

# “The impact of strategic planning on enhancing the strategic performance of banks: evidence from Bahrain”

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# THE IMPACT OF STRATEGIC PLANNING ON ENHANCING THE STRATEGIC PERFORMANCE OF BANKS: EVIDENCE FROM BAHRAIN

## Abstract

This study aims to test the impact of strategic planning on enhancing the strategic performance of Bahraini banks. The study has two variables. The strategic planning as an independent variable includes a group of four perspectives, namely environmental scanning, strategy formulation, strategy implementation, and strategy evaluation. The strategic performance as a dependent variable also includes a group of four perspectives: financial, customer, internal business process, and learning and growth. The sample of the study consists of the employees of 10 of all the 12 commercial banks in Bahrain. A questionnaire was developed to gather the data. Five questionnaires were distributed to each bank totaling 50 questionnaires. The results showed that the strategic planning has a good statistically significant impact on financial, customer, and learning and growth. The results also showed a medium statistically significant impact of strategic planning on internal business process. The research recommended focusing on all aspects of the strategic performance in the banks under study, specifically the internal business process perspective.

## Keywords

strategic planning, financial, customer, internal business process, learning and growth, banks, Bahrain

**JEL Classification** M49, G21, L25

## INTRODUCTION

Business organizations, especially the banking sector, are currently facing major internal and external challenges of fierce competition, rapid change, diversity of customer desires, renewable technology, social responsibility, and other factors. In order to meet these challenges, the banks' administrations are required to adopt new approaches and strategies that will strengthen the competitive position by raising internal and external performance levels, especially strategic performance in all its perspectives, including financial, customers, internal business process, and learning and growth.

Strategic planning is one of the most important approaches that improves the performance of organizations. Many studies indicate a positive relationship between strategic planning at all its stages and the organizational performance (Arasa & K'Obonyo, 2012). Strategic planning is defined as a long-term planning that considers internal and external variables and identifies the targeted market segments and the competition methods (Ali & Al-Jaradi, 2016). Strategic planning is carried out in several stages, starting with analyzing internal and external environment, including strengths, weaknesses, opportunities and threats analysis, followed by strategy formulation, then implementation of strategy and finally evaluation of strategy (Nzewi & Ojiagu, 2015).

Previous studies have not shown any clear vision about the impact of strategic planning on enhancing the strategic performance of Bahraini banks. Most previous studies in this field have focused on the relationship between strategic planning and several selected factors such as financial performance, organizational performance, efficiency and others. This research paper seeks to study the impact of strategic planning as an independent variable on enhancing the strategic performance perspectives, including financial, customers, internal business process, and learning and growth as dependent variables.

## 1. STUDY PROBLEM

The strategic planning is an important factor for the continuation of the Bahraini banks in this complex business environment, especially with regard to Bahraini banks seeking to excellence through continuous work to improve performance by increasing profitability, improving customer relations, or developing new services. These elements can be achieved through strategic planning, which is an important factor in the success of organizations (Nzewi & Ojiagu, 2015; Ali & Al-Jaradi, 2016). Due to the lack of studies that highlighted the role of strategic planning on enhancing the banks' strategic performance, this study seeks to explore the impact of strategic planning on enhancing banks' strategic performance in Bahrain.

Accordingly, the problem of this study can be formulated in the following main question: "Does strategic planning have an impact on enhancing banks' strategic performance?"

## 2. STUDY OBJECTIVE

This study aims to explore the impact of strategic planning on enhancing the banks' strategic performance for a group of Bahraini banks through defining the role of strategic planning, including four perspectives: environmental scanning, strategy formulation, strategy implementation, and strategy evaluation as one variable in each one of the strategic performance variables, namely financial, customer, internal business process, and learning and growth.

