ASSESSING THE EFFECT OF STRATEGIC PLANNING ON THE PERFORMANCE OF MICROFINANCE INSTITUTIONS IN GHANA: MODERATION EFFECT OF MARKETING AND MANAGERIAL CAPABILITY

By

JOSEPH ADJEI (B.ARTS – (Political Science and Sociology)

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DECLARATION

I hereby declare that this submission is my own work towards the Masters of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

JOSEPH ADJEI (PG 9539713) ……………………. …………………

(Student Name & ID) Signature Date

DR. AHMED AGYAPONG ……………… ………………..

(Supervisor) Signature Date

Certified By:

DR. AHMED AGYAPONG ………………… …………………

(Head of Department) Signature Date

DEDICATION

I would like to dedicate this research work to the Lord Almighty who has protected, guided and sustained my life in making it possible for me to reach this height on the educational ladder; and also to my wonderful wife, Soledad Mabel Adjei and my son, Nyame-Akwan Nana Borgor Adjei for their prayers and support during my studies.

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ABSTRACT

Many companies today from multi-billion dollar corporations to Microfinance enterprises fail in one way or the other, not because they are incompetent, but because they do not have a solid grasp of what business strategy really is. Again, implementation of strategy has been identified as an enigma and source of frustration in many companies. Unfortunately, few studies have addressed issues relating to strategy-making processes of MFIs. This study generally sought to assess the interactive effect of strategic planning, managerial and marketing capabilities on the performance of MFIs in Ghana. The study adopted a descriptive approach. Out of a total of 64 licenced MFIs in the Ashanti Region, the study drew 60 MFIs for the study. In all 200 respondents were selected from the 60 MFIs. The main sources of data comprised primary and secondary data. The researcher adopted purposive sampling technique in selecting respondents. Questionnaires constituted the main research instrument. At the end, the study found that microfinance institutions involved in a generally accurate and frequent strategic planning activities. In investigating the direct impact of strategic planning on the performance of the microfinance institutions, the study found that only firm size had a significant impact on performance (B = 5.931, sig = 0.000). The coefficients of the organisational capability variables; marketing (B = 0.86, $p > 0.10$) and managerial (B = 0.25, $p > 0.10$) shows that though marketing and managerial capability have a positive effect on performance, the impact of each variable was not strong or adequate. It is therefore recommended that management undertakes periodic comprehensive analysis in addition to effective evaluation and control to identify strengths and weaknesses as well as possible threats and opportunities that may exist. Again, MFIs are also encouraged to consider inorganic growth through Mergers and Acquisitions if they need to expand and grow their market share.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE
INTRODUCTION

1.1 Background of the study

This study seeks to assess the effect of strategic planning on the performance of MFIs in Ghana. There is quite substantial literature linking strategic planning to performance (Buckley et al., 1988; Littler, 1988; Day & Wensley, 1988; Litschert, 1990; West & Anthony, 1990, Tse, 1991). The implication is that firms that undertake strategic planning are more likely to do better than those that do not. The question however arises whether merely formulating strategic plan is enough to produce the needed outcome. This concern has informed the need to factor into this research the issue of organisational capabilities as a moderator between strategic planning and performance. The Resource-based view is one of the most cited theories in explaining why some organisations operating in the same industry with virtually the same capacity would have variation in performance outcomes.

As cited above, one of the commonly cited reasons for strategic planning is to enhance organisational performance (Hahn & Powers, 1999; Shrader et al., 1984). Proponents of this rationale argue that well designed strategic plans provide an operational framework that allows the organisation to enjoy distinct competitive advantages, thus experiencing improved performance (Porter, 1997). In some cases, the objective might be to trim overhead or reorganize existing resources within the same general strategic domain. In other cases, the organisation might be intent on diversifying its products or services (Byrne, 1996). Another rationale for developing strategic plans could be to provide staff members within the organisation information about the direction of the organisation with the expectation that this information will elicit buy-in from these individuals (Stahl, 1998). An additional but equally probable rationale for developing strategic plans is to appease different constituencies of the organisation.

