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DEPARTMENT OF MANAGEMENT

THE EFFECT OF STRATEGIC PLANNING ON ORGANIZATIONAL PERFORMANCE, IN CASE OF ABAY BANK S.C ADDIS ABABA, ETHIOPIA

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APPROVAL SHEET

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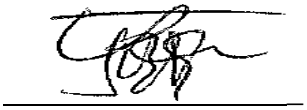
Yohannes Workaferahu (PhD)	
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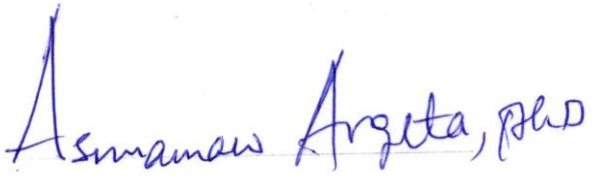	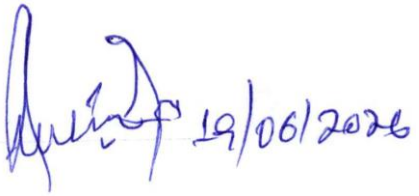
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Abstract

This study examined the effect of strategic planning on organizational performance in Abay Bank S.C., Addis Ababa, Ethiopia. Although strategic planning is widely recognized as a key management practice, there remains limited empirical evidence in the Ethiopian banking sector on how its major dimensions jointly affect performance, particularly in private commercial banks. Previous studies have often focused on individual planning elements or narrow performance measures, creating a gap in understanding the broader relationship between environmental scanning, strategic formulation, strategic implementation, strategic evaluation, and organizational performance. Accordingly, the study aimed to assess the effect of these strategic planning dimensions on organizational performance.

The study adopted a quantitative research approach and descriptive survey design was used. Primary data were collected from 268 employees through structured questionnaires, and the data were analyzed using descriptive statistics, Pearson correlation, and multiple regression analysis with SPSS version 27. Organizational performance was measured using employee commitment, operational efficiency, service quality, customer satisfaction, market share, and profitability.

The findings showed that strategic planning practices positively affect organizational performance in Abay Bank S.C. Among the dimensions, strategic implementation had the strongest influence, while environmental scanning and strategic formulation also showed significant positive effects. Strategic evaluation had a relatively weaker contribution. The study concludes that effective strategic planning is essential for improving bank performance and recommends stronger implementation, better environmental scanning, wider stakeholder participation in strategy formulation, and improved evaluation and corrective mechanisms to support sustainable organizational success.

Keywords: strategic planning, environmental scanning, strategic formulation, strategic implementation, strategic evaluation, organizational performance, Abay Bank S.C.

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Commercial banks play a pivotal role in driving economic growth and development by acting as a catalyst in the development process (Sime et al., 2020). They promote the habit of saving and mobilizing funds from numerous small households and businesses across a wide geographical area. Consequently, these mobilized funds have utilized for productive purposes (Isayas, 2022). In the current era of globalization, the business environment undergoes constant change and to deal with the challenges of the market, necessitating companies to evaluate both micro and macro environmental factors is needed to effectively address market challenges and achieve their objectives (Azeem et al., 2021). Bank performance evaluation is essential to provide information to understand the organization's operational capacity and competitiveness (Mengistu, 2015).

In recent years, financial institutions have moved into greater competitiveness with a broad range of products and services (Liu, 2021). In response to the unpredicted market dynamism, commercial banks have shown a renewed interest in marketing their goods and services more effectively (Tien et al., 2021). Banks today are focused on becoming more competitive by adopting strategies that give them an advantage over others. To do this, it is compulsory to design practical strategies that help banks identify the appropriate marketing strategies to attract new customers and retain existing ones (Čater & Pučko, 2010; Chigamba & Fatoki, 2011). Otherwise, as the annual report of the Commercial Bank of Ethiopia disclosed the typical reasons for an inefficient organization and the failure of commercial banks in Ethiopia are attributed to inefficient use of resources, weak philosophy to adopt and utilize strategic planning practices and lack of strategic roadmaps within the structure organization (Commercial Bank of Ethiopia [CBE], 2021).

However, each of these challenges can be effectively addressed through strategic planning (Obonyo & Arasa, 2012). To meet these challenges, banking sector administrations must adopt

new approaches that strengthen competitive positions by increasing internal and external performance levels, particularly strategic performance. The outcome of several studies on the relevance of strategic planning to enhance the overall performance of organizations revealed that strategic planning has become a part of modern management tools and one of the most important approaches to improving the performance of organizations (Gomera et al., 2018; Omotayo et al., 2018; Rahman, 2019). On the contrary, some studies come up with different results, even contradicting each other such as (Ameur & Mhiri, 2013; Ongore & Kusa, 2013; Tesfaye & Shete, 2015).

Although several studies have examined the relationship between strategic planning and strategic performance, some gaps observed. Worth mentioning: Scolastica and Mboya (2021), Nyanaro and Bett (2018), Ndege and Ithara (2014) examined the influence of strategic planning on bank financial performance in Kenya, Karsh et al. (2020), examined the effect of strategic planning on the performance of bank employees in Palestine and studies have also been conducted to assess the effect of strategic planning on management practices in the case of Berhan Bank in Ethiopia (Mesfin, 2021). All of them have taken financial performance and employee commitment as the performance indicator. However, this study considered additional performance indicators; such as efficiency, profitability, customer satisfaction, quality service and market share by creating an index.

With this intention, the objective of the study is to examine the effects of strategic plan implementation on organizational performance in case of Abay Bank within Addis Ababa, Ethiopia, the focal point of this study, holds significance as a hub for large-volume trade, owing to its centrality to Ethiopia. The banking sector in this region experiences substantial cash flow and active resource mobilization. Therefore, strategic management of business operations is imperative, alongside measuring the resultant effects against the banks' objectives. To address this, the research aims to provide insights into the following key questions: (1) How and to what extent do the selected banks carry out their strategic planning? (2) What is the effect of strategic planning on a Bank overall performance? (3) Which aspects of strategic planning do banks excel in and where do they face weaknesses?

Furthermore, the information provided in these result are also anticipated to be useful to administrators, business managers and policy makers of banking sector. They can use this information to construct sustainable development programs and guide intervention for improving

achievement of banking strategies in satisfying customer needs. This finding was also being an implication for further researches by scholars who conduct research on analogous issues in different scenarios.

1.2 Background of Organization

Abay Bank S.C. is a leading private commercial bank in Ethiopia, the bank was established on July 14, 2010 and started head-to-head operation from 3rd of November, 2010. The bank is named after the Blue Nile River (or "Abay" in local language), representing power, strength, continuity and the promising potential to catalyze economic infrastructure transformation. The bank was initially founded by 4,100 shareholders with a paid up capital of ETB 125.8 million; the bank has witnessed phenomenal growth reaching a paid-up capital of ETB 9,657,286 billion as of June 2025 with an expanded number of 4537 shareholders, 543 bank branches (as of end of June 2025), and an enhanced innovative digital offering platform "Unite.et" (Annual report, 2024/25).

Among others the bank provides a wide spectrum of services like domestic and international trade financing, construction finance, transportation, agriculture-related, industrial, real estate and many other services. As a part of its vision to be Growth Motor and an Empowering Institution, the bank has adopted digital transformation and has come up with innovative digital solution Unite.ET to facilitate its various financial transactions in a more convenient and efficient manner (Annual report, 2024/25).

The governance of the bank is led by a multi-professional, diverse and non-expertially elected Board of Directors and its composite members play an influential role by providing strategic and operational considerations and internal guidance to the senior management of the bank. With its Head office found in Kazanchis, Addis Ababa, the bank is still striving to deliver top notch customer-focused banking experiences (Annual report, 2024/25).

1.3 Statement of Problem

The banking sector is one of the most important pillars of the Ethiopian economy. It plays a significant role in mobilizing savings, financing investments, facilitating trade, supporting private sector development, and promoting economic growth. According to the National Bank of Ethiopia, the Ethiopian banking industry has experienced substantial growth over the last decade in terms of branch expansion, deposit mobilization, loan disbursement, and customer outreach. The sector has become increasingly competitive due to the expansion of private commercial banks, technological innovations, changing customer expectations, and ongoing financial sector reforms. As a result, banks are under continuous pressure to improve their organizational performance and sustain their competitive advantage.

In such a dynamic environment, strategic planning has become an essential management tool that enables organizations to anticipate environmental changes, establish clear organizational goals, allocate resources efficiently, and enhance organizational performance. Strategic planning helps organizations align their activities with their long-term vision while improving their ability to respond to opportunities and challenges in the business environment (Wheelen et al., 2017). Consequently, effective strategic planning is increasingly viewed as a prerequisite for achieving sustainable organizational performance in the banking industry.

Empirical studies have consistently shown that strategic planning positively influences organizational performance. For example, Tefera and Abebe (2024) found that strategic planning significantly improved the performance of public commercial banks in Eastern Hararghe, Ethiopia. Similarly, Ejigu and Desalegn (2023) reported that strategic planning positively affected organizational performance through strategic innovation and organizational adaptability. Bahru (2022) also found that strategy implementation and strategic control significantly influenced the performance of private commercial banks in Ethiopia. These studies suggest that organizations that effectively formulate, implement, and monitor strategic plans are more likely to achieve superior performance outcomes.

Despite the growing body of literature on strategic planning and organizational performance, previous studies have reported inconsistent findings regarding the relative contribution of individual strategic planning dimensions. While some researchers found environmental scanning,

strategic formulation, implementation, and evaluation to have significant positive effects on organizational performance, others reported variations in the magnitude and significance of these relationships across different sectors and organizational contexts. For instance, Bahru (2022) reported that strategy formulation did not significantly affect performance in some banking institutions, indicating that merely developing strategies may not be sufficient without effective implementation and monitoring mechanisms.

Furthermore, many previous studies have examined strategic management practices in general rather than focusing specifically on the major dimensions of strategic planning. Some studies concentrated primarily on environmental scanning, while others focused on strategy implementation or evaluation independently. Consequently, limited empirical evidence exists regarding the combined effect of environmental scanning, strategic formulation, strategic implementation, and strategic evaluation on organizational performance within a single analytical framework.

In Ethiopia, although studies have been conducted on strategic management and organizational performance in banks and other organizations, relatively few studies have specifically examined the effect of strategic planning dimensions on the performance of private commercial banks. Existing studies have largely focused on public institutions, non-governmental organizations, manufacturing firms, or selected strategic management practices. As a result, there remains inadequate empirical evidence regarding how the major dimensions of strategic planning collectively influence organizational performance in private commercial banks.

Abay Bank S.C. is one of the rapidly growing private commercial banks in Ethiopia. The Bank has implemented successive strategic plans aimed at improving operational efficiency, enhancing customer satisfaction, expanding market share, strengthening competitiveness, and achieving sustainable growth. However, despite these strategic initiatives, there has been limited empirical investigation regarding the effectiveness of the Bank's strategic planning practices and the extent to which environmental scanning, strategic formulation, strategic implementation, and strategic evaluation contribute to organizational performance. The absence of such evidence creates a knowledge gap for management decision-making and strategic improvement.

Therefore, this study was undertaken to examine the effect of strategic planning on organizational performance in Abay Bank S.C. by focusing on four key dimensions of strategic planning, environmental scanning, strategic formulation, strategic implementation, and strategic evaluation. The study is expected to contribute empirical evidence that enhances understanding of strategic planning practices in Ethiopian private commercial banks and provides valuable insights for managers, policymakers, and future researchers.

1. 4 Research Hypothesis

The following four research hypotheses have developed based on the research objective and research framework

1. Environmental scanning has a positive and significant effect on the performance of Abay bank S.C.
2. Strategic formulation has a positive and significant effect on the performance of Abay bank S.C.
3. Strategy implementation has a positive and significant effect on the performance of Abay bank S.C.
4. Strategy evaluation has a positive and significant effect on the performance of Abay bank S.C.