## 3. IMPORTANCE OF THE STUDY

The importance of this study arises from being the first attempt to determine the impact of strategic planning including four main perspectives,

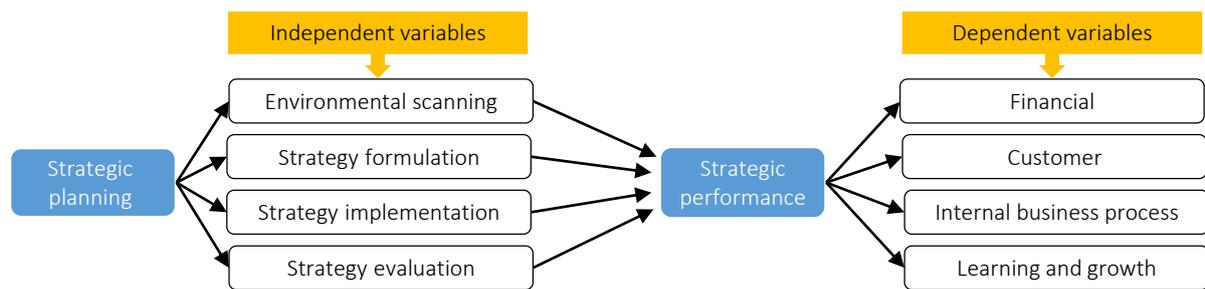
environmental scanning, strategy formulation, strategy implementation, and strategy evaluation, on enhancing the banks' strategic performance. Strategic planning is an effective tool for managing business in the modern business environment because of its great role in improving the strategic performance including financial, customer, internal business process, and learning and growth.

This study will be an important indicator for the banking sector in that it will show the strengths and weaknesses within the banking sector. This research paper will clarify the perspectives that need to be developed in the banking sector in Bahrain whether in financial perspective, customer perspective, internal business process perspective, and learning and growth perspective or even in the strategic planning. This study will form the basis for further research seeking to explore the role of strategic planning in organizational performance in general.

## 4. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Gomera et al. (2018) aim to determine the relationship between strategic planning and financial performance for a group of businesses in the Buffalo City Metropolitan. The study showed a positive relationship between strategic planning and the financial performance of the SMMEs. Specifically, this study found a positive relationship between formulation, implementation, evaluation and control, and the financial performance.

Omotayo et al. (2018) study the relationship between strategic planning and companies' performance. The results found that the strategic performance has an important impact on the organizational performance through different factors like quality



**Figure 1.** Research framework

of product, employee's satisfaction, customer's satisfaction, and market performance. The study also found that Nigerian banks shall make a significant improvement on their performance if the strategic planning is properly integrated by them.

Otieno et al. (2018) examine the impact of implementing strategic management on the performance of small and medium enterprises in Nairobi. The results show that the environmental analysis, strategy formulation, strategy implementation, and strategy evaluation have a positive impact on the financial performance of SMEs in the service sector in Kenya. The results show that SMEs which adopted strategic planning process are likely to achieve better financial performance. Similar study by Nzewi and Ojiagu (2015) aims to examine the relationship between strategic planning and performance of commercial banks in Nigeria. The results reveal a weak positive correlation between total assets and profit after tax. Owolabi and Makinde (2012) aims to examine the impact of strategic planning on the universities' performance. They also examine how this affects the efficiency and effectiveness of management. The results reveal a significant positive correlation between strategic planning and universities' performance. The study concluded that strategic planning is useful for universities in achieving specific objectives. The study by Sophia and Owuor (2015) aims to explore the effects of strategic planning on organizational growth in Kenya. The results show that a well implemented strategic planning in the organization is effective towards the growth.

Awino et al. (2012) examine the impact of strategic planning on the firm's performance. The study shows a significant and positive relationship between strategic planning and firm's performance,

strategic planning and planning outcomes, and finally between planning outcomes and firm's performance. Thus, the study indicates that effective strategic planning leads to a positive change in the firm's performance.

Most studies focus on exploring the relationship between strategic planning and the firm's performance or financial performance (Nzewi & Ojiagu, 2015; Arasa & K'Obonyo, 2012; Gomera et al., 2018; Omotayo et al., 2018; Owolabi & Makinde, 2012). Anyway, the relationship between strategic planning and strategic performance is still in its infancy. This study tries to explore the impact of strategic planning on a group of dependent variables, which reflects the strategic performance. This group of variables includes financial, customers, internal business process, and learning and growth. This study will complement previous research by demonstrating the role of strategic planning in each perspective of the strategic performance dimensions for a group of Bahraini banks.