The apparent diversity in motives associated with strategic plans highlights the potential utility associated with strategic planning. Indeed, well-developed strategic plans can result in a variety of benefits, including those mentioned above. It is important to note that, the magnitude of these benefits could be influenced by certain industrial characteristics. For instance, Miller and Cardinal (1994) concluded that the relationship between strategic planning and performance was more pronounced in organisations that operated in turbulent environments.

Regardless of the reasons for developing strategic plans, Hambrick (1980) suggested that the most important issue to address from a research standpoint is the relationship between strategic planning and organisational performance. In a review of 52 interventions involving planned change, Robertson et al. (1993) found a positive correlation between planned change and some organisational outcomes. To achieve these improvement outcomes, researchers seems to agree that strategic plans must move beyond incremental improvements embodied in plans of the past to evoke revolutionary change within organisations, changes that make the organisation unique and different (Hamel, 1996; Porter 1997).

According to Hahn and Powers (1999), studies examining the link between formal strategic planning and organisational performance have elicited mixed results. When considering the relationship between the strategic planning and organisational performance, it seems intuitive to acknowledge that multitude of contextual factors could conceivably impact the effectiveness of the strategic plan. For example, a meta-analysis by Miller and Cardinal (1994) involving 26 published studies related to strategic planning and performance, incorporated contextual factors such as firm size, capital intensity and environmental turbulence. Interestingly, the concluded that strategic planning did not have a positive impact on firm performance but that the contextual factors had little effect on this relationship.

Consequently, one industry in particular that stands to benefit from well-developed strategic plans is the financial services sector. The sector has undergone considerable change as a result of directives from the regulator (Bank of Ghana). Given the likelihood that MFIs will continue to compete with well-established Multinational and indigenous banks, it seems prudent for MFIs to consider the potential benefits of strategic planning within the sector. With these issues in mind, this study seeks to examine the effect of strategic planning on the performance of Microfinance Institutions in Ghana.

1.2 Problem Statement

Microfinance institutions have been embraced as partners in supporting Small and Medium Enterprises. For others, it serves as a means to reducing the level of poverty in developing economies. As the sector continues to register the influx of new microfinance institutions, many have been rendered bankrupt (i.e Noble Dreams) which raises questions about strategic planning activities among microfinance institutions in the country.

As Noble (1999) contended, ineffective deployment of strategic planning in many firms is the main reason for the failure to achieve expected or projected performance. Again, implementation of strategy has been identified as an enigma and source of frustration in many companies. Unfortunately, few studies have addressed issues relating to strategy-making processes of MFIs (O’Regan & Ghobadian, 2000). Furthermore, little or no research has been undertaken on the difficulties that firms experience in the deployment of their strategic plans.

1.3 Objectives of the study

The study generally seeks to assess the interactive effect of strategic planning, managerial and marketing capabilities on the performance of MFIs in Ghana. The specific objectives entail:

1. To assess the level of strategic planning activities among MFIs in Ghana
2. To examine the relationship between strategic planning and performance
3. To examine the interaction effect of strategic planning and marketing capabilities on performance of MFIs.
4. To examine the interaction effect of strategic planning and managerial capabilities on performance of MFIs.

1.4 Research Questions

The following research questions were formulated to guide the study;

1. What is the level of strategic planning activity among MFIs in Ghana?
2. Is there any relationship between strategic planning and performance?
3. What is the interaction effect of strategic planning and marketing capabilities on performance of MFIs?
4. What is the interaction effect of strategic planning and managerial capabilities on performance MFIs?

1.5 Scope of the study

This research covers operations of 60 Microfinance institutions in Ghana. Comparing the cluster and nature of operations of MFIs in the country, attempt would be made to ensure that responses are generated from personnel with appreciable understanding of strategic planning. In terms theoretical scope, more attention would be given to empirical work on strategic planning and marketing and managerial capabilities using the Resource-Based View. Since the work seeks to assess the effect of strategic planning on the performance of MFIs in Ghana, attention would equally be devoted to performance dimensions as well as financial ratios.

