationship between overall strategic planning and organizational performance

H5: There is a significant influence of strategic planning on organizational performance and
H6: Barrier of strategic planning will be the most triggering component to influence organizational performance

Methodology:

The population in which the sample has drawn in this study includes top management, middle management and lower level of management staff in Malaysian healthcare system (Malaysian public and private hospitals). The chosen of the population was driven by the need to extract the relevant information. The characteristics of the population were determined by limiting to full time management staff. A total of 400 samples were selected randomly from the data of MOH as proposed by Krejcie and Morgan (1970). The choice of these groups of staff was based on the perceived level of their participation in organization decision making process being an integral part of the organization unlike other employees. This procedure was considered as quite pertinent to ensure the method of choice for caliber respondents was strictly adhered to.

The dependent variable of the study was organizational performance. The measurement was adapted and adopted from Hoque et al. (2001) and Kaplan and Norton (1992) and developed by Samad (2012a). The scale of 34 items consists of financial perspective (5 items); learning and growth (9 items); internal business (9 items) and customer perspective (11 items). Respondents were asked to give their response based on a seven-point Likert-scale response with 1 = strongly disagree to 7 = strongly agree. Organizational performance measurement is based on the summative score of four dimensions of Balance Score Card model. The reliability coefficient for all components of organizational performance is .96. The dimensions of organizational performance represent the financial and non financial segment of Malaysian healthcare system.

The independent variable in this study was strategic planning. This variable was measured based on the adapted instrument developed by Saenz, (2010) which measured dimension of strategic planning level (summative score of 20 items which contains components of normative, analysis of environment, planning, operative, evaluation and control) and implementation process (summative score of 12 items which consists components of periodical revision of plan and considering amendment). Barriers of strategic planning (summative score of 27 items which contains components of uncertainty, limited resources, low productivity, communication were measured from the adopted scale by Robertson (2011) and culture was measured from a developed scale by Samad et al. (2013). The reliability of the overall three main dimensions of strategic planning were .90, .89 and .90 respectively. Respondents were asked to give their response based on a seven-point Likert-type response with 1 = strongly disagree to 7 = strongly agree. The reliability analysis also reveals that all scales are at the acceptable magnitude value of more than 0.70 (Nunnally, 1978).

RESULTS AND DISCUSSION

Profile of Respondents:

The survey revealed that the average age of the respondents was 30 years, while the mean age of their experience in organization was 10 years and experience with the current job was 5 years. Regarding the gender, 60% of respondents were male while female were 40%. Majority of the respondents (70%) were married while 30% were not married. In terms of position, 30% of the respondents were from middle level of management, 50 percent lower level and 20% were from higher level of management.

The relationship between strategic planning and organizational performance (H1-H4):

Table 1 provides a correlation matrix of the five variables. The striking aspect of the table is how related the various measures of strategic planning to each other and with organizational performance.

<table>
<thead>
<tr>
<th>Coefficient of the Main Variables</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.84</td>
<td>0.71</td>
<td>1</td>
<td>0.90</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.82</td>
<td>0.43</td>
<td>2</td>
<td>.54*</td>
<td>0.89</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.15</td>
<td>0.74</td>
<td>3</td>
<td>.51*</td>
<td>.45*</td>
<td>0.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.84</td>
<td>0.75</td>
<td>4</td>
<td>.49*</td>
<td>.23*</td>
<td>.25*</td>
<td>(95)</td>
<td></td>
</tr>
<tr>
<td>2.43</td>
<td>0.84</td>
<td>5</td>
<td>.57*</td>
<td>.68*</td>
<td>.65*</td>
<td>.48*</td>
<td>(96)</td>
</tr>
</tbody>
</table>

Note: * p < .05 (Alpha reliability values are shown in parentheses in the diagonal).


The results found that all of the independent variables (strategic planning level, strategic planning implementation process, barriers of strategic planning and overall strategic planning) were positively correlated with organizational performance. The highest positive correlation ($\beta = 0.68$) is implementation process followed by barriers of strategic planning ($\beta = 0.65$), strategic planning level ($\beta = 0.57$) and overall strategic planning is $\beta = 0.48$. Thus the hypotheses (H1-H4) were accepted. The study concludes that all of the three main independent variables were significantly related to organizational performance of Malaysian healthcare system. Examining the relationship of each variable, the analysis reveals that the strength of the relationship was at moderate,
positive and significant relationship. Therefore there is no issue of collinearity and a multiple regression analysis can be carried out to answer the following hypothesis of the study.

**The Influence of strategic planning on organisational performance (H5):**

Table 2 presents the regression results with the overall dimensions of organizational performance using Balance Scorecard model as the dependent variable. The data is to answer the hypotheses H5 of the study. In this analysis all of the organizational strategic planning dimensions (strategic planning level, implementation process and barriers of strategic planning) were regressed with organizational performance. As can be seen on Table 2, the $R^2$ value for strategic planning is .62 indicating 62 percent of variance in organizational performance was explained by the three dimensions of strategic planning. This result therefore provided support for hypothesis H5 of the study that there is a significant influence of strategic planning on organizational performance.