1. 5 Objectives of the Study

1.5.1 General Objective

The objective of the study was to examine the effect of the strategic planning on organizational performance in Abay Bank S.C., Addis Ababa, Ethiopia.

1.5.2 Specific Objective

This research aimed at achieving the following specific objectives: -

1. To examine the effect of environmental scanning on performance of the bank
2. To assess the effect of Strategic formulation on performance of the bank
3. To analyze the effect of Strategy implementation on performance of the bank
4. To investigate the influence of Strategy evaluation on performance of the bank

1.6 Significance of the Study

The outcomes of this research will have expected to make a significant contribution by bridging the existing gaps in knowledge. Moreover, the findings will have expected to be beneficial for administrators, business managers and policymakers within banking sector. They can utilize this information to develop sustainable development programs and formulate intervention guidelines aimed at enhancing the effectiveness of banking strategies in meeting customer needs. Additionally, these findings will serve as a foundation for future research endeavors by scholars exploring similar topics in different contexts.

1.7 Scope of the Study

The purpose of this study is to examine the effects of strategic planning on organizational performance in case of Abay bank. Although the research was limited to the Head office and Addis Ababa area branch employees were included in the research and the study conceptual framework focused on independent variables like environmental scanning, strategic formulation, strategic implementation and strategic evaluation, which are used to predict how they affect the performance of the bank.

1.8 Limitation of the Study

This study was having a few limitations. First, the study focused only on internal factors that affect the performance of Abay bank. An external factor, such as the economic environment and the regulatory environment, was not considered. Second, the study was limited to Abay bank only. The findings of the study may not be generalizable to other Banks.

Despite these limitations, the study provides valuable insights for the effects of strategic plan implementation on organizational performance. The finding of the study was used for organizations to improve their performance.

1.9 Organization of the Study

The study was organized in the following parts chapter one discuss about introduction it express about when study was conducted, where the research was studied and how it was conducted. Chapter two review related literature it express theoretical review, empirical review, conceptual framework about reward and employee's motivation. Chapter three research methodology from this included Description of study area, research approach, research design, target population,

sample size, sampling techniques, methods of data collocation, sources of data, methods of data analysis, validity and reliability of data and ethical consideration. Chapter four also analyze and presents the data and it also express general back ground of employee, reward practices, needs of reward and additional reward system. Chapter five will be the result of conclusion and recommendation.

1.10 Operational Definition of Terms

Organizational Performance, Organizational performance refers to the effectiveness and efficiency with which an organization achieves its goals. It includes measures of financial performance, customer satisfaction, employee engagement and overall success in meeting stakeholder expectations. (Richard, O. C., & Johnson, N. B. (2015).

Strategy refers to the long-term direction and scope of an organization that aims to achieve a competitive advantage in a dynamic business environment. An effective strategy aligns a firm's resources and core competencies to fulfill its goals and objectives. Additionally, strategy fosters a culture within the organization that prioritizes value-adding initiatives in accordance with its mission and vision (Johnson, G., Whittington, R. and Scholes, K., 2021).

Strategy Implementation, Strategy implementation is the process of translating strategic plans into actions to achieve desired outcomes. It involves aligning resources, structures, systems and processes to execute the chosen strategy effectively and efficiently. Strategy implementation success is required to achieve strategic goals and deliver sustained performance. (Hill, C. W., Jones, G. R., & Schilling, M. A. (2014)

Strategic Management, Strategy involves the notion of strategy. Ansoff and McDonnell (2007) suggest there is not a single definition for strategy neither is there by Mintzberg, Guinn and Ghoshal (2003). In a military context it relates to conduct of war, in the widest sense it means "a plan for obtaining objectives".

Mintzberg and Quinn (1991) have elucidated strategy through five dimensions, which define it as a plan, a ploy, a pattern, a position and a perspective. Fundamentally, strategy can be defined as the long-term direction of an organization, as discussed by Johnson and Scholes (2004).

Strategic planning, Strategic planning is the process of defining an organization's mission, vision and long-term objectives and developing strategies to achieve those objectives. It involves

analyzing internal and external environments, setting goals and creating action plans to guide decision-making and resource allocation. (Reference: Wheelen, T. L., & Hunger, J. D. (2008). Strategic planning is defined as a long-term approach that takes into accounts both internal and external variables, while identifying targeted market segments and competitive strategies (Ali & AlJaradi, 2016).

Commercial Banks, Commercial banks are financial institutions that provide a range of services, such as accepting deposits, making loans and offering various financial products to individuals and businesses. They are very important for the economy as they are the main channels for financing transactions, directing the economy, as well as for allocation of money. (Mishkin, F. S., & Eakins, S. G. (2016)

Planning, Planning is the process of setting goals, determining actions to achieve those goals and allocating resources to execute those actions effectively. It involves forecasting future conditions, identifying priorities and developing strategies to achieve objectives Koontz, H., O'Donnell, C., & Weihrich, H. (2021). The planning function encompasses the development of mission statements and objectives, along with crafting the strategies necessary to attain these goals (Oyedijo, A., 2020). Additionally, other critical management functions consist of organizing, coordinating, directing and controlling.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Overview of strategy

The word ‘strategy’ is derived from the Greek word ‘strategos’, which means ‘the roles of a general’ (Chen & Mohamed, 2010). The Oxford Dictionary defines strategy as a design of action planned to attain a long-term or general goal. Originally, it was called business policy and has advanced substantially with the concentrated efforts of researchers and practitioners (Wheelen et al., 2017). It is not possible to have a strategic plan without a clear strategy. Rudd et al. (2008) noted that, without a strategy, an organization is like a ship without a rudder. It goes round in circles and like a tramp, has no specific place to go.

2.2 The strategic planning process and Organizational performance

According to Leebaw (2019), in his work on participatory and ethical strategic planning states that strategic planning started in the 1940s and was popular in the 1960s and 1970s. However, the planning method was developed in the mid-1960s based on the ideas of American business schools. Strategic planning has received big attention from development and business and public organizations as a means of crafting the vision, mission and goals and includes methods for measuring progress (Obonyo & Arasa, 2012; Scolastica & Mboya, 2021). Strategic planning is a foundation for strategic management. It is a progressive exercise in which all level managers should be involved in the process (Boateng et al., 2015; Owolabi & Makinde, 2012).

The process of strategic planning is designed to achieve the firm’s vision and mission, which comprise four major perspectives: environmental analysis or scanning, strategic formulation, implementation and adjustment/evaluation/control. These four basic elements interact with each other (Jenster & Soilen, 2013; Mesfin, 2021; Wheelen et al., 2017; Zafar et al., 2013) and they are also persuasive to the success or failure of the organization. Since the emphasis of the study is to investigate their effect on organizational performance the researchers have attempted to briefly discuss each of them as follows:

2.2.1 Environmental Scanning

Environmental scanning is also termed as situational analysis in the planning process where the first phase of strategic planning starts (Azhar et al., 2013). Both internal and external situations must be examined and communicated properly (Neolaka et al., 2023). Internal scanning conducts a SWOT analysis by focusing on the strengths and weaknesses of an organization while external evaluation conducts a SWOT analysis by concentrating on the opportunities and threats. Some of the main factors analyzed via internal scanning include resources and value-adding activities, the process used and the organizational culture (Peng, 2021).

The business landscape entails three main factors: the micro, macro and market environment. The micro-environment encompasses various aspects of the business including the corporate culture, goals, mission, vision and departments. Organizational resources including expertise, human capital and finances also constitute the micro-environment of a business (Pimentel et al., 2013). The macro-environment entails variables that are beyond the control of a business which are mainly analyzed through the PESTLE (Political, Economic, Socio-cultural, Technological, Legal and Environment) tools (Cheong & Hoang, 2021). Some of these variables include economic issues such as inflation, demographic changes and the emergence of new technology among other factors (Karami, 2012; Otieno et al., 2018). For this study purpose, respondents were asked whether the Bank scans its internal and external environment timely, which will have an effect on reducing risks and enhancing the probability of growth as Karami (2012); and Mang'ana et al. (2017) studied.

2.2.2 Strategy Formulation

Strategy formulation is a process of determining the organization's mission, goals and objectives by crafting the appropriate strategy (Chungyas & Trinidad, 2022). According to Wickert et al. (2021) states, strategy formulation guides top managers to define their destiny and the means to accomplish these ends. According to Chaika (2021), the industrial enterprise strategy formulation passes through three phases, whose terminology is often complicated: mission, vision and objectives setting.

The mission statement of an organization represents the products and services that the organization aims to provide and the markets in which it intends to operate. Daft (2021) and Rothaermel (2017) postulate that effective communication of a mission statement is a valuable

management tool for the company moving in the intended direction. The vision statement determines the future path of the organization, what the organization intends to reach and the center it aims to achieve. The vision statement is important in an organization as an instruction towards the chosen direction (Obeidat et al., 2016). Strategic objectives are the results of planned activity that state what is to be accomplished by when and it should be quantified. It is also the organization's performance targets that are planned to be achieved. Strategic objectives perform five functions in an organization namely: setting the responsibilities of managers, providing the framework for planning, using for the integration of organizational activities and acting as a motivator to employees to work hard to achieve the targets are finally used to evaluate and control the performance of managers (Maina, 2020). For this study, researchers examine the existence of the organization's mission, vision and objectives vividly and who is involved in the preparation of the plan.

2.2.3 Strategy Implementation

Strategy implementation refers to putting the strategy into action at all levels (Babafemi, 2015; Tawse & Tabesh, 2021). Organizational culture is the assumptions, beliefs and values that members of a group in an organization are guided by based on the rules and regulations. Communication is an important element in the strategy implementation process and they are a major component that should be recognized (Hantiro & Maina, 2020). Kibe (2014) concludes that proper communication in an organization is an integral part of strategy implementation due to its ability to provide information on time to the stakeholders hence empowering them to act in good time. Opano (2013) opined that a 'plan without effective and measurable implementation is no plan at all' and those managers must combine sound strategy-making with good strategy execution for company performance. This study treats strategic implementation as interconnected with other perspectives in strategic planning.

2.2.4 Strategy Evaluation

Strategy evaluation is the systematic investigation carried out by an organization and it is a critical tool for managers to understand the reasons behind the failures and success of certain objectives, performance standards, and/or any other performance indicator (Mio et al., 2022). In this sense, evaluation is used as a strategic learning tool and has continued to play a role in strategy formulation and implementation. It played a vital role in protecting the business from

collapse (Dubihlela & Sandada, 2014). Effective strategy evaluation must follow four steps: setting performance standards, actual performance measurement; variance analysis and taking corrective action where necessary (Wickert et al., 2021). An organization that does not practice performance measurement would hardly deal efficiently and effectively with the uncertainty inherent to the environment, resulting in poor use of resources and consequently increasing the probability of failure.

2.3 Organizational performance

Armstrong and Taylor (2014), defines performance as behavior that accomplishes results. The term performance refers to a set of outcomes produced during a certain period and does not refer to the traits, personal characteristics, or competencies of the performer. The evaluation of an employee's performance reveals the contribution of an individual to the organization's objectives (Toppo & Prusty, 2012). Therefore, performance is about job-related requirements expected of a worker and how well they translate into action. For this particular study purpose, the researchers preferred a performance in the banking industry to be expressed in a list of indicators; such as competitiveness, market share, profitability, customer satisfaction, quality service, efficiency and many more as Galletta et al. (2022).