The study would also compare performance outcomes using the following:

1. To examine the relationship between strategic planning and performance
2. To examine the interaction effect of strategic planning and marketing capabilities on performance
3. To examine the interaction effect of strategic planning and managerial capabilities on performance

1.6 Overview of methodology

The study adopts a mixed method (qualitative and quantitative) in addressing stated research questions. The use of convenient and purposive sampling techniques was to ensure respondents with commendable appreciation of strategic issues. The sample 200 was drawn from 60 MFIs across the country. Intent was to ensure that responses generated were affected by individual bias. By inference, 3 respondents would be drawn each MFI.

Data would be gathered by means of a survey questionnaire consisting of constructs designed to ascertain the effect of strategic planning and its effect of MFIs' performance. All questions used a five-point Likert scale, with responses indicating that an item received "no emphasis" and 5 indicating an item received "strong emphasis". The data analysis procedure would entail the determination of reliability of the instrument, correlation, regression and factor analyses. The internal consistency would be established using Cronbach’s alpha.

1.7 Significance of the study

The research is expected to provide the needed information for effective strategic planning among MFIs in Ghana. Finding of this study are also expected to help inform decision making the area of strategic planning. The study would also bring to the fore discussions on selected barriers to strategy deployment by means of comparison between the mean scores between formal and non-formal planning firms.

The contribution of the research to the country’s economy is not in doubt as it likely to strengthen to performance of MFIs in anticipating and managing uncertainties in the business environment. If MFIs have been seen as tools for poverty reduction, then undertaking an effective strategic planning would render them more competitive in the sector.

In terms of academic contribution, they study is expected to enrich discussions on strategic planning especially the seemingly positive or negative effect strategic planning has on performance.

1.8 Organisation of the study

The study is grouped into five main interrelated chapters. The first chapter captures sub headings such as: background of the study, problem statement, objective of the study, research questions, scope and significance of the study. It also covered overview of study methodology. Chapter two on the other hand focused on literature review on strategic planning and performance. Theories and constructs were tacked under this chapter. Chapter 3 often described as methodology tackled subunits such as research design, population, sample size and sampling technique, sources of data and analytical tools. Other areas include ethical consideration and profile of MFI sector. Chapter 4 was devoted to analysing field data gathered. Analyses in this section included reliability tests, correlation, regression and factor analysis. The final chapter (5) provides a summary of findings, recommendation and conclusion. It also made provision for possible areas for future research.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

Strategic planning is currently being appreciated as a key managerial process needed to surpass the turbulence in the business environment. However, in spite of the voluminous amount of strategic planning literature, there has been some deficiency in research regarding the effect of strategic planning on the performance of Microfinance Institutions (MFIs) particularly in developing economies. This chapter reviews the concept of strategic planning and how this is likely to affect the performance of MFIs. It also provides synopsis of other works taking into account objectives, research methods and findings made. Consideration is also given to the interaction effect of strategic planning, marketing and managerial capabilities on performance.

2.2 Overview of Strategic planning

Many companies today from multi-billion dollar corporations to Microfinance enterprises fail in one way or the other, not because they are incompetent, but because they do not have a solid grasp of what business strategy really is (Jonas, 2000).Even the word "strategy" itself has become so mired in guru-speak and misinformation that it is almost misunderstood with some practitioners questioning its relevance. In this sea of misunderstanding, it seems the only thing that people can agree upon is the fact that successful business strategies are necessary, and without them, even the mightiest company in the world will perish.

Strategy is a term that virtually every business person believes they know and understand. Despite numerous studies, there is no commonly accepted and universal definition (Quinn, 1980). The definitions of strategic planning encompass terms such as strategic thrust, corporate focus or strategic intent (Mintzberg, 1993; McDonald, 1996; Chararbaghi & Willis, 1998). Generally, common aspects of the organisation, defining what business the organisation should engage in, matching the activities of the business to the environment in order to minimize the threats and maximize opportunities as well as matching the organisation's activities to the resources available (McDonald, 1996). As the environment is continually change in order to maintain a "balance" or "fit" with the external environment (Wright et al., 1996; Proctor, 1997);strategic planning thus implies an attempt to alter a company's strength relative to that of its competitors, in the most efficient and effective way. Strategic planning focuses on the direction of the organisation and actions necessary to improve its performance. It is the process by which firms derive a strategy to enable them to anticipate and respond to the changing dynamic environment in which they operate (Hewlett, 1999). Johnson & Scholes (1997) encapsulate the meaning of strategic planning as the direction and scope of an organisation over the long term; which achieves advantage for the organisation through its configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholder expectations.