Based on the above literature review, Figure 1 reflects the impact of strategic planning on enhancing the banks' strategic performance in Bahrain.

## 5. HYPOTHESES OF THE STUDY

Based on the research framework, this research paper can be expressed in four hypotheses:

*H01: Strategic planning has no impact on the financial perspective.*

*H02: Strategic planning has no impact on the customer perspective.*

*H03: Strategic planning has no impact on the internal business process perspective.*

*H04: Strategic planning has no impact on the learning and growth perspective.*

## 6. VARIABLES OF THE STUDY

### 6.1. Strategic planning

Global competition, spread of technology, business diversification and increased focus on the environment and human resources have become important reasons for the emergence of strategic planning (Rothaermel, 2017). Planning as the first step of the management process is an important factor in the survival and growth of any project in the competitive business environment that is constantly changing. Strategic planning is an analytical process involving analysis, formulation, implementation and evaluation (Nzewi & Ojiagu, 2015). Different authors indicate that traditional top-down strategic planning includes three steps, namely analysis, formulation and implementation (Rothaermel, 2017).

For this study, strategic planning is consisting of environmental scanning, strategy formulation, strategy implementation, and strategy evaluation. Same variables have been used by different authors (Otieno et al., 2018).

#### 6.1.1. Environmental scanning

This step represents the analysis of the internal and external environment of the organization. Organizations usually use several tools to carry out this analysis, such as SWOT analysis (Strengths, Weaknesses, Opportunities and Threats), PEST analysis (Political, Economic, Social and Technological), EPISTEL tool (Environment, Political, Informatics, Social, Technological, Economic and Legal) and the ARM approach (Targeted strategies, measuring progress approach and impact). SWOT analysis is one of the most popular of these tools as it collects data about the internal and external environment of the organization to be used in strategy formulation. External analysis of the environment is an important source of data that helps the organi-

zation identify opportunities and threats such as entry of new competitors, technological changes, enforcing new environmental regulations, and others (Ayanda & Oyinlola, 2014).

Internal analysis is limited to analyzing internal processes, such as production processes, resources and accounting, to identify strengths and weaknesses in order to exploit the strengths of the organization to gain any competitive advantage for the organization and thereby minimize weaknesses such as changing information systems or changing office equipment (Rothaermel, 2017). Organizations should use the environmental scanning for strategy formulation purposes, which contributes to the achievement of the organization's mission (Aremu & Oyinloye, 2014). This variable will be measured in the questionnaire by the questions from (1) to (4) in the environmental scanning section.

#### 6.1.2. Strategy formulation

The strategic plan passes through three phases: vision, mission and objectives. Vision is defined as the future path of the organization that determines what the organization wants to reach and the center it intends to achieve (Rothaermel, 2017). Mission represents the products and services that the organization intends to provide as well as the markets that it intends to enter (Rothaermel, 2017). The objectives are the results to be achieved through outputs that the organization delivers in the form of products or services with specified features that lead to these results or objectives. Based on the environmental analysis, the organization will be able to formulate its strategy to ensure that the objectives are achieved and in line with its vision and mission. This variable will be measured in the questionnaire by the questions from (1) to (4) in the strategy formulation section.

#### 6.1.3. Strategy implementation

It refers to putting the strategy into practice and to making sub-organizational entities begin to implement their roles in the strategic plan successfully by building an organizational structure capable of implementing the plan, allocation of supporting budgets and programs to implement the strat-

egy, and developing an information system and follow-up reports to monitor the progress of the implementation process, as well as creating an internal regulatory environment that is in line with the success of the strategy (Babafemi, 2015). This variable will be measured in the questionnaire by the questions from (1) to (4) in the strategy implementation section.