Table 2: Influence of strategic planning on organisational performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Organizational performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std β</td>
</tr>
<tr>
<td>Strategic planning</td>
<td></td>
</tr>
<tr>
<td>Strategic planning level</td>
<td>.28</td>
</tr>
<tr>
<td>Implementation process</td>
<td>.21</td>
</tr>
<tr>
<td>Barriers of strategic planning</td>
<td>.45</td>
</tr>
</tbody>
</table>

Note: * $p < .05$

**The most triggering component of strategic planning that influence organisational performance (H6):**

Examining each component of strategic planning as depicted in Table 2 all dimensions had a positive and significant effect on organizational performance. The results revealed that among all of the strategic planning dimensions, barriers of strategic planning had the highest beta value of .45 followed by strategic planning level with beta value of 0.28 and beta value of implementation process is 0.21. This showed that barriers of strategic planning dimension emerged as the most triggering aspect that influenced organizational performance. The result therefore supported the H6 hypothesis of the study that barrier of strategic planning emerged as the most triggering aspect of strategic planning in enhancing organizational performance. Therefore the hypothesis H6 was accepted.

**Conclusion, Implications and Suggestion:**

The purpose of this study was to examine the relationship between strategic planning and organizational performance. It also determined the influence of strategic planning on organizational performance. Finally the study attempted to identify the most triggering aspect of strategic planning that affected organizational performance. Based on the correlation matrix and regression analysis the results revealed that all of the strategic planning components were positively related to organizational performance and had a positive and significant influence on organizational performance. Barriers of strategic planning emerged as the most triggering aspect of strategic planning in enhancing organizational performance followed by strategic planning level and implementation process. These results were consistent with previous studies by Robertson (2011), Saenz (2010) (2006), Samad (2012a), and provided support evidence that strategic planning on overall had influence on organizational performance in Malaysian healthcare system. The findings are also in tandem to the Emergent Theory which suggests that the patterns that developed in organizations based on its past actions will influence its ability to craft strategy for the future (Mintzberg, 1987). Further the emergent strategy comes from the belief that the future of the organization environment is unknown and unpredictable as what in Malaysian healthcare system. This situation will allow organization to decide the suitable strategy (in this case is strategic planning strategy) in order to improve the performance. Scholars have suggested that Emergent Theory is multicultural, multidisciplinary and multi contextual. This means any variable that related to these constructs can be integrated to explain the phenomena of the research problem in the setting. In this study strategic planning components are considered as perceived emergent strategy and the approach is able to explain the phenomena of the problem in the setting.

The empirical findings of this study support the notion that the strategic planning level, strategic planning implementation process and barriers of strategic planning are key strategic planning dimensions that will influence organizational performance model suggested by Kaplan and Norton (1992). This model encompasses of financial perspective, learning and growth, internal business processes and customer perspective. As highlighted earlier, Malaysian healthcare system is facing with the three unanswered issues of lifestyle diseases, an ageing population and rapidly spreading infectious diseases. The results implied that all of the strategic planning components served as the contributing factor and play important roles in addressing issues and improving the performance of healthcare system in Malaysia. This is consistent with what has been stated by Kaufmann (1994) that plan is not the only factors that contribute to the successful organizational strategies but the components of strategic planning must include clear vision and mission. Strategic planning is also not a
programme component but a strategic planning that contain several required aspects by organizations (Mintzberg, 1994). The findings suggest that a comprehensive and proper strategic planning will help decision makers in formulating and planning a model or framework to address the relevant issues.

This finding however posits careful consideration and a critical evaluation on strategic planning. Eadie (1983) stated that the failure of strategic planning was not because of its instrument but due to some barriers which will influence negatively the success of strategic planning. Therefore careful consideration needs to be taken in strategic planning aspects such as uncertainty, limited resources, low productivity and communication barriers (Robertson, 2011), (Butler et al., 2010). This includes aspect such as culture as stated by Samad (et al., 2013). Daft (2012) and Samad (2013a) stressed that the current organizations are shifting toward cultures that are more flexible and in tune with changes in the environment. Accordingly culture that constitutes aspect like involvement, consistency, mission, achievement and adaptation are important for organizational performance (Samad et al. (2013). This implies that organizations must be able to adapt and adjust the culture according to the environment needs of the organization in their strategic planning. Accordingly they must be able to overcome uncertainty barriers, overcoming lack of and limited resources barriers, overcoming lack of standardization and universal communication barriers and overcoming motivation, moral and productivity barriers. According to Samad et al. (2013) this requires people who deal with strategic management to have enough skills and competencies to ensure effective strategic planning.

In conclusion, findings of this research highlighted that strategic planning plays key role in securing competitive advantage and achieving organizational performance in Malaysian healthcare system. Results from this study are applicable for practical and theoretical purposes. Thus this study serves as a starting point for further study in this area. For purposes of generazility further study can be validated by using other variables, different samples, approaches, theoretical perspectives and in a variety of settings.

REFERENCES


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