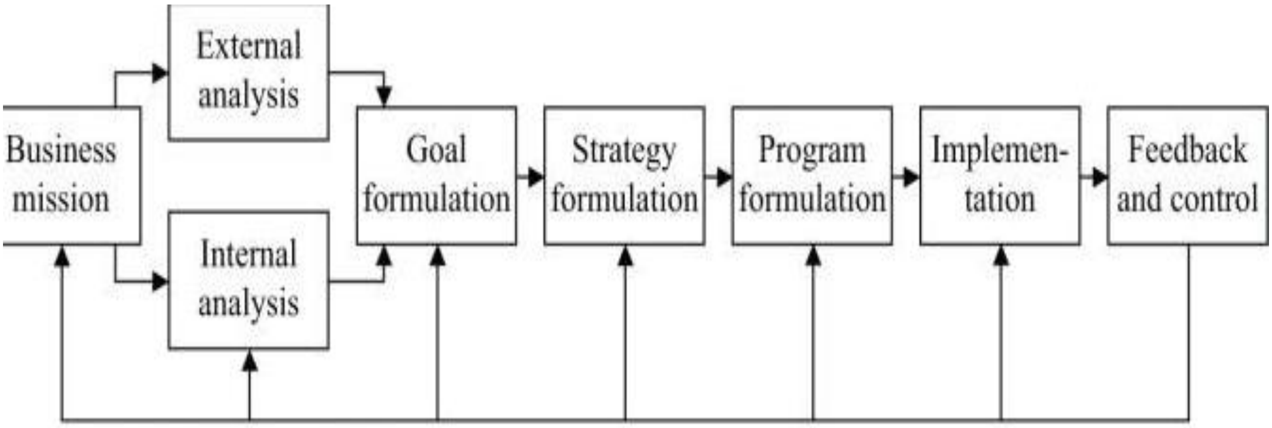
Steiner (1979, p. 16) suggests that strategic planning is not a simple aggregation of functional plans or an extrapolation of current budgets. It is truly a systems approach to maneuvering an enterprise over time through the uncertain waters of its changing environment to achieve prescribed aims. On the other hand, Athiyaman and Robertson (1995) argue that there are several planning systems used by businesses in order to manage change and these systems have evolved in order to cope with the continuously changing business environment. Moreover, in a more philosophical but interesting approach, Albrecht (2002) argues that in the context of strategic planning and by focusing on performance, it is important to understand What the Company is capable of doing well. Therefore, he suggests that no matter what the planning systems are, revisiting the vision and the mission can turn out to be useful, as these are supposed to define the business. This idea is reinforced by Koufopoulos and Morgan (1994), who argue that most of the normative models developed in the area of strategic management, emphasize the importance of a mission statement as a key element in the strategic planning process and an obvious starting point for planning activities.

Phillips and Moutinho (1999) assert that the use of strategic plans and techniques increase the company effectiveness. Furthermore, Athiyaman and Robertson (1995) found that the strategic planning tools and techniques adopted by most service firms are of equal sophistication to those used by manufacturing firms. As stated by Dincer et al. (2006), an effective strategic planning system for a firm will link long-range strategic goal with both mid-range and operational plans. Strategic planning can be thought of in terms of certain dimensions that exist and determine the effectiveness of the process. There are various dimensions explored by researchers to discuss and analyze the process of strategic planning (Koufopoulos, 2002). Armstrong (1982) has defined formal strategic planning as a process for determining the firm's long-range objectives and generating and evaluating alternative strategies, as well as a system for monitoring the outcomes of the plan when executed. Formality has been assessed by items such as the degree of planning manual usage, the amount of emphasis on developing written plans (Ramanujam & Venkatraman, 1987), and the length of the planning horizon (Bantel, 1993). According to Brinckmann et al. (2010) and by following the resource dependence view, firms depend on their environment to provide them with critical resources. Thus, the authors suggest that formal written plans can serve to gain legitimization from external shareholders, which can be a critical factor for the survival and growth of the firm. In addition they suggest that written documentation can also help firms communicate their goals, strategies and operational tasks to internal and external stakeholders.