#### **6.1.4. Strategy evaluation**

The process of developing or implementing the strategy cannot be viewed as a one-time task. This means that sometimes the implementation of the strategy is not going well, or there may be changes in the internal and external environment of the enterprise, which leads to the need to do some adjustments to re-route the strategy, furthermore, there may be significant changes at the level of the organization's environment making it necessary to make a change in its strategy (Agwu, 2018). This variable will be measured in the questionnaire by the questions from (1) to (4) in the strategy evaluation section.

## **6.2. Strategic performance**

The balanced scorecard created by Kaplan and Norton (1992) will be the basic resource to determine the different perspectives of strategic performance. However, four perspectives of strategic performance have been determined: financial, customer, internal business process, and learning and growth.

#### **6.2.1. The financial perspective**

This perspective indicates the extent to which the implementation of organization's strategy contributes to the continuous improvement of its objectives and operations. Financial objectives can be expressed by the level of profits and growth achieved. These objectives are based on revenue growth, cost reduction and productivity improvement. They can usually be measured by return on investment, growth in sales or income, increase in market share, and economic value added (Kaplan & Norton, 1992; Kaplan & Norton, 2007; Shibani & Gherbal, 2018). This variable will be measured in the questionnaire by the questions from (1) to (4) in the financial section.

#### **6.2.2. The customer perspective**

It reflects the organization's ability to attain customer satisfaction by achieving the appropriate quality and price. This perspective includes multiple performance dimensions such as customer satisfaction, customer retention, and customer profitability (Kaplan & Norton, 1992; Kaplan & Norton, 2007; Shibani & Gherbal, 2018). This variable will be measured in the questionnaire by the questions from (1) to (4) in the customer section.

#### **6.2.3. The internal business process perspective**

It focuses on the ability of the organization to achieve the excellence and success through efficiency and effectiveness. It highlights the most important processes in the success of the organization's strategy in increasing the customer satisfaction (Kaplan & Norton, 1992; Kaplan & Norton, 2007). This variable will be measured in the questionnaire by the questions from (1) to (4) in the internal business process section.

#### **6.2.4. The learning and growth perspective**

It reflects the organization's ability in innovation and creation. The creation, learning and growth activities depend on three main sources (people, systems and organizational processes). The progress in achieving the organization's objectives requires investing in retraining of employees, developed systems and information technology, and organizing the organizational processes (Kaplan & Norton, 1992; Kaplan & Norton, 2007). This variable will be measured in the questionnaire by the questions from (1) to (4) in the learning and growth section.

## **7. METHODS USED IN THE RESEARCH**

### **7.1. Population and sample**

To achieve the research objectives, the study was conducted on 10 of the 12 commercial banks operating in Bahrain due to the reservation of the remaining two banks to the questionnaire. Five questionnaires were distributed to each bank totaling 50 questionnaires. A total of 44 question-

naires were valid to use in the statistical analysis. The distribution of questionnaires targeted managers and heads of departments.

The questionnaire included three sections, starting with general information about the respondents as the first section. The second section includes questions that measure the independent variable “strategic planning” including four perspectives: environmental scanning, strategy formulation, strategy implementation, and strategy evaluation. The third section includes questions that measure the dependent variable “strategic performance” including also four perspectives: financial, customer, internal business process, and learning and growth. For gathering data, a questionnaire has been designed based on five-point Likert scale: (Strongly disagree = 1, Disagree = 2, Neutral = 3, Agree = 4, Strongly agree = 5). The responses’ means were classified into three levels, namely high (3.67-5), medium (2.34-3.66), and low (1-2.33). SPSS 17.0 was used for data analysis purposes.

## 7.2. Reliability and internal validity testing

Cronbach’s Alpha scale was used to measure reliability. Table 1 shows the lowest value of Cronbach’s Alpha for the independent variable (Strategic planning) and the dependent variable (Financial), which is 0.87, whereas the highest value of Cronbach’s Alpha is 0.91 for the independent variable and the dependent variable (Learning and growth). However, the total value of Cronbach’s Alpha for the whole variables is 0.92. This value is considered an excellent value since it is greater than 80%. The value of Cronbach’s alpha is considered weak if it is less than 60%, acceptable if it is between 60%-70%, good if it is between 70%-80%, and excellent if it is greater than 80% (Sekaran & Bougie, 2016).