Performance measurement systems are characterized as strategic expert systems by which organizations observe and measure their intangible performance elements in the form of qualitative and quantitative assessments (Fried, 2010). Performance measurement approaches can be divided into two types namely objective and subjective measurement (Elgestad Stjernfeldt et al., 2019). Objective measurement is based on financial measures whereas; subjective measurement is based on self-reported measures. Self-rating success (SRS) is one of the important approaches in subjective measures. SRS is obtained by asking the owners to rate their success on a scale from 1 (not very successful) to 5 (very successful). Subjective measures are preferred by some researchers because they capture a broad concept of a firm's performance; On the other hand, it is difficult to obtain objective data for confidentiality reasons (Geng et al., 2015; Huseynov et al., 2017; Ismail et al., 2017; Sundvik, 2017). With this in mind, thus, this study used a subjective performance measurements approach to assess the performance of the bank from different dimensions. These performance indicators considered for this study are discussed as follows.

2.3.1. Employee's commitment

A satisfied employee in the organization can create a delightful atmosphere, so employees will have better performance (Basalamah & As'ad, 2021; Sanjaghi, 2013). Dost et al. (2011) investigated the effect of employee commitment on organizational performance and concluded that organizational performance can be enhanced by involving employees in decision-making. However, most of the past studies on employee commitment may not apply to the Ethiopian business environment. As such, it is pertinent to examine the role of employee commitment in achieving organizational performance in the Ethiopian context.

2.3.2. Operational Efficiency

This is an economical usage of physical resources, systems and structures. Operational efficiency minimizes waste and improves the ability of a business to provide products of good quality and render services of high standards to their clients (Upadhyay & Gupta, 2012). Operational efficiency can be measured both in quantitative and qualitative terms. Among these measures are financial performance, customer satisfaction, internal control and business process, employees' growth and development in the organization (Karimzadeh, 2012). Studies by Wasiuzzaman and Tarmizi (2010) have found a positive effect and important operational efficiency in the profitability of commercial banks. The study, therefore, used this non-financial performance variable to measure the Bank performance efficiency in the study environs.

2.3.3. Service Quality

Service quality is an important aspect of measuring performance (Sangeetha & Mahalingam, 2011). Service quality is a method of managing a business and its processes to ensure and serve customer satisfaction, thereby increasing the competitiveness and effectiveness of the organization's service. It is critical for the growth, development and expansion of a business (Rahaman et al., 2011). In the service industry, quality of service is usually more important than in the manufacturing industry (Dadwal, 2017). As a result, it is vital to consider how service quality affects a company's organizational performance in the context of the study environment.

2.3.4. Customer Satisfaction

Customer Satisfaction is currently the main non-financial indicator that many organizations pay close attention to (Hallencreutz & Parmler, 2021; Ali et al., 2021). According to Ali and his colleagues, customer satisfaction and service quality have a positive and strong relationship.

Customer satisfaction has developed into a crucial indicator of a company's performance and, as a result, has drawn significant care in business-related literature. Son et al. (2021) investigated into the relationship between worker and customer satisfaction. According to the research, customer satisfaction is influenced by employee satisfaction. Per se, it is relevant to look at this subjective measure variable in the context of the study area to achieve a business' organizational performance.

2.3.5. Market Share

Market Share is a significant non-financial performance metric that is calculated by comparing Bank total assets over a specific period to the total assets of the industry. Market share and bank profitability ought to be positively correlated. Alarge market share can produce a variety of goods to leverage market power, which can then set a high price and produce high profits. According to some studies, like Mirzaei et al. (2013) and Sahile et al. (2015), a high market share is correlated with bank profitability. Therefore, this variable will be used in the study as a non-financial variable to assess its effect on the performance of the bank in the study area.

2.3.6. Bank Profitability

Profitability is an important indicator of a Bank performance. A Bank operating performance, which includes profitability, is determined by its mission, regulations and management actions (Guluma, 2021). Traditionally, profit maximization is the guiding principle of all profit-oriented business organizations. When the company's management generates enough profits, shareholders and other investors are satisfied and the company is better able to meet the demands of other stakeholders. Profitability in banks becomes necessary for cost absorption, reinvestment, attracting further financing, maintaining public trust and motivating (Ayalew, 2021). The study therefore used this variable as a non-financial variable to measure its influence on the Bank overall performance.

In comparison to the rest of the world, Ethiopia's financial system is sluggish. Given the increasing quantity of import-export trades and the complexities of the economic system around the globe, the current banking system is incapable of providing efficient and dependable services. As a result, the country has yet to fully reap the benefits of strategic management that uplifts the overall performance of the economy. Performance is a major axis for measuring the

success and failure of organizations in their strategic goals and decisions in the strategic literature (Almansoori et al., 2021).

2.4 Empirical Literature Review

The reviews of studies conducted in recent years have increasingly emphasized the importance of strategic planning as a key determinant of organizational performance. Strategic planning enables organizations to identify opportunities and threats, formulate appropriate strategies, allocate resources effectively, implement strategic initiatives, and evaluate organizational achievements. Numerous studies conducted in banking institutions and other sectors have reported that organizations with effective strategic planning practices tend to achieve superior performance compared to organizations with weak planning systems.

Empirical evidence from Ethiopia and other developing nations suggests that planning is a key factor influencing organizational performance. In Ejigu and Desalegn (2023), the findings revealed that strategic planning has both a direct and indirect effect on organizational performance through strategic innovation. Moreover, their study established that external environmental factors, specifically political environments, reinforce the association between strategic planning and organizational performance. In a similar study in Ethiopia, Tefera and Abebe (2024) conducted research on public commercial banks in Eastern Hararghe and discovered that strategic planning positively affects performance in areas such as better utilization of resources, greater strategic focus and decision-making, etc.

In an similar observation in an Asian country (Al Dhaheri et al., 2020), the authors' empirical research indicates that effective strategic planning activities especially regarding to vision, mission, and organizational goals, are strongly associated with business operations and performance of the organizations. From their empirical evidence, organization having well stated strategic goals tend to perform significantly well in operations and survive in a competitive environment. In a related study of formal vs. informal strategic planning systems (Boateng et al., 2015), it was found that organizations with formal planning processes performed better than organizations with informal planning processes. Strategic planning offers a structure through which organizations align resources and actions to objectives.

Environmental scanning is among the most critical aspects of strategic planning because it provides the opportunity for an organization to scan and monitor changes that occur within its internal and external environments. Organizations scanning the environment are able to obtain and interpret opportunities, threats, strengths, and weaknesses that can affect an organizations' strategic decision-making. In Kenya, Nyagaki et al. (2021) examined the influence of environmental scanning on the performance of state commercial corporations in Kenya. It was concluded that organizations that undertake continuous and systematic examination of their internal and external environments perform better than organizations that don't.

Environmental scanning enables the organization to have foreknowledge of the changes in environment that are able to result to future challenges and opportunities. Guanche (2018) analyzed the strategic planning activities performed in Commercial Bank of Ethiopia and the results confirm that environmental scanning positively relates with financial performance and organizational effectiveness of the bank. The evidence from the bank suggests that environmental scanning has helped the organization to make relevant decisions and to be competent. However, a weakness was also found in relation to employees' involvement in strategy formulation and performance tracking system. In addition, Mbwaya (2012) in his study on Barclays Bank of Kenya concludes that scanning environment on continuous basis helps the organization to be able to understand changing customer needs, technology development, competition, etc that enable the bank formulate a strategy that will succeed in the future.

Wheelen et al. (2017) also argue that environmental scanning is one of the key elements of strategic management as organizations operate in a rapidly changing environment. Changes can be economic, technological, social and legal in nature. Effective environment scanning provides an opportunity for organization to have adequate knowledge about the changing conditions in the environment, which subsequently helps the organization formulate strategy effectively and therefore achieve excellent performance. The results derived from all the studies seem to have a clear understanding that environmental scanning enhances organizational performance by improving organizational awareness, proactive decision-making and the adaptability to changes in environment.

Strategy formulation is concerned with deciding on organizational mission and vision, objectives and strategies so as to obtain the desired organization performance. Studies have confirmed

positive effect of strategy formulation on organizational performance. In Ethiopia Bahru (2022) analyzed strategic management activities implemented in some selected Ethiopian private commercial banks and the findings revealed that formulation of strategy positively influences the organization performance. It was identified that organizations that have clearly defined goals and objectives and well-stated missions/visions, with appropriate stakeholder involvement, have better performance than organizations without it. He cautioned that without proper implementation, formulation of strategy alone cannot guarantee success.

Similarly, Adetayo et al. (2026) investigated the relationship between strategy formulation and organizational performance in Nigerian SMEs. Their findings indicate that elements such as vision, mission, organizational values, objectives and involvement of stakeholders were positively associated with organizations performance. They conclude that strategy formulation provides organizational vision and focus. Likewise, Al Dhaheri et al. (2020) argues that organizational vision, mission and goals are cornerstones of any successful organizational operations and performance, where organizations having well stated organizational directions are expected to perform better than organizations without them. The empirical literature reveals that organizations with clear objectives achieve better outcomes of performance than those without objectives.

Strategy implementation is concerned with how strategy plans will be put into action and how strategic initiatives are performed. Literature has identified it as one of the most important determinants of organization performance. In Ethiopia Bahru (2022) discovered that strategy implementation was significantly positively related to organization performance in the selected private commercial banks. This was mainly attributed to factors like effective communication, management commitment, resource utilization, and employee involvement.

Similar to this study Caritim and Bett (2024) examined the effect of strategy planning on commercial banks in Kenya, they revealed that resource utilization, organizational structures, leadership support, and organizational change, play a significant role in affecting the performance outcome. From this study, implementation links the strategy formulation and outcome. In similar study Reneta (2012) discovered that employee's participation in strategy implementation significantly contributes to organizational success. The study concluded that

involving employees in strategic efforts lead to ownership, commitment, and less resistance towards the new strategy and therefore improve performance.

From poor communication of strategy and less involvement of employees on the new strategy formulation and implementation stages negatively affect the success of the new strategy implemented in development organizations Addisie (2015). To deal with the shortcomings mentioned, strengthening communication systems and having training programs are recommended to implement successful strategy. Also Pearce and Robinson (2007) argue that successful planning of strategies significantly affects the organizational performance, and organizations with good strategy implementation techniques perform better compared to those with weak strategy implementation activities.

Strategy evaluation is focused on reviewing strategic actions taken and their outcomes, measures the achievement of objectives and making corrective decisions whenever necessary, to ensure that objectives are met. Effective strategy evaluation helps organization to have the desired strategic objectives and to have continues improvement in performance. Bahru (2022) has found that strategy evaluation and control measures are strongly associated with organizational performance among the surveyed private commercial banks in Ethiopia. It was concluded that effective control mechanisms helps the organizations to have a comparison between actual performance and desired performance and taking corrective decisions on the identified gaps. Similarly, Yanda (2025) examined strategy evaluation practices and performance among SMEs in Zambia and found that evaluation practices had a positive influence on the performance of the organizations, but organizations lacks well-structured evaluation mechanism.

In the context of Kenya insurance industry, Kibet (2024) established that continuous strategy evaluation and monitoring leads to positive changes and good performance in the insurance companies, by supporting informed decision-making. They strongly recommended that evaluation process is needed to achieve excellent performance and support for evidence-based decision-making in organizations, so as to identify weak links that must be strengthened. According to Wheelen et al. (2017), the need for strategy evaluation stems from fact that environment conditions are ever changing and thus there arises a need for strategic adaptation. With good strategic evaluation practices, organizations will be able to re-evaluate and fine tune

the formulated strategies to attain competitive advantage and achieve desired organizational performance.

The reviewed of literature generally indicates that strategic planning positively influences organizational performance across different sectors and countries. Environmental scanning improves strategic awareness and organizational adaptability; strategy formulation provides organizational direction and strategic focus; strategy implementation translates plans into actions and performance outcomes; and strategy evaluation facilitates monitoring, learning, and continuous improvement.

Despite the growing body of literature, several gaps remain. First, many studies have examined individual dimensions of strategic planning rather than integrating environmental scanning, strategy formulation, strategy implementation, and strategy evaluation within a single framework. Second, existing studies have produced inconsistent findings regarding the relative contribution of each strategic planning dimension to organizational performance. Third, limited empirical evidence exists regarding the combined effect of these strategic planning dimensions within private commercial banks in Ethiopia, particularly in Abay Bank S.C.