2.2.1 Strategic planning process

The development of business strategies, including models to conceptualize this development, is an important subject in strategic planning. Most models are normative, showing the stages that are seen as necessary or at least desirable in the development of business strategies. It often departs from the business mission, which is seen as the central objective of the organisation, to which the goals and strategies are subordinated. The business mission determines what to analyse. After the analysis, goals are formulated and worked out step by step towards individual actions. Steiner is generally regarded as the founding father of strategic planning; in his process model (Steiner, 1979), several of the above-mentioned stages were recognised (see Figure 2.1).In his widely cited textbook Marketing Management, Kotler (2003) presented a similar model. In an earlier publication in this journal, Gruis and Nieboer (2004) took this model as a basis for an asset management model for non-profit organisations.

Figure 2.1: Strategy planning process



urce: Kotler (2003, p. 102)

Today, numerous strategic planning process models are available, mostly following a common approach: most models include the development of a mission statement, followed by analysis, constructing and implementing goals, objectives and strategies. In addition, there is growing number of models (e.g. Bryson, 2004; Allison & Kaye, 2005).Since the 1990s, similar models have been made, especially in The Netherlands, the UK and Australia (e.g. Larkin, 2000). Van denBroeke (1998) was one of the first authors who applied strategic planning process models in the financial service sector. His model starts with the outline of a general policy, which can be seen as the policy framework for investment choices regarding individual estates, buildings or dwellings. The phases in his model are: inventory (including business mission and policy outline); analysis; strategy formulation; strategy appraisal; and implementation and adjustment. Although van den Broeke does not explicitly refer to Kotler's model, the phases in his model show several similarities.

Another example of a planning process model is from Van Os (2008). As Van den Broeke's model, his model also contains aggregation levels. It distinguishes between two policy cycles: one cycle running from the strategic level to the tactical level and then back to the strategic level, the other cycle running from the operational level to the tactical level and then back to the operational level. Both cycles meet at the tactical level, where the investment options are formulated. Unlike former models, Van Os' model shows that these investment options are not only formulated at the strategic level of the respective organisation, but also at the operational level.

2.3 Effect of Strategic planning on the Performance of MFIs

Formal strategic planning has been advocated by several researchers (Reid & Olsen, 1981; Reichel, 1983; Schaffer,1986), as a process that allows an organisation to outperform non-strategic planning firms. However, empirical research has concentrated upon the environment, strategy formulation, strategy content, and strategy implementation. The first empirical studies tests of this relationship (Tse & Olsen, 1988; West & Olsen, 1988; Schaffer & Spencer, 1988), had mixed findings. However, since then researchers conducting similar studies have obtained encouraging results. The first empirical study to look at the relationship between environmental scanning and firm performance was conducted by West and Olsen (1988). They found that high performing firms were involved in significantly greater amounts of scanning.Dev (1989), Dev and Olsen (1989), West (1990), Schaffer and Litschert (1990), West and Anthony (1990), and Tse (1991) were the next wave of strategy-performance work published.