**Table 1.** Reliability testing

No.	Variables	Cronbach’s alpha	Number of items
1	Strategic planning/financial	0.87	20
2	Strategic planning/customer	0.90	20
3	Strategic planning/internal business process	0.88	20
4	Strategic planning/learning and growth	0.91	20
5	Total	0.92	32

To verify the validity of the questionnaire, the correlation coefficients for each variable were calculated separately. Table 2 shows that all correlation coefficients are significant. This means that the variables of the questionnaire have structural validity.

**Table 2.** Internal validity testing

No.	Variables	Correlation coefficient	Number of items
1	Strategic planning	0.688**	16
2	Financial	0.720**	4
3	Customer	0.894**	4
4	Internal business process	0.653**	4
5	Learning and growth	0.869**	32

Note: \*\* Correlation is significant at the 0.01 level (2-tailed), \* Correlation is significant at the 0.05 level (2-tailed).

## 8. ANALYSIS AND INTERPRETATION OF RESULTS

### 8.1. The independent variable

To analyze the gathered data, the researcher uses different types of the descriptive statistics such as mean, standard deviation, and percentages and ranking. Table 3 shows the results of analyzing the responses of the independent variable (strategic planning) as one independent variable including four perspectives: environmental scanning, strategy formulation, strategy implementation, and strategy evaluation.

The data in Table 3 includes the mean’s values for all variables related to the four perspectives of strategic planning ranged between 4 and 3.129 with an average of 3.714, which is considered a high level. These mean’s values indicate that the commercial banks in Bahrain adopt strategic planning in all its components and that the employees of these banks have a great knowledge of the concepts of strategic planning. In turn it will be reflected positively on the strategic performance of these banks in all perspectives, namely financial, customer, internal business process, and learning and growth.

**Table 3.** Descriptive statistics of responses for the independent variable (strategic planning)

No.	Statement	Mean	Standard deviation	Percentages
<b>Environmental scanning</b>				
1	The bank constantly monitors the staff skills to determine training needs	3.774	0.845	0.755
2	The bank constantly monitors the process system to improve service quality and reduce costs	3.871	0.718	0.774
3	The bank continuously distributes questionnaires to its customers to determine their satisfaction with the quality of service	3.129	0.718	0.626
4	The bank's market share is continuously analyzed	3.483	1.061	0.697
<b>Strategy formulation</b>				
1	The bank has a clear vision, mission and strategy	3.936	0.814	0.787
2	Employees are fully realizing the previous factors	3.71	0.693	0.742
3	The bank's objectives are set in the light of its vision and mission	3.839	0.86	0.768
4	The strategy is reviewed periodically to evaluate achievements	3.774	0.717	0.755
<b>Strategy implementation</b>				
1	The bank has an organizational structure capable of implementing the strategy	3.645	0.798	0.729
2	Employees carry out the work entrusted to them with the required quality	3.871	0.619	0.774
3	Works are completed without exceeding the allocated resources	3.29	1.039	0.658
4	The bank issues periodic reports indicating the degree of implementation of the objectives	3.903	0.746	0.78
<b>Strategy evaluation</b>				
1	The bank issues periodic reports indicating variances for both costs and revenues	4	0.683	0.8
2	The bank monitors customer feedback to develop its strategy	3.645	0.709	0.729
3	The bank makes some adjustments to the strategy in response to internal and external changes	3.677	0.945	0.735
4	The bank maintains alternative strategies to deal with potential threats	3.871	0.846	0.774
Average		3.714	0.478	0.743

## 8.2. The dependent variables

Table 4 shows the results of analyzing the responses of the separated dependent variables, financial, customer, internal business process, and learning and growth, as the components of strategic performance.