Therefore, this study seeks to fill these gaps by examining the effect of environmental scanning, strategy formulation, strategy implementation, and strategy evaluation on organizational performance in Abay Bank S.C. This integrated approach is expected to contribute to both academic literature and strategic planning practices in the Ethiopian banking sector.

2.5. Conceptual Framework

The variables that are employed in the study and how they interact are described by the conceptual framework (Yegzaw, 2022). The conceptual framework shown below illustrates how the strategic planning perspectives affect the overall performance of the bank under consideration. The conceptual model was created based on reviews of earlier works of literature to explain the relationships between the factors deemed essential to the literature part's discussion.

The conceptual framework used by Rahman (2019) illustrates organizational performance from the perspectives of operational efficiency, financial turnover and management system, while the

performance indicators in our framework also include additional performance indicators like employees' commitment, operational efficiency, service quality, customers' satisfaction, market share and profitability to meet the study goal.

Regarding the independent variables, various studies have been made by adopting one of the strategic planning views, as Okwemba and Njuguna (2021a) did when they independently examined the effect of environmental scanning and strategic assessment on the organizational performance of Chemelil Sugar Company in Kisumu County, Kenya. Ngigi and Robert (2023) made an effort in a different study to demonstrate the connection between organizational performance and strategic formulation. While Mailu et al. (2018) investigated how strategic implementation affects organizational performance. However, in this study four strategic planning perspectives on the organization's overall performance are included in our analysis. So, this is the gap that this study has filled. As a result, the research investigates the effect of strategic planning on the performance of Abay Bank S.C. Addis Ababa, Ethiopia

The following four research hypotheses have developed based on the research objective and research framework

H1: Environmental scanning has a positive and significant effect on the performance of Abay bank S.C in Ethiopia,

H2: Strategic formulation has a positive and significant effect on the performance of Abay bank S.C in Ethiopia,

H3: Strategy implementation has a positive and significant effect on the performance of Abay bank S.C in Ethiopia, and

H4: Strategy evaluation has a positive and significant effect on the performance of Abay bank S.C. in Ethiopia

INDEPENDENT VARIABLES: **DEPENDENT VARIABLE:**

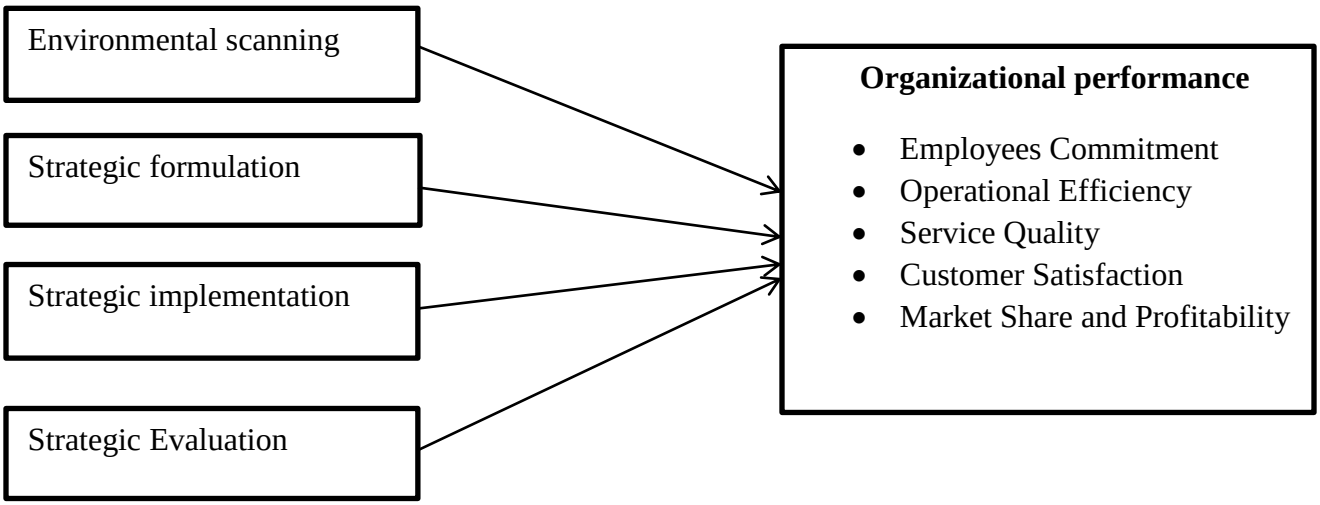


Figure1. Conceptual framework,

Source: (Yegzaw, 2022, Rahman 2019*).*

CHAPTER THREE

Research Methodology

3.1 Introduction

This section outlines the research methods, design, target population, data collection and sampling techniques and data analysis methods used in the study.

3.2 Research Approach

This study thus adopted a quantitative research method in addressing the research objectives. Quantitative research uses numbers and statistical methods in order to analyze relationships and establish causes of effects. It enables us to analyze findings from large population groups and draw generalizations on specific data points. This quantitative method used questionnaire to extract numerical information from the research participants, which was statistically analyzed to search for trends, patterns and correlations. A quantitative research approach was appropriate for this study as it enable researchers to have objective view over the problem at hand by providing

concrete results that were analyzed. The quantitative approach can be used for in-depth exploration of the subject in a particular study and can guide toward an evidence based decision making. (Apuke, 2017)

3.3 Research Design

In this study descriptive type of research design were employed to comprehensively investigate the effect of strategic planning on the performance of Abay Bank S.CO. The descriptive survey design was utilized to gather data and describe the current state of strategic planning and organizational performance in Abay Bank S.CO. This type of design facilitated the collection of quantitative data using questionnaires, so that the researchers were able to investigate and describe the association between effects of strategic planning and performance of banks (Smith, 2023). It was based on adopting this design, that the researchers of this study could be able to present a vivid description of what is taking place and the associations existing in the population under study.

3.4 Target Population

Leedy and Ormrod (2012) define a population as "The total group of individuals, cases, or objects with a particular common characteristic". This research study, aims to select the entire population of permanent employees in Abay bank especially employees working in Head office and Addis Ababa area branch employees were considered to have an involvement in the company strategy due to their direct work relation. The staff was chosen on the grounds of being better informed about planning, offering rich information relative to branch staffs this is supported by Moges and Belay (2023) that, Head office employees' knowledge about strategic planning is higher compared to branch level employees.

3.5 Sampling Design and Size

3.5.1 Sampling Frame

Sampling frame is a list of the universe to be selected as a sample of research (Saunders et al., 2016). The sampling frames for this research were chosen from list of 955 employees from Head office and Addis Ababa area branch employees of Abay Bank S.C

3.5.2 Sampling size

According to Saunders et al. (2021), determining the sample size in a study was essential for obtaining results that accurately represented the entire population. The sample size was based on the number of bank staff who possessed a better understanding of strategy implementation.

Randall and Gibson (2021) indicated that in social science studies, the recommended sample size typically ranged from 50 to 500 respondents. However, they noted that a minimum of 230 respondents were necessary to ensure the study validity and reliability, in line with the guidelines established by Sekaran (2000) and Roscoe (1975). The study was considering a total target population of 955, from which 282 was selected as the sample using Yamane's formula from 1967. By taking into account that data and geographic distances, a sample size of 282 is deemed feasible from 955 employees. Thus, the researcher applied the formula used by Yamane (1967), assuming a level of precision or sampling error (e) of 5% and aiming for a confidence level of 95%, while expecting a margin of error of 5%.

$$\mathrm{n} = 1 + \frac{N}{1+N} + (e)^2$$

Where, n is sample size

N = Population

e = level of error, There for the sample size for this study was n = 955/ $(1+955(0.05)^2)$ = 281.91 approximately 282 samples was entertained

n = 282 With N = 955, e = 5% (at least 95 % confidence level), Based on these the total sample size was 282 employees.

3.6. Sampling Technique

Sampling techniques ensured that the sample encompassed the specific characteristics sought by the researcher (Creswell, 2021). In this study the purposive sampling method were employed this method in which a sample consists of special units of the universe being selected on the basis that the researcher has knowledge of the population and can strategically select elements to represent the population (Etikan, Musa, & Alkassim, 2016).This can help the researcher examine specific characteristics of the population in detail. Furthermore, purposive sampling was used to choose respondents based on the researcher's judgment, considering their closeness to operations associated with strategic planning at Abay Bank S.C.

3.7. Data sources and Collection methods

This study relied mainly on primary data collected using a questionnaire. The respondents consisted of top and senior management, middle management and operational staff of Abay bank S.C Structured questionnaires, where the study participants were asked to respond to identical questions, were used to aid the study (Mugenda & Mugenda, 2003).

Saunders et al. (2021) defined data as a collection of facts, opinions and statistics that were gathered and documented for reference or analysis. To conduct the study, the researcher collected data from both primary and secondary sources. Primary data was obtained from the staff of Abay Bank, specifically from respondents directly involved in strategy formulation and implementation, using a structured questionnaire that using closed-ended questionnaire such as five levels Likert-scale questionnaire.

3.8. Methods of data analysis

The collected data was analyzed based on the study objectives. Data cleaning and editing was conducted prior to the final regression analysis and testing of the results. The means and standard deviations are calculated for descriptive analysis and the results were expressed in percentages and presented in tabular form. For inferential statistics, the Pearson correlation coefficient, along with procedures from the Statistical Package for Social Sciences (SPSS) and multiple linear regressions, was used to determine the relationships and effects of strategic planning on organizational performance. Thus, the model to examine the determinant factors of bank performance in this study is:

$$Y= A + b1X1 + b2X2 + b3X3 + b4X4 + \varepsilon$$

Where:

- Y is Performance is the dependent variable
- A is the y-intercept
- b1, b2, b3, b4, are the regression coefficients for each independent variable
- X1 is Environmental Scanning the independent variable.
- X2 is Strategic Formulation the independent variable.
- X3 is Strategic Implementation the independent variable.

- X4 is Strategic evaluation the independent variable

3.9. Reliability, Validity and Ethical Consideration

Validity was essential for the credibility, transferability and confirm-ability of the study (Smith & McGannon, 2018). Credibility assessed the degree of confidence a researcher could have in the accuracy of their interpretations of the collected data (Morse, 2015). In addition to this, it concerned about how well the research questions would measure the matters chosen to be studied. To meet these objectives, the researcher conducted a pilot test with a small group so as to check validity and would receive to redefine it.

Reliability in the study was demonstrated when the study could be replicated consistently (Yin, 2018). It basically targets to talk about the stability of the results that is how accurately the study or measuring would be carried out. It would also help whether a measurement instrument is able to yield consistent results each time it is applied. It is also the property of measurement device that causes it yield similar outcomes for similar inputs. In the study, Cornbrash alpha reliability is used to measure internal consistency of the mean of the items at the time of administration of the questionnaire.

Table 3.1 Reliability Test Results

Variables	Number of Items	Cronbach's Alpha
Environmental Scanning	5	0.833
Strategic Formulation	5	0.850
Strategic Implementation	5	0.852
Strategic Evaluation	5	0.924
Organizational Performance	6	0.973

Reliability analysis was conducted using Cronbach's Alpha coefficient to assess the internal consistency of the measurement items used in the study. According to the commonly accepted threshold, a Cronbach's Alpha value of 0.70 or above indicates acceptable reliability.

As presented in Table 3.1, the Cronbach's Alpha values ranged from 0.833 to 0.973, demonstrating strong internal consistency among the items measuring each construct. Environmental Scanning achieved an alpha coefficient of 0.833, Strategic Formulation 0.850, Strategic Implementation 0.852, Strategic Evaluation 0.924, and Organizational Performance 0.973.

The entire construct's alpha was greater than acceptable limits of 0.70. This suggests that the items within each construct were measuring their respective variables well and that the instrument was sufficiently reliable for further analyses such as correlation and multiple regressions.