From the mid-90s and to date, scholars such as Thune and House, 1999; Ansoff et al., 2000; Herold, 2001 and many others examined the performance and consequences of formal strategic planning and over 40 planning-performance studies have appeared since that time. However, in recent years this line of research has slowed to a trickle and with good reason: this may be due to the fact that previous studies lacked theoretical grounding, produced a bewildering array of contradictory findings, drew heavy criticism for inadequate methodologies and had little or no discernable net impact on strategic management research or practice (Shrader et al., 1984; Pearce et al., 1987). The result from these past researches suggested that the intensity with which banks and other financial institutions engage in strategic planning process has a direct positive effect on banks' financial performance and mediates the effect of managerial and organizational factors on firm's performance. Results also indicated a reciprocal relationship between strategic planning and performance. That is, strategic planning intensity causes better performance and in turn, better performance causes greater strategic planning intensity (Hopkins & Hopkins, 1997). There is a constant need for organizations, especially financial institutions like MFIs to think strategically about what is going on (Schmenner, 1995). This appears to be precisely what MFIs, in particular have begun to do in recent years. In response to increasing complexity and change in the financial services industry, banks have turned to strategic planning. The relatively new trend towards strategic planning in MFIs is viewed as a move designed not only to help them negotiate their environment more effectively, but to improve their financial performance as well (Bettinger, 1996; Bird, 1991; Prasad, 1999). In consistent results of bank-related research, however, have not fully resolved the issue of whether strategic planning leads to improvements in firm performance.

The intensity with which managers engage in strategic planning depends on Managerial (e.g., strategic planning expertise and beliefs about planning-performance relationships), Environmental (e.g., complexity and change) and Organizational (e.g., size and structural complexity) factors. The effects of these factors on strategic planning intensity have been suggested by several studies (Kallman & Shapiro, 1990; Unni, 1990; Robinson & Pearce, 1998; Robinson et al., 1998; Watts & Ormsby, 1990). Again, studies that have analysed the relationship between strategic planning and financial performance proved that the intensity with which firms engage in the strategic planning process intervene-that is cause an indirectness and lack of one-to-one correspondence-between factors such as strategic planning expertise and beliefs about planning performance relationships (managerial factors), environmental complexity and change (environmental factors), bank size and structural complexity (organizational factors) and bank's financial performance.

Other strategy-related work (cf. Mintzberg, 1 994; Selznick, 1957; Steiner, 1979; Thompson & Strickland, 1987) suggests that strategic planning has no value in and of itself, but takes on value only as committed people infuse it with energy. A strong conclusion to be drawn from this work is that strategic planning results in superior financial performance only when managers engage in the process with some intensity. In support of this position Miller and Cardinal (1994) set forth and tested the notion, with affirmative results, that the amount of strategic planning a firm conducts positively affects its financial performance.

For purposes of the present study, strategic planning intensity is defined as the relative emphasis placed on each component of the strategic planning process. There is general agreement among strategic planning researchers (e.g., Armstrong,1 982) and theorists (e.g., Hax & Majluf, 1991; Higgins & Vincze, 1993; Pearce & Robinson, 1994) that the strategic planning process consists of three major components: (1) formulation, which includes developing a mission, setting major objectives, assessing the external and internal environments, and evaluating and selecting strategy alternatives;(2) implementation; an d (3) control. The major focus of strategic planning activities in organizations is on these components. It has been argued that positive results from strategic planning are realized more times than not when managers place relatively equal emphasis on each component of the strategic planning process (Dimma, 1985). Lending empirical support to this argument, results of a study conducted by Hopkins (1987) indicated that financial performance tends to be higher in firms where only small differences existed between the amount of incremental emphasis (intensity) placed on various planning components contributing to the total strategic planning effort.

2.4 Strategic planning Challenges

This section looks at strategic planning challenges and intensity. It discusses the extent to which factors such as managerial perspective on strategic planning; environmental complexity and organizational culture may affect the extent to which MFIs undertake planning activities.

2.4.1 Managerial factors

The extent to which MFIs engage in strategic planning process, whether formal or informal, depends on certain managerial factors. Although there may be several managerial determinants of strategic planning intensity, the studies cited subsequently suggest that strategic planning expertise and beliefs about planning-performance relationships are major determinants.