Table 4 shows that the mean's values of financial perspective ranged between 3.323-3.807 with an average of 3.565. These values indicate that the commercial banks' financial performance is relatively high. As for the customer perspective, the mean's average is 3.540. This value indicates that the commercial banks have a good relationship

**Table 4.** Descriptive statistics of responses for dependent variables (strategic performance)

No.	Statement	Mean	Standard deviation	Percentages
<b>Financial</b>				
1	The bank's market share is continuously increasing	3.323	0.871	0.665
2	Number of customers is continuously increasing	3.71	0.824	0.742
3	Return on capital is continuously increasing	3.807	0.654	0.761
4	Costs of performing operations are continuously decreasing	3.419	1.119	0.684
Average		3.565	0.461	0.713
<b>Customer</b>				
1	The policy of direct contact with customers has contributed greatly to increasing customer loyalty	3.742	0.855	0.748
2	Paying attention to current customers has greatly contributed to winning new customers	3.581	0.848	0.716
3	Number of customer complaints is constantly decreasing	3.161	0.779	0.632
4	Periodic customer feedback indicates a high degree of satisfaction	3.677	0.945	0.735
Average		3.54	0.68	0.708

**Table 4 (cont.).** Descriptive statistics of responses for dependent variables (strategic performance)

No.	Statement	Mean	Standard deviation	Percentages
<b>Internal business process</b>				
1	Revenue obtained from new customers indicates a significant portion of total revenue	3.452	0.768	0.69
2	Additional customer services are provided from time to time	4.032	0.706	0.806
3	Problems related to electronic services are almost zero	3.258	1.154	0.652
4	There is a clear reduction in process time including response time for customer services	3.258	0.93	0.652
Average		3.5	0.655	0.7
<b>Learning and growth</b>				
1	The results indicate a high degree of employee satisfaction	3.387	0.882	0.677
2	Employees turnover is constantly decreasing	3.258	0.729	0.652
3	The bank receives the staff's proposals with all due attention	3.581	0.923	0.716
4	The bank rewards the important proposals in preparation for their application	3.452	0.961	0.69
Average		3.419	0.708	0.684

with their customers. It also shows that the commercial banks face high competition in Bahrain, which prevents them from achieving a high levels of customer satisfaction and loyalty. The internal business process perspective has a mean's average of 3.5, which suggests that the commercial banks always strive to excel in customer service and meet their wishes. However, commercial banks still face challenges in gaining customer satisfaction and loyalty. The mean's average of learning and growth perspective is 3.419, which indicates that the commercial banks still need to develop the performance of their employees and make them more involved in the development of services that contribute to more satisfied customers.

## 9. HYPOTHESES TESTING

### 9.1. Test of the first hypothesis

This hypothesis states "Strategic planning has no impact on the financial perspective". Table 5 shows the results of the first hypothesis test.

Table 5 shows that the constant has a value of  $T$  2.490 and the significance level of 0.019, which is less than 0.05. This indicates that the constant is significant. For regression coefficient of the inde-

pendent variable (strategic planning), the value of  $T$  is 4.431 and the significance level is 0.000, which means that the regression coefficient is significant. Consequently, the impact of the independent variable (strategic planning) on the dependent variable (financial) is statistically significant. The regression equation is:

$$Y_1 = 1.289 + 0.613X, \quad (1)$$

where  $Y_1$  – financial,  $X$  – strategic planning.

Testing the significance of the regression model that links the two variables shows that the value of  $F$  is 19.637, and the significance level is 0.000, which means that the model linking the two variables is significant.

Regarding the strength of the impact of strategic planning on financial perspective, the value of correlation coefficient is 0.635, which is considered good correlation, and the impact of strategic planning on financial perspective is direct and positive. This means that the greater the strategic planning, the greater the financial performance and vice versa. The value of correlation is considered weak if it is less than 30%, medium if it is between 30%-60%, good if it is between 60%-80%, and strong if it is greater than 80% (Alobaid, 2004).

**Table 5.** The impact of strategic planning on the financial perspective

Model	Coefficient	$T$	Sig.	$F$	Sig.	$R$	$R^2$
Constant	1.289	2.490	0.019	19.637	0.000	0.635	0.404
Strategic planning	0.613	4.431	0.000				

Note: Dependent variable: financial.