3.9.3. Ethical Considerations

Ethical research practices were crucial during this study. Appropriate practice of research ethics was very important to ensure appropriate way of engaging with humans, especially with vulnerable people (Makhoul et al., 2018).

Ethics in research is the adequacy of a researcher's actions toward participants' rights (Saunders et al., 2009). While gathering the data, the researcher introduced the aim of the study to all respondents were well informed what information they are presenting. Researchers had the obligation to take into account potential harm physical, social and psychological in order to improve participants benefits (Koonrungsesomboon et al., 2016).

Chapter Four

4. Findings and discussions

4.1. Introduction

The study results and discussions conducted to assess the effect of strategic planning on organizational performance in Abay Bank S.C., Addis Ababa, Ethiopia are described in this chapter. Specifically, four aspects of the strategic planning process; environmental scanning, strategic formulation, strategy implementation and strategy evaluation, were investigated in their effects on bank performance. 282 questionnaires were distributed to bank employees, 268 were correctly completed and returned indicating response rate of 95%. This high response rate suggested that the data obtained were sufficient and reliable for analysis and interpretation.

4.2. Background of the Respondents

Table 4.1: Background of the respondents

Variable / Category	Frequency	Percent
Sex		
Female	114	42.5%
Male	154	57.5%
Age		
18-27	55	20.5%
28-37	124	46.3%
38-47	49	18.3%
48-57	30	11.2%
58 and above	10	3.7%
Education Level		
Degree	156	58.2%
Masters and above	112	41.80%
Job Position		
Analyst	45	16.8%

Branch Manager	54	20.1%
Customer Service	50	18.7%
Officer	61	22.8%
Supervisor	58	21.6%
Years Served in Abay Bank		
1-4 years	129	48.1%
4-6 years	65	24.3%
6-8 years	34	12.7%
Above 8 years	21	7.8%
Less than a year	19	7.1%

The demographics characteristics of the respondents were presented in a frequency and percentage distribution table, and from Table 4.1, it can be seen that 154 (57.5%) of respondents were male, and 114 (42.5%) of respondents were female. This also implies that the male employees constitute the majority of respondents that participated in the study.

With regard to age characteristics, the majority (124) of employees are within the age group of 28-37 years (46.3%), followed by 55 respondents (20.5%) who are between the ages of 18-27 years, 49 respondents (18.3%) who are aged 38-47 years and 30 respondents (11.2%) that were aged between 48-57 years. while 10 respondents (3.7%) that were 58 years or above had the lowest proportion of the age characteristics among employees in the bank. The result shows that the bank is employs majority of people that fall within the active productive age that can perform activities within the organization effectively and that will positively influence the performance.

With regard to the educational qualification of employees, the result indicated that majority of employees have first degrees (156; 58.2%), followed by those who have master and above degrees with 112 respondondents (41.80%). The result indicates that employees in the bank possess a relatively high level of educational qualification that can comprehend and be able to execute strategic planning.

With regard to job position, officers 61 respondents 22.8 percent constitute the largest share of the respondents, followed by supervisor 58 respondents 21.6 percent branch manager 54

respondents 20.1 percent, customer service 50 respondents 18.7 percent, and analysts 45 respondents 16.8 percent constitute the remaining of the respondents.

With respect to years of service in the bank, the majority of respondents, 129 48.1 percent, had served the bank for 1–4 years. Moreover, 65 respondents 24.3 percent had worked in the bank for 4–6 years, while 34 respondents 12.7 percent had served for 6–8 years. Respondents who had served above 8 years accounted for 21 7.8 percent, whereas 19 respondents 7.1 percent had worked for less than one year. The results imply that most respondents had sufficient work experience and organizational exposure to provide relevant information regarding the strategic planning practices and performance of the bank.

4.3. Descriptive Analysis

4.3.1. Environmental Scanning

Table 4.2: Environmental Scanning

Items	Mean	Std. Deviation
Strategic management helps reduce uncertainty in decision-making	4.18	.44
Strategic management links long-term and short-term goals	4.18	.47
Strategic management improves understanding of changing environment	4.17	.46
Strategic management helps formulate better strategies	4.18	.46
Strategic management improves employee involvement and commitment	4.16	.47
Average Mean / Standard Deviation	4.17	.46

The descriptive analysis presented in Table 4.2 shows responses' perceptions regarding the effect of environmental scanning on organizational performance in Abay Bank S.C. The results indicate that responses generally agreed that environmental scanning practices positively contribute to the strategic management and performance of the bank, as evidenced by the overall average the mean value 4.17 and standard deviation value of 0.46. The high mean value implies a strong level of agreement among responses, while the relatively low standard deviation indicates consistency in responses' opinions.

The statements with highest average means among the items tested were "Strategic management helps in reducing decision-making uncertainty" and "Strategic management links short-term to

long-term goals". Their averages mean are 4.18 with a standard deviation of 0.44 and 0.47 respectively. The result implied that respondents feel strongly that environment scanning allow the organization in minimizing uncertainty and aligning strategic objectives accordingly. Likewise, "Strategic management improves the formulation of good strategies" was also yielded a high mean value of 4.18 and a standard deviation of 0.46. This also confirmed that environment scanning significantly assists in formulating effective strategies for the bank.

In addition, respondents believed that "Strategic management enhances the understanding of the environment in changes", which attained the highest mean value among all items. The result also yielded an average mean of 4.17 and standard deviation of 0.46. It appears that environment scanning activities within the bank is greatly valued. From the results, the bank employees have acknowledged that the activities of environment scanning in the bank would increase their employees' and managements understanding of market changes and the environment. Besides, "Strategic management promotes employees' commitment and participation" obtained the average mean of 4.16 and a standard deviation value of 0.47. It suggests that Strategic management is perceived to enhance commitment and participation within the organization.

4.3.2. Strategic Formulation

Table 4.3: Strategic Formulation

Items	Mean	Std. Deviation
Employees participate in strategy formulation	4.04	.48
Stakeholders are involved during strategy formulation	4.07	.48
Vision statement is clear and achievable	4.07	.43
Mission statement reflects organizational purpose	4.08	.44
Goals and objectives are realistic and attainable	4.06	.48
Average Mean / Standard Deviation	4.06	.46

The table 4.3 is showing descriptive statistics on respondents perception towards strategic formulation contributes to better performance in Abay Bank S.C. The responses were agree that strategic formulation practices are performed efficiently at bank, indicated by overall mean value of 4.06 and standard deviation value of 0.46. The results imply that responses had positively perceived bank strategic formulation process with consistent perceptions since standard deviation

value was found at 0.46 which it means the standard deviation values are not much deviation from each other.

Among the individual items on Strategic formulation, the item on 'mission statement reflects organizational purpose' resulted at highest mean value of 4.08 and standard deviation of 0.44. This means that respondent has strongly agreed that the mission statement reflect on organizational purpose or mission. The two items on 'stakeholders are involved during strategy formulation' and 'vision statement is clear and achievable' also resulted high mean value of 4.07 and standard deviation value of 0.48 and 0.43 respectively. This result implies that stakeholders are actively participated in strategy formulation and respondent had view that organizational vision statement is clear and achievable.

Besides, 'goals and objectives are realistic and achievable' recorded mean value of 4.06 with standard deviation value of 0.48 which mean respondents agree on realistic and achievable goals. The statement “Employees participate in strategy formulation” recorded the lowest the mean value 4.04 with a standard deviation value of 0.48, although the score still reflects agreement among responses. This indicates that employees are involved in the strategy formulation process, though there may still be room for improving participation levels.

Generally, the results indicate that strategic formulation practices in the bank are positively perceived and contribute to organizational performance through stakeholder involvement, clear organizational direction, realistic goals and employee participation in strategic planning activities

4.3.3. Strategic Implementation

Table 4.4: Strategic Implementation

Items	Mean	Std. Deviation
Strategies are effectively communicated to employees	4.29	.49
Short-term objectives support strategic goals	4.27	.50
Adequate resources are allocated	4.26	.47
Top management provides strategic leadership	4.28	.48
Policies and procedures support implementation	4.27	.49
Average Mean / Standard Deviation	4.27	.49

The descriptive analysis presented in Table 4.4 shows responses' perceptions regarding the effect of strategic planning on organizational performance in Abay Bank S.C. The results indicate that responses strongly agreed that strategic implementation practices are effectively carried out within the bank, as reflected by the overall average the mean value 4.27 and standard deviation value of 0.49. The high mean score demonstrates a favorable perception toward the implementation of strategies, while the relatively low standard deviation indicates consistency among responses' views.

Among the items assessed, the statement "Strategies are effectively communicated to employees" recorded the highest the mean value 4.29 with a standard deviation value of 0.49. This result implies that the bank has effective communication mechanisms that enable employees to clearly understand organizational strategies and objectives. Similarly, "Top management provides strategic leadership" got mean value 4.28 and standard deviation value 0.48. This signifies that top management supports the implementation of the strategy and is leading the strategic plans,.

Besides, both the statements "Short term objectives support strategic goals" and "Policies and procedures support implementation" have got mean value 4.27 and standard deviation value 0.50 and 0.49. The results show that the bank plans short-term operational objectives to support long term strategic goals and the bank uses policies and procedures to support implementation of the strategy. Added to this, "Adequate resources are allocated" got mean value 4.26 with standard deviation value 0.47. This indicates that responses agreed the bank allocates sufficient financial, human and material resources necessary for successful strategy implementation. Although this item recorded the lowest mean score among the implementation variables, it still reflects a strong positive perception.

Generally, the results demonstrate that strategic implementation practices in the bank are highly effective and contribute significantly to organizational performance through clear communication, supportive leadership, proper resource allocation and alignment between operational activities and strategic objectives.

4.3.4. Strategic Evaluation

Table 4.5: Strategic Evaluation

Items	Mean	Std. Deviation
Organization monitors environmental changes regularly	3.63	.65
Performance is measured against objectives	3.66	.65
Corrective actions are taken when needed	3.62	.65
Clear evaluation tools are used	3.66	.65
Strategy evaluation is conducted consistently	3.66	.65
Average Mean / Standard Deviation	3.65	.65

The descriptive analysis presented in Table 4.5 indicates responses' perceptions regarding the influence of strategic evaluation on organizational performance in Abay Bank S.C.. The results show that responses generally agreed that strategic evaluation practices are implemented within the bank, as reflected by the overall average the mean value 3.65 and standard deviation value of 0.65. Compared to the other dimensions of strategic planning, strategic evaluation recorded a relatively lower mean score and higher standard deviation, implying moderate agreement and relatively varied opinions among responses regarding the effectiveness of evaluation practices in the bank.

Among the items assessed, the statements "Performance is measured against objectives," "Clear evaluation tools are used," and "Strategy evaluation is conducted consistently" each recorded the highest the mean value 3.66 with a standard deviation value of 0.65. These findings mean that respondents think the bank has systems to evaluate organization's performance towards objectives, and uses assessment tools to monitor the process of strategy implementation. They mean that the bank carries out the strategy evaluation process on a frequent basis, and some of the elements within evaluation process may still need improvement to have better consistency and efficiency.

Similarly, the item "Organization monitors environmental changes regularly" obtained the mean value of 3.63 with a standard deviation value of 0.65, which suggests that responses slightly

agreed on whether the bank monitors external and internal environment on a continuous basis to enhance strategic decision making. Moreover, the statement "Corrective actions are taken when needed" received the minimum mean value of 3.62 with a standard deviation value of 0.65 which represents that responses slightly agreed that corrective action processes exist but it might be a limitation whether action taken timely and efficiency.

On the whole, it can be concluded that the strategy evaluation activities help organization's performance greatly; however, comparing with others strategic management dimension, it seems evaluation process is the weakest dimension and the bank should take actions to improve its monitoring system, measurement system and correction actions process in order to achieve higher strategic management performance.