In his study of the evolution of strategic planning in major corporations, Henry (1980) suggested that while management involvement in strategic planning was devoted to ensuring that the process was carried out comprehensively, very little or no attention was paid to whether or not management had the expertise to effectively carry out the process. Steiner (1979) noted that superior financial performance in firms is not the direct result of strategic planning, but the product of the entire range of managerial capabilities in a firm. These capabilities include knowledge and expertise to successfully engage in the strategic planning process. It has been suggested that competence in strategic planning may determine the degree to which firms become involved in the strategic planning process (Higgins & Vincze, 1993). In support of this assertion, Steiner (1979) suggested that firms do not engage heavily in the strategic planning process because their managers do not know what makes the process operate.

2.4.2 Environmental factors

Linkages between environmental conditions and strategy have been proposed in numerous studies (Andrews, 1980; Blau & Schoenherr, 1971; Burs & Stalker, 1961; Grinyer & Yasai- Ardekani, 1981). These and other studies (Armstrong, 1982; Pearce et at., 1987) suggest that environmental conditions have an influence on organizational actions, including the extent to which organizations engage in the strategy-making process. This line of research also suggests that environmental complexity and change represent such conditions, and that these two conditions may be the strongest determinants of strategic planning intensity. Complexity and change Environmental complexity refers to the heterogeneity and concentration of elements in a firm's external environment (Keats & Hitt, 1988). What this implies is that firms must consider the number, diversity, and distribution of elements in their environment when formulating strategy (Aldrich, 1979; Dess & Beard, 1984). Moreover, it has been suggested that managers' perceptions of environmental complexity have the strongest association with their degree of involvement in the strategic planning process, since it is perceptions that strategists act on (Bourgeois, 1980; Miller & Friesen, 1984).

Related yet distinct from environmental complexity is environmental change, which refers to variation in elements comprising a firm's external environment (Boeker, 1989; Miller, 1988). Romanelli and Tushman's (1986) external control model suggests that shifts in these elements over time strongly influence organizational changes, including the posture taken toward strategic planning. The works of Ansoff (1991) and Miller and Friesen (1983) suggest that the link between environmental change and strategic planning intensity is strong. Their rationale is that firms facing rapidly changing environments must rely on large amounts of strategic planning to cope with changing, unpredictable conditions. Bird (1991) suggested that complexity and change in a MFIs' environment may influence the intensity with which the strategic planning process is carried out. Bird's contention is that the increasing number of MFIs that have adopted strategic planning systems demonstrates how a rapidly changing and complex environment encourages more intensive strategic planning.

2.4.3 Organizational factors

In her study of non-financial firms, Colon (1982) found that structural complexity (caused by increased diversification) and size were primary determinants of why organizations engage in strategic planning. Lenz (1981) also suggested that structural complexity can influence strategic adaptation which, in turn, affects performance. These organizational factors are also proposed to be determinants of the extent to which banks engage in the strategic planning process. In studies of the banking industry, for instance, it has been found that as banks expand into regional markets and in different lines of business they grow both in size and structural complexity (Gup & White-head, 1989; Wood, 1980). These studies concluded that the difficulty involved in managing increased size and complexity required bank managers to become more involved in planning for successful operations. In addition to being a proposed determinant of strategic planning intensity, firm size is also proposed to have a direct effect on financial performance in organizations, through economies of scale and market power (Shepherd, 1975; Winn, 1977).

2.5 Resource Based View Analysis

The origin of the resource-based view and its relationship with business growth can be found in Penrose's work. Penrose (1959) proposed that a firm is an assembly of resources, and that business growth can be explained through the availability of idle resources. The existence of idle resources and the need to find applications for them allow a firm to improve its efficiency which, in turn, constitutes the main incentive for a firm to grow (Penrose, 1959). From this perspective, the growth of the firm can be understood as a sequential process in which the firm combines the exploitation of resources with the development of new resources (Pettus, 2001).