The value of determination coefficient is 0.404, which means that strategic planning interprets 40% of the changes in financial performance, and the remaining percentage is due to other factors. Based on the previous results, it is possible to present that strategic planning has a statistically significant impact on the financial perspective. As a result, the first null hypothesis “Strategic planning has no impact on the financial perspective” is rejected and the alternative hypothesis “Strategic planning has an impact on the financial perspective” is accepted. The good correlation between strategic planning and financial perspective can be explained by the fact that those banks always seek to increase market share and reduce costs in order to improve profitability and competitive position. The result of this hypothesis is consistent with the study by Gomera et al. (2018) and Otieno et al. (2018) who showed a positive impact of strategic planning on financial performance.

### 9.2. Test of the second hypothesis

This hypothesis states “Strategic planning has no impact on the customer perspective”. Table 6 shows the results of the second hypothesis test.

Table 6 shows that the constant has a value of  $T$  0.035 and the significance level is 0.937. For regression coefficient of the independent variable (strategic planning), the value of  $T$  is 4.791 and the significance level is 0.000, which means that the regression coefficient is significant. Accordingly, the impact of the independent variable (strategic planning) on the dependent variable (customer) is statistically significant. The regression equation is:

$$Y_2 = 0.026 + 0.946X, \quad (2)$$

where  $Y_2$  – customer,  $X$  – strategic planning.

**Table 6.** The impact of strategic planning on the customer perspective

Model	Coefficient	T	Sig.	F	Sig.	R	R <sup>2</sup>
Constant	0.026	0.035	0.973	22.954	0.000	0.665	0.442
Strategic planning	0.946	4.791	0.000				

Note: Dependent variable: customer.

**Table 7.** The impact of strategic planning on the internal business process perspective

Model	Coefficient	T	Sig.	F	Sig.	R	R <sup>2</sup>
Constant	1.272	1.484	0.148	6.868	0.014	0.438	0.191
Strategic planning	0.600	2.621	0.014				

Note: Dependent variable: internal business process.

Testing the significance of the regression model that links the two variables shows that the value of  $F$  is 22.954, and the significance level is 0.000, which means that the model that links the two variables is significant. Regarding the strength of the impact of strategic planning on customer perspective, the value of correlation coefficient is 0.665, which is considered a good correlation, and the impact of strategic planning on customer perspective is direct and positive. This means that the greater the strategic planning, the greater the customer relations and vice versa. The value of determination coefficient is 0.442, which means that strategic planning interprets 44% of the changes in the customer perspective, and the remaining percentage is due to other factors. Based on the previous results, it is possible to present that strategic planning has a statistically significant impact on the customer perspective. As a result, the second null hypothesis “Strategic planning has no impact on the customer perspective” is rejected and the alternative hypothesis “Strategic planning has an impact on the customer perspective” is accepted. The good correlation between strategic planning and customer perspective can be explained by the fact that those banks always seek to improve the customer relations by focusing on improving customer satisfaction, retention and loyalty. This result is consistent with the study by Omotayo et al. (2018) who showed a positive impact of strategic planning on customer satisfaction as a part of organizational performance.

### 9.3. Test of the third hypothesis

This hypothesis states “Strategic planning has no impact on the internal business process perspective”. Table 7 shows the results of the third hypothesis test.

Table 7 shows that the constant has a value of  $T$  1.484 and the significance level of 0.148. For regression coefficient of the independent variable (strategic planning), the value of  $T$  is 2.621 and the significance level is 0.014, which means that the regression coefficient is significant. Consequently, the impact of the independent variable (strategic planning) on the dependent variable (internal business process) is statistically significant. The regression equation is:

$$Y_3 = 1.272 + 0.600X, \quad (3)$$

where  $Y_3$  – internal business process,  $X$  – strategic planning.