4.3.5. Organizational Performance

Table 4.6: Organizational Performance

Items	Mean	Std. Deviation
Strategic management improved employee commitment	3.16	.85
Strategic management enhanced operational efficiency	3.2	.81
Strategic management improved service quality	3.17	.82
Strategic management increased customer satisfaction	3.17	.85
Strategic management improved market share	3.16	.82
Strategic management increased profitability	3.16	.84
Average Mean / Standard Deviation	3.17	.83

From the descriptive analysis in Table 4.6, it can be observed the perceived relationship between strategic management practices and organizational performance in Abay Bank S.C. The responses generally moderate agreed that strategic management have positive influence on organizational performance of the bank as it is supported by the mean value 3.17 and standard deviation value 0.83 for the entire responses. Moderate mean values implies that responses perceive a noticeable positive change in organizational performance because of strategic management practices whereas high standard deviation indicates that there is quite variation among responses regarding to their attitudes toward effect of strategic planning.

Among the statements, "Strategic management enhanced operational efficiency" has the highest mean value of 3.20 and a standard deviation value of 0.81. This shows that responses believed that strategic management practices has caused to improvement of organizational operational efficiency by means of better resource utilization and effectiveness of work flow processes of the bank.

Similarly, Strategic management improved service quality and Strategic management increased customer satisfaction got mean value 3.17 with standard deviation values of 0.82 and 0.85 respectively. The responses clearly indicated that strategic management practice had contributed in providing quality service, which in turn leads to increase in customer satisfaction that the banking sector highly focuses.

Other dimensions like Strategic management improved employee commitment, Strategic management improved market share, and Strategic management increased profitability also obtained moderate positive relationship (mean value is 3.16) with standard deviation values of 0.85, 0.82, and 0.84 respectively. The mean value shows that responses generally moderate agree to the statements, indicating that employee commitment, market share, and profitability of the bank is influenced by the implementation of strategic management practices. Relatively moderate means do however indicate that it still possible to increase positively perceived performance of these dimensions through strategic management.

4.4. Assumption Test

In performing assumptions for the multiple regression models, the following assumption tests were conducted multi collinearity, normality, linearity and homoscedasticity.

Multi collinearity

Table 4.7 Collinearity Statistics

Variables	Tolerance	VIF
X1 Environmental Scanning	0.010	104.626
X2 Strategic Formulation	0.012	86.879
X3 Strategic Implementation	0.011	87.791
X4 Strategic Evaluation	0.026	37.983

If the tolerance value is greater than 0.10 and the VIF is less than 10, multicollinearity is not an issue. The normality assumption is supported by the P-P plot and the histogram of the standardized residuals. Homoscedasticity assumption is supported by the scatterplot where the residuals are randomly distributed around zero. The Durbin-Watson statistics suggests that there is no severe autocorrelation.

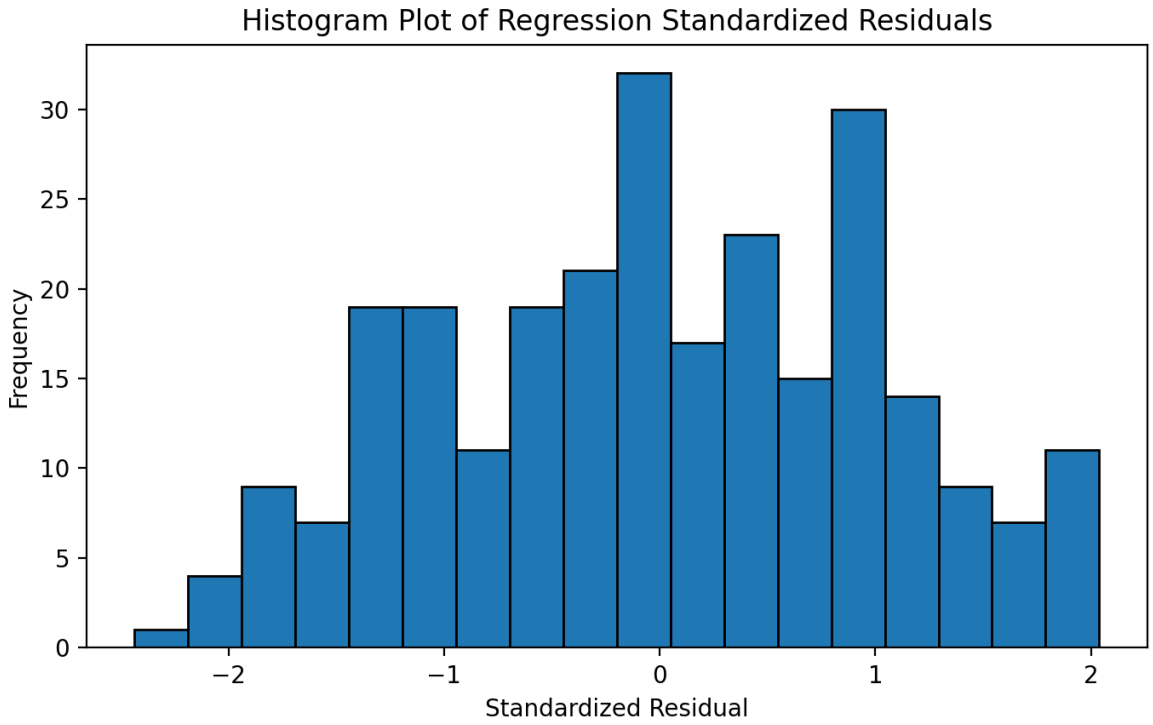
Table 4.8 Collinearity Diagnostics

Dimension	Eigenvalue	Condition Index	X1 Environmental Scanning	X2 Strategic Formulation	X3 Strategic Implementation	X4 Strategic Evaluation
1	292.097	1.000	0.239	0.120	0.540	0.008
2	281.932	1.018	0.371	0.488	0.002	0.082
3	266.418	1.047	0.019	0.069	0.008	0.909
4	231.553	1.123	0.371	0.324	0.451	0.000

The multicollinearity assumption was tested using the Tolerance values, Variance Inflation Factor (VIF), Eigenvalues, and Condition Index. From the table shown, the tolerance values are found between 0.010 to 0.026 and the VIF values are from 37.983 to 104.626. Typically, the existence of multicollinearity between independent variables exists if the tolerance value is below 0.10 and VIF values exceed 10. Thus, it is inferred that a high degree of multicollinearity between the predictor variables is identified.

Normality and Linearity

Figure 2 Histogram Plot of Regression Standardized Residuals



The assumption of normality was tested using the histogram of regression standardized residuals, the Normal P-P Plot, and the skewness and kurtosis values. The histogram of regression standardized residuals shows that the values of the residuals are approximately normally distributed since the histogram is approximately bell shaped.

Table 4.9 Skewness and Kurtosis

Statistic	Skewness Statistic	Skewness Std. Error	Kurtosis Statistic	Kurtosis Std. Error
Regression Standardized Residual	-0.065	0.150	-0.765	0.299

Since skewness was -0.065, close to zero, the distribution of residuals is symmetric. The kurtosis value, -0.765, is within 1, which means it is acceptable. Normal distribution assumption is satisfied.

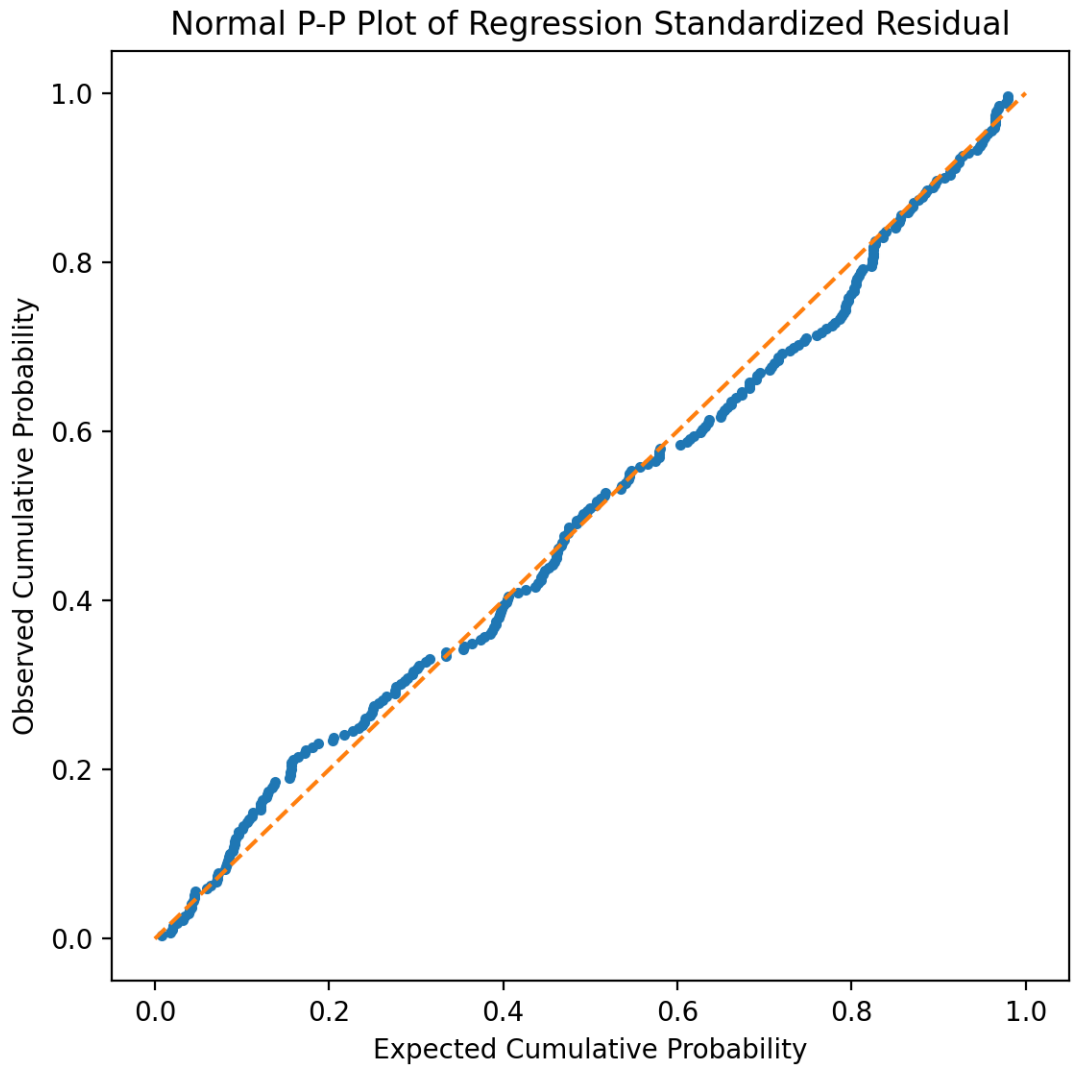
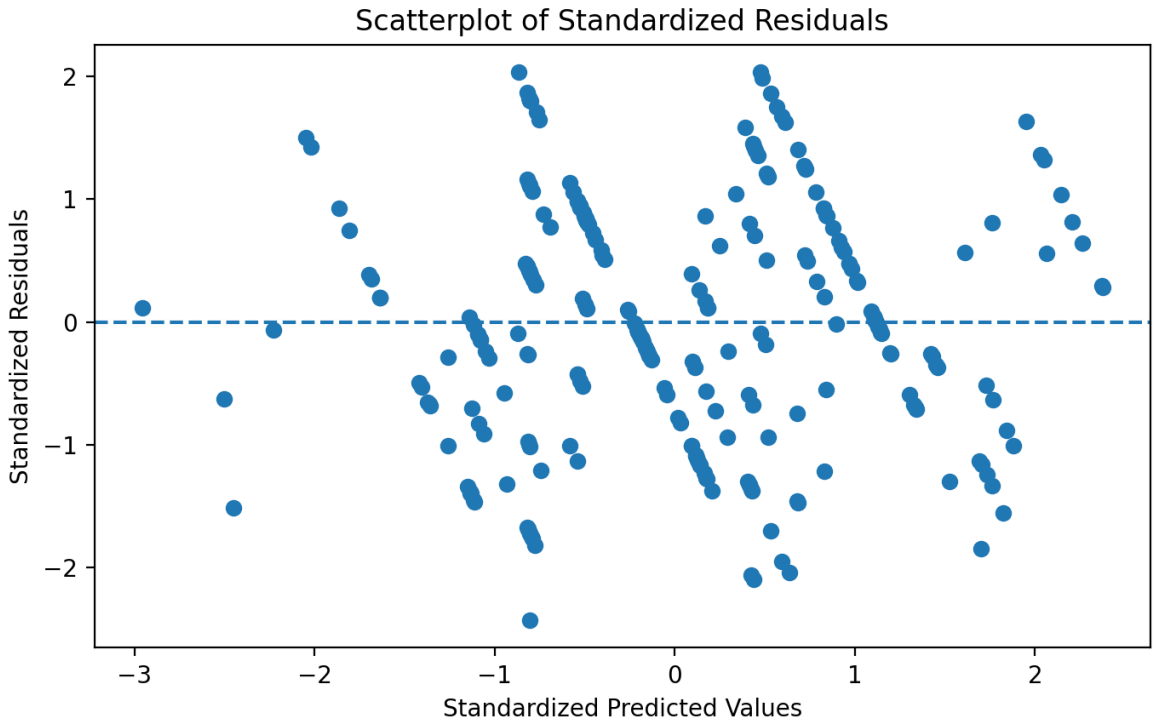