Testing the significance of the regression model that links the two variables shows that the value of  $F$  is 6.868, and the significance level is 0.014. This means that the model linking the two variables is significant. Regarding the strength of the impact of strategic planning on the internal business process, the value of correlation coefficient is 0.438, which is considered a medium correlation, and the impact of strategic planning on internal business process is direct and positive. The value of determination coefficient is 0.191, which means that strategic planning interprets 19% of the changes in the internal business process perspective, and the remaining percentage is due to other factors. Based on the previous results, it is possible to present that strategic planning has a statistically significant impact on the customer perspective. As a result, the third null hypothesis “Strategic planning has no impact on the internal business process perspective” is rejected and the alternative hypothesis “Strategic planning has an impact on the internal business process perspective” is accepted. The medium correlation between strategic planning and internal business process perspective can be explained by the fact that the studied banks need to focus on improving the internal business process perspective to ensure higher quality service delivery and short response time. This result is consistent

with the study by Omotayo et al. (2018) who showed a positive impact of strategic planning on customer satisfaction as a part of organizational performance.

#### 9.4. Test of the fourth hypothesis

This hypothesis states “Strategic planning has no impact on the learning and growth perspective”. Table 8 shows the results of the fourth hypothesis test.

Table 8 shows that the constant has a value of  $T$  –0.556 and the significance level of 0.583. For regression coefficient of the independent variable (strategic planning), the value of  $T$  is 5.219 and the significance level is 0.000, which means that the regression coefficient is significant. Consequently, the impact of the independent variable (strategic planning) on the dependent variable (learning and growth) is statistically significant. The regression equation is:

$$Y_4 = -0.411 + 1.031X, \quad (4)$$

where  $Y_4$  – learning and growth,  $X$  – strategic planning.

Testing the significance of the regression model that links the two variables shows that the value of  $F$  is 27.235, and the significance level is 0.000, which means that the model linking the two variables is significant. Regarding the strength of the impact of strategic planning on learning and growth, the value of correlation coefficient is 0.696, which is considered a good correlation, and the impact of strategic planning on learning and growth is direct and positive. The value of determination coefficient is 0.484, which means that strategic planning interprets 48% of the changes in learning and growth perspective, and the remaining percentage is due to other factors. Based on the previous results, it is possible to present that strategic planning has a statistically significant

**Table 8.** The impact of strategic planning on the learning and growth perspective

Model	Coefficients	$T$	Sig.	$F$	Sig.	$R$	$R^2$
Constant	-0.411	-0.556	0.583	27.235	0.000	0.696	0.484
Strategic planning	1.031	5.219	0.000				

Note: Dependent variable: learning and growth.

icant impact on the learning and growth perspective. As a result, the fourth null hypothesis “Strategic planning has no impact on the learning and growth perspective” is rejected and the alternative hypothesis “Strategic planning has an impact on the learning and growth perspective” is accepted. The good correlation between stra-

tegic planning and the internal business process perspective can be explained by the fact that the strategic planning process is strongly influenced by learning and growth. This result is consistent with the study by Sophia and Owuor (2015) who showed a positive impact of strategic planning on organizational growth.

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## CONCLUSION

The study concluded that implementing strategic planning has a positive impact on strategic performance including all its perspectives, namely financial, customer, internal business processes, and learning and growth. The study showed a good relationship between the implementing strategic planning and the financial, customer, and learning and growth perspectives. As for the internal business process, the relationship between strategic planning and the internal business process perspective was medium. This result indicates that the commercial banks should review the internal business process perspective to make sure that the services are provided to customer with higher quality and faster response. Improving internal business process will be reflected on increasing customer satisfaction, retention, and loyalty, which in turn will be reflected on increasing financial performance. The results of this study will help banks to focus on improving internal processes to improve customer satisfaction and loyalty. Some restrictions have been observed in this research, for example, the study covered only commercial banks in Bahrain. For future research, the researcher recommends covering more banks in Bahrain. However, looking at more variables will also serve as an appropriate future research that leads to a better understanding of the usefulness of strategic planning implementation.

## RECOMMENDATION

The study recommends focusing on the internal business process perspective. Focusing on the internal business process perspective will be reflected in higher services quality and faster response, which in turn will be reflected on greater customer’s satisfaction and loyalty, thereby improving the banks’ profitability through improving market share and thus improving the banks’ strategic performance.

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