Figure 3 Normal P-P Plot of Regression Standardized Residual

In addition to this, most points of the Normal P-P Plot followed well along the diagonal reference line. This gives more evidence to support the assumption of residuals being normal and linear.

Homoscedasticity

Figure 4. Scatterplot of Standardized Residuals



The scatterplot of standardized residual against standardized predicted value was used to assess homoscedasticity. From the scatterplot, residuals seemed to be scattered randomly around zero and no specific pattern, for example funnel-shaped curve, was found in the residual plot. Hence, it can be conclude that residuals have constant variance for each predicted value. Thus, the assumption of homoscedasticity was met.

4.5. Pearson Correlation Analysis

Table 4.10: Pearson Correlation Matrix

Variables	Statistics	Environmental Scanning	Strategic Formulation	Strategic Implementation	Strategic Evaluation	Organizational Performance
Environmental Scanning	Pearson Correlation	1.000	.048	.083	.006	.595**

	Sig. (2-tailed)		.4377	.1761	.9172	.0000
	N	268	268	268	268	268
Strategic Formulation	Pearson Correlation	.048	1.000	-.072	.015	.465**
	Sig. (2-tailed)	.4377		.2402	.8039	.0000
	N	268	268	268	268	268
Strategic Implementation	Pearson Correlation	.083	-.072	1.000	-.008	.616**
	Sig. (2-tailed)	.1761	.2402		.8929	.0000
	N	268	268	268	268	268
Strategic Evaluation	Pearson Correlation	.006	.015	-.008	1.000	.015
	Sig. (2-tailed)	.9172	.8039	.8929		.8057
	N	268	268	268	268	268
Organizational Performance	Pearson Correlation	.595**	.465**	.616**	.015	1.000
	Sig. (2-tailed)	.0000	.0000	.0000	.8057	
	N	268	268	268	268	268

** Correlation is significant at the .01 level (2-tailed).

* Correlation is significant at the .05 level (2-tailed).

The Pearson correlation coefficient analysis performed to investigate the relationship between each strategic planning dimension and Abay Bank S.C.'s performance is indicated in table 4.10.

The correlations between: Environmental Scanning and organizational performance, Strategic Formulation and organizational performance, Strategic Implementation and organizational performance, Strategic Evaluation and organizational performance are all tested. In these correlations Pearson product-moment correlation coefficients are used in determining the strength of the relationship.

Environmental Scanning and organizational performance has a positively statistically significant relationship with each other at $r= 0.595$, $p<0.01$.As the environmental scanning practices increases then organizational performance increases. This indicates that monitoring internal and external business environments enhances the ability of the bank to make strategic decisions and increase organizational performance.

Strategic Formulation and organizational performance has a positively statistically significant relationship with each other at $r=0.465$,$p<0.01$. This indicates that developing strategies through, involving stakeholders, having a clear vision and mission statement, setting realistic objectives for the organization leads to positive organizational performance though at a moderate level.

Strategic Implementation has a very strong positively statistically significant relationship with organizational performance among the rest of independent variables at $r=0.616$,$p<0.01$. This suggests that through effective strategy communication, provision of adequate resources, strategic leadership, and organizational support structures a better performance is observed. This is due to effective implementation of strategic decisions taken by the management, which plays a major role in determining how effectively the bank performs.

On the other hand, Strategic Evaluation has a very weak positively statistically insignificant relationship with organizational performance at $r= 0.015$,$p>0.05$. The lack of a strong and significant relationship suggests that as the strategic evaluation practice improves so will the bank performance.. The low r value signifies poor or weak association of the relationship. This low value suggests that there is not much effective performance monitoring system and corrective mechanism to take place when something goes wrong in terms of performance at the bank's organization performance.

Among independent variables, the correlation among the independent variables shows weak correlations. Strategic Formulation and Environmental Scanning shows weak positive

relationship (r=0.048). Strategic Formulation and Strategic Implementation shows weak negative relationship (r=-0.072) and Strategic implementation and Strategic evaluation show negligibly negative relationship (r=-0.008). These weak correlations among independent variables show that each dimension of strategic planning independently contributes to the explanation of organization performance.

Generally, the correlation analysis demonstrates that environmental scanning, strategic formulation and strategic implementation have significant positive relationships with organizational performance, while strategic evaluation shows no significant relationship with performance in the case of Abay Bank S.C. Among the variables, strategic implementation emerged as the most strongly associated factor influencing organizational performance.

4.6. Regression Analysis

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1.0	.954	.910	.908	.236

Regression analysis was conducted to examine the effect of strategic planning dimensions on organizational performance in Abay Bank S.C. The analysis specifically assessed the combined influence of environmental scanning, strategic formulation, strategic implementation and strategic evaluation on organizational performance.

The results presented in Table 4.11 show that the regression model produced a strong correlation coefficient (R - 0.954), indicating a very strong relationship between the independent variables and organizational performance. The coefficient of determination R2 = 0.910) implies that 91.0% of the variation in organizational performance is explained by the combined effects of environmental scanning, strategic formulation strategic implementation and strategic evaluation. This indicates that the model has high explanatory power. Furthermore, the adjusted R2 value of 0.908 indicates that after adjusting for the number of predictors in the model, approximately

90.8% of the variation in organizational performance is still explained by the independent variables.

Generally, the model summary results demonstrate that strategic planning dimensions collectively have a substantial influence on organizational performance in the bank.

Table 4.12: ANOVA

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	148.054	4	37.013	662.508	.000
Residual	14.693	263	.056		
Total	162.747	267			

The ANOVA results presented in Table 4.12 indicate whether the overall regression model is statistically significant in predicting organizational performance. The results show that the regression model is highly significant, with an F-statistic value of 662.508 and a significance level of p = 0.000, which is less than the conventional significance level of 0.05.

Since the significance value is less than 0.05, the study concludes that the regression model is statistically significant and suitable for explaining the relationship between strategic planning dimensions and organizational performance. This implies that environmental scanning strategic formulation, strategic implementation and strategic evaluation jointly have a significant effect on organizational performance in Abay Bank S.C.

Table 4.13: Regression Coefficients

Variables	Unstandardized B	Standardized Beta		Std. Error	t	Sig.
Constant	-11.077			.292	-37.89	.000
Environmental Scanning	1.144	.522		.041	28.025	.000
Strategic Formulation	1.033	.483		.04	25.98	.000
Strategic Implementation	1.223	.608		.038	32.59	.000

Strategic Evaluation	.013	.009		.025	.509	.6114

Table 4.13 presents the regression coefficients showing the individual effect of each strategic planning dimension on organizational performance in Abay Bank S.C. The analysis was conducted using multiple linear regressions to determine the magnitude, direction and statistical significance of the relationship between the independent variables and organizational performance.

The regression results revealed that environmental scanning has a positive and statistically significant effect on organizational performance, with an unstandardized coefficient value of B = 1.144, t-value of 28.025 and significance level of p = 0.000 This indicates that a one-unit increase in environmental scanning practices leads to a 1.144 unit increase in organizational performance, holding other variables constant. The result implies that effective environmental scanning enhances the Bank ability to respond to changes in the business environment, thereby improving organizational performance.

Similarly, strategic formulation was found to have a positive and statistically significant effect on organizational performance, with B = 1.033 beta = 0.483 t-value of 25.980 and p = 0 This result indicates that improvements in strategy formulation practices such as stakeholder involvement, clear organizational vision and realistic goals positively contribute to the performance of the bank. Specifically, a one-unit increase in strategic formulation results in a 1.033 unit increase in organizational performance when other factors remain constant.

The results further indicate that strategic implementation has the strongest positive and statistically significant effect on organizational performance among all the independent variables. The variable recorded an unstandardized coefficient of B = 1.223 standardized beta coefficient of beta = 0.608, t-value of 32.590 and significance level of p = 0 This implies that a one-unit increase in strategic implementation practices increases organizational performance by 1.223 units, assuming all other variables remain unchanged. The high beta coefficient further demonstrates that strategic implementation is the most influential predictor of organizational performance in the study. This result highlights the importance of effective communication,

resource allocation, leadership support and implementation mechanisms in achieving organizational success.

On the other hand, strategic evaluation was found to have a positive but statistically insignificant effect on organizational performance, with B = 0.013 beta = 0.009 t-value of 0.509 and significance level of p = 0.6114 which is greater than the 0.05 significance level. This indicates that strategic evaluation does not significantly influence organizational performance in the context of the bank. Although the relationship is positive, the effect is negligible and statistically insignificant. The result may indicate that the Bank strategy evaluation practices are not sufficiently strong or effective to produce meaningful improvements in organizational performance.

The regression constant value of -11.077 indicates the predicted level of organizational performance when all independent variables are held constant at zero. Based on the regression coefficients, the regression equation for the study is expressed as:

$$Y=11.077 +1.144X1 + 1.033X2 + 1.223X3 + 0.013X4 + \varepsilon$$

Where:

Y = Organizational Performance

X_1 = Environmental Scanning

X2 = Strategic Formulation

X3 = Strategic Implementation

X_1 = Strategic Evaluation

ε = Error term

Generally, the regression results indicate that environmental scanning, strategic formulation and strategic implementation have significant positive effects on organizational performance, while strategic evaluation does not significantly affect performance in Abay Bank S.C. Among the variables, strategic implementation emerged as the most influential factor affecting organizational performance.

Chapter Five

5. Summary, conclusions and recommendations

5.1. Summary of Major Findings

This study examined the effect of strategic planning on organizational performance in Abay Bank S.C., Addis Ababa, Ethiopia. The study specifically focused on four dimensions of strategic planning: environmental scanning, strategic formulation, strategic implementation and strategic evaluation. Data were collected from 268 responses using structured questionnaires and the findings were analyzed using descriptive statistics, Pearson correlation analysis and multiple regression analysis.

Regarding the background characteristics of respondents, the findings showed that the majority of respondents were male employees, accounting for 154 respondents 57.5 percent, while female respondents accounted for 114 /42.5 percent. In terms of age distribution, most respondents, 124 /46.3 percent, were between 28 and 37 years old, indicating that the majority of employees were within the productive working-age category. Concerning educational qualification, 156 respondents 58.2 percent held bachelor's degrees, while 48 respondents 17.9 percent possessed master's degrees, indicating that the bank has a relatively educated workforce. Regarding job position, officers constituted the largest category with 61 respondents 22.8 percent, followed by supervisors with 58 respondents 21.6 percent. In relation to work experience, the majority of respondents, 129 /48.1 percent, had served the bank for 1–4 years, indicating that most participants had adequate organizational exposure and experience to provide reliable responses concerning strategic planning practices and organizational performance.

The descriptive analysis findings revealed that responses generally had positive perceptions toward the strategic planning practices implemented in the bank. Environmental scanning recorded an average the mean value 4.17 with a standard deviation value of 0.46, indicating strong agreement among responses that environmental scanning contributes positively to organizational performance. Responses particularly agreed that strategic management helps reduce uncertainty in decision-making and links long-term and short-term goals, both with mean scores of 4.18.

Similarly, strategic formulation recorded an overall average the mean value 4.06 and standard deviation value of 0.46, showing that responses positively perceived the strategy formulation practices of the bank. The highest mean score under this dimension was obtained by the statement “Mission statement reflects organizational purpose” with a mean of 4.08 and standard deviation value of 0.44. The findings imply that the bank has clear organizational direction, stakeholder involvement and realistic strategic goals.

Strategic implementation recorded the highest overall average mean score among the independent variables, with a mean value of 4.27 and standard deviation value of 0.49. The statement “Strategies are effectively communicated to employees” achieved the highest the mean value 4.29. This indicates that responses strongly believed that the bank effectively communicates strategies, allocates resources appropriately and provides strategic leadership for successful implementation of organizational plans.

On the other hand, strategic evaluation recorded a comparatively lower average the mean value 3.65 with a standard deviation value of 0.65, indicating moderate agreement among responses. The results indicate that although the bank conducts strategy evaluation activities such as performance measurement and environmental monitoring, the evaluation practices are relatively weaker compared to the other dimensions of strategic planning.

With respect to organizational performance, the study found an overall average the mean value 3.17 and standard deviation value of 0.83, indicating moderate agreement among responses that strategic management positively influences organizational performance. The highest mean score under organizational performance was related to operational efficiency (M = 3.2 SD = 0.81) implying that strategic management practices contribute to improving operational effectiveness within the bank.

The Pearson correlation analysis findings demonstrated that environmental scanning, strategic formulation and strategic implementation have positive and statistically significant relationships with organizational performance. Environmental scanning had a strong positive correlation with organizational performance ($r = 0.595$ $p < 0.01$) , while strategic formulation showed a moderate positive relationship ($r = 0.465$ $p < 0.01$) . Strategic implementation exhibited the strongest positive relationship with organizational performance ($r = 0.616$ $p < 0.01$) , indicating

that effective implementation of strategies is highly associated with improved organizational performance. However, strategic evaluation showed a very weak and statistically insignificant relationship with organizational performance (r = 0.015 p > 0.05) , indicating that strategy evaluation practices do not significantly contribute to performance improvement in the bank.

The regression analysis findings further confirmed the significant influence of strategic planning dimensions on organizational performance. The model summary results revealed a strong overall relationship between the independent variables and organizational performance (R = 0.954) The coefficient of determination (R ^ 2 = 0.91) indicated that 91.0% of the variation in organizational performance is explained by environmental scanning, strategic formulation, strategic implementation and strategic evaluation. The adjusted R^2 value of 0.908 further confirmed the high explanatory power of the regression model.

The ANOVA results showed that the regression model was statistically significant (F = 662.508 p = 0) indicating that the independent variables jointly have a significant effect on organizational performance.

The regression coefficient analysis revealed that environmental scanning has a positive and statistically significant effect on organizational performance (B = 1.144 ; beta = 0.522 p < 0.05) Strategic formulation also showed a positive and statistically significant effect (B = 1.033 beta = 0.483 p < 0.05) . Furthermore, strategic implementation emerged as the most influential predictor of organizational performance with the highest standardized beta coefficient (B = 1.223 beta = 0.608 p < 0.05) Conversely, strategic evaluation showed a positive but statistically insignificant effect on organizational performance beta = 0.009 (B = 0.013 ↓0.6114).

Generally, the findings of the study demonstrate that strategic planning significantly influences organizational performance in Abay Bank S.C. Among the dimensions of strategic planning, strategic implementation was identified as the most significant predictor of organizational performance, followed by environmental scanning and strategic formulation, while strategic evaluation did not show a statistically significant effect.

5.2. Conclusions

The main objective of this study was to examine the effect of strategic planning on organizational performance in Abay Bank S.C., Addis Ababa, Ethiopia. The study specifically assessed the effects of environmental scanning, strategic formulation, strategic implementation and strategic evaluation on organizational performance. Based on the findings obtained from descriptive statistics, Pearson correlation analysis and multiple regression analysis, the study arrived at the following conclusions.

The findings of the study revealed that environmental scanning positively contributes to the performance of the bank. The study found that the Bank strategic management practices help reduce uncertainty in decision-making, improve understanding of changes in the business environment and support the formulation of effective strategies. The findings therefore indicate that continuous assessment of internal and external environmental conditions enables the bank to respond effectively to market dynamics and improve organizational performance. Hence, the study concludes that environmental scanning is an important strategic planning practice that enhances organizational effectiveness and competitiveness.

The findings showed that strategic formulation practices in the bank positively influence organizational performance. The study revealed that the bank has relatively clear mission and vision statements, realistic organizational goals and stakeholder involvement during the strategy formulation process. Employee participation in strategic planning was also found to contribute positively to organizational direction and performance improvement. Accordingly, the study concludes that effective strategic formulation provides a clear organizational direction and enhances the Bank ability to achieve its strategic objectives and overall performance goals.

The findings demonstrated that strategic implementation has the strongest influence on organizational performance among all dimensions of strategic planning examined in the study. The study found that strategies are effectively communicated to employees, top management provides strategic leadership, and organizational resources are allocated adequately and organizational policies support implementation activities. These practices significantly contribute to improving operational efficiency, employee commitment, customer satisfaction and overall

organizational performance. Therefore, the study concludes that successful implementation of strategic plans is the most critical factor in improving organizational performance in the bank.

The findings indicated that although the bank conducts strategic evaluation activities such as performance measurement, environmental monitoring and corrective actions, these practices were not sufficiently strong to significantly improve organizational performance. The study found that strategic evaluation systems within the bank require further strengthening to improve consistency, effectiveness and responsiveness in monitoring organizational strategies and performance outcomes. Consequently, the study concludes that the existing strategic evaluation practices have limited contribution to organizational performance and need substantial improvement.

Generally, the study concludes that strategic planning plays a significant role in improving organizational performance in Abay Bank S.C. The results indicate that effective environmental scanning, sound strategic formulation and particularly strong strategic implementation practices are essential drivers of organizational success. However, the study also concludes that the bank needs to improve its strategic evaluation mechanisms to ensure effective monitoring, timely feedback and corrective actions that support long-term organizational performance and sustainability.

5.3 Recommendations

In light of the results and conclusions of the study, the following recommendations are made to enhance strategic planning practice and organizational performance at Abay Bank S.C.

First, the bank should further strengthen its strategic implementation practices, because this was found to be the most significant predictor of organizational performance. The organization should continue to enhance its communication of strategic objectives to employees at all levels, and provide sufficient financial, technological and human resources for successful implementation of strategies. In addition, top management should provide ongoing strategic leadership and support to ensure effective organizational plan execution.

Second, the organization should strengthen its environmental scanning process through regular monitoring of changes in its internal and external environment. In addition, there should be

effective mechanisms in place for collecting and analyzing market intelligence, customers' expectations, technological developments, competitor strategies and the regulatory environment to ensure informed and proactive strategic decision-making and improved performance and competitiveness.

Third, the bank should further enhance employee and stakeholder participation in the strategic formulation process. Such participation would lead to increased commitment and sense of ownership and improve strategic plan implementation.

Fourth, the organization should enhance its strategic evaluation and control processes, since the study revealed that strategic evaluation had insignificant effect on organizational performance.

Fifth, the bank should further enhance investment in employees training and development activities focused on strategic management processes.

Finally, future researchers are encouraged to conduct similar studies in other banks and sectors to compare findings and improve the generalizability of the results. Future studies may also include additional variables such as organizational culture, leadership style, technological innovation and employee motivation to provide a broader understanding of factors influencing organizational performance.

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Appendix

Appendix_1

Questionnaire to Abay Bank Employees

Dear Respondent,

I am M.Sc. student at Addis Ababa University, Graduate Program. As part of the requirements in completion of the M.Sc. program, I am undertaking a research under the title "The effect of Strategic planning at Abay Bank Sc. on Organizational performance". To this end, I am collecting data from people working in the company and you have been selected as a valuable participant for this research.

In order for the research to yield valid results, it is important that you was answer all questions as honestly and truthfully as possible. Thesis and responses was remain anonymous and confidential. For more information, you can contact at any time needed through my address.

Thank you for your willingness to participate in this study. It is highly appreciated.

Regards,

Birhanu Alene

Tele +251910168289, Email address birhanualene080@gmail.com

General Instructions

1. No need of writing your name.
2. Please fill in the answer by putting the "√" mark.

Part I: Demographic Information

1. Sex? 1= Male 2= Female
2. Age? 1= 18 – 27 2= 28 – 37 3= 38 – 47 4= 48 – 57 5= 58 years and above
3. Education level? 1= Degree 2= Masters and Above
4. How many years have you served in Abay Bank?

1= Less than a year 2= 1 – 4 years of experience 3= 4 – 6 years of experience
4= 6 – 8 years of experience 5= above 8 years

Part II: Likert-scale Questionnaire

Instruction

Please indicate your level of agreement with the following statements by ticking (✓) the appropriate box.

Scale	Meaning
SDA(1)	Strongly Disagree
DA(2)	Disagree
N(3)	Neutral
A(4)	Agree
SA(5)	Strongly Agree

Section A: Strategy Formulation

No.	Statements	SDA	DA	N	A	SA
1	Employees participate in the strategy formulation process of the organization.					
2	Relevant stakeholders are involved during strategy formulation.					
3	The organization's vision statement is clear, inspiring and					

	achievable.					
4	The mission statement clearly reflects the purpose and activities of the organization.					
5	The goals and objectives of the organization are realistic and attainable.					

Section B: Strategy Implementation

No.	Statements	SDA	DA	N	A	SA
1	Organizational strategies are effectively communicated to employees.					
2	Short-term objectives are clearly identified to support strategic goals.					
3	Adequate resources are allocated for strategy implementation.					
4	Top management provides effective strategic leadership.					
5	Policies and procedures support successful strategy implementation.					

Section C: Strategy Evaluation and Control

No.	Statements	SDA	DA	N	A	SA
1	The organization regularly monitors changes in the business environment.					
2	Organizational performance is measured against planned objectives.					
3	Corrective actions are taken when performance deviates from targets.					
4	The organization uses clear and standard evaluation tools.					
5	Strategy evaluation is conducted consistently and effectively.					

Section D: Motivating Factors for the Adoption of Strategic Management

No.	Statements	SDA	DA	N	A	SA
1	Strategic management helps reduce uncertainty in decision-making.					

2	Strategic management links long-term and short-term organizational goals.					
3	Strategic management improves understanding of a changing environment.					
4	Strategic management helps formulate better organizational strategies.					
5	Strategic management improves employee involvement and commitment.					

Section E: Organizational Performance

No.	**Statements**	**SDA**	**DA**	**N**	**A**	**SA**
1	Strategic management practices have improved employees' commitment in the organization.					
2	Strategic management practices have enhanced operational efficiency in the organization.					
3	Strategic management practices have improved the quality of services provided by the organization.					
4	Strategic management practices have increased customer satisfaction in the organization.					
5	Strategic management practices have improved the organization's market share.					
6	Strategic management practices have increased the profitability of the organization.					