As disclosed by Teece et al. *(*1997), a firm's organizational capabilities can be grouped into managerial capabilities, marketing capabilities, innovative and technological capabilities. Similarly, Lado and Willson (1994) identified four types of capabilities: (1) managerial; (2) capabilities based on inputs; (3) transformational; and (4) capabilities based on outputs. Barney (1991) further explained that in order to generate competitive advantage, resources must be valuable, rare (or scarce), imperfectly imitable and imperfectly substitutable. Managers are, or must be, potentially valuable to firms. With regard to the second characteristic, Castanias and Helfat (2001) argued that not all managers possess resources that are scarce. As for imitability, managerial skills are largely tacit: for this reason, managerial resources and capabilities are difficult to imitate over a short period of time (Castanias & Helfat, 2001). Finally, with regard to substitutability, Castanias and Helfat (2001) stated that although it is unlikely that two managers would have identical skills, two managers could have different, but equally effective, skills.

For the purpose of this work, the researcher focused on managerial and marketing capabilities. The essence is to examine the interactive effect between strategic planning, marketing capabilities and managerial capabilities on the performance of Microfinance institutions in Ghana.

2.5.1 Managerial Capabilities

The concept of managerial resources and capabilities using a managerial rents model was developed Castanias and Helfat (2001). In the model, managerial resources were defined as managers' skills and abilities. The basic assumption of the model was that managers differ in both the quantity and quality of their skills and abilities, influencing the behavior and results of the organizations that they ran. The managerial rents model integrated the concepts of 'managerial resources' and 'managerial skills', since it suggested that managers might differ not only in the skills they possess, but also in their level of ability for each type of skill set (Bailey & Helfat, 2003). In summary, the resource-based view of the firm and the managerial rent model identify a positive relationship between managerial resources and capabilities and performance. However, little is known about which kind of capabilities are more or less important to achieve some specific performance dimension, as growth.

Castanias and Helfat (1991) identified three categories of managerial resources: generic, industry specific and firm-specific. Ten years later, in the revision of their model, they distinguished between industry-specific and related-industry managerial resources and skills. This classification of managerial resources and skills is based on one of the most relevant characteristics of resources and capabilities (Barney, 1991): the level of specificity. The following section looks at the relationship between managerial capabilities and the performance of Microfinance Institutions in Ghana.

2.5.1.1 Relationship between Managerial Capability and Firm Performance

Quite a number of studies have focused on the influence of availability of financial resources on business growth (Moreno & Casillas, 2007; Wiklund & Shepherd, 2005). For example, the works of Larson (1992) and Norton (1988) suggested that the use of contractual forms of organization permits organisations to utilize greater resources, thus permitting faster growth. Similarly, Borch et al. (1999) incorporated diverse types of resources and capabilities as influencing variables, together with the strategic and entrepreneurial behaviour of businesses. George (2005) also identified the role of the availability or lack of resources as the explanatory factor of the firm's growth, further developing Penrose's (1959) original proposal.

In giving a broader insight, Pettus (2001) used evidence from the deregulated trucking industry to support his argument that the process of generating new resources and capabilities influenced the path to growth of the firm and its performance. Despite the possible existence of a wide variety of unique resources and capabilities, Penrose (1959) underlined the role of managerial capabilities as the most important among them. Penrose argued that the main limit to the firm's growth lay with executive talent (Rugman & Verbeke, 2002), since it is the only resource that cannot be acquired short-term in the market. In In the view of Penrose, of all the various kinds of productive services, managerial services are the only type which every firm, because of its very nature as an administrative organization, must make use of. Since the services from inherited managerial resources control the amount of new managerial resources that can be absorbed, they create a fundamental and inescapable limit to the amount of expansion a firm can undertake at any time. There are thus two aspects of the managerial limit on the rate of expansion of a firm: First, the services available from the existing managerial group limit the amount of expansion that can be planned at any time. Secondly, the amount of activity that can be planned at a given time limits the amount of new personnel that can profitably be absorbed in the 'next period' (Penrose, 1959: 48–49).

Similarly, other studies have indicated that intangible resources and capabilities are the main determinants of growth (Cooper et al., 1989; Hitt et al., 2000). In this sense, Kogut and Zander (1992) defend the role of knowledge by establishing that 'the theoretical challenge is to understand the knowledge base of a firm as leading to a set of capabilities that enhance the chances for growth and survival' (1992: 384).Collis (1994) defined capabilities as socially complex routines that determine the efficiency with which an organization physically transforms inputs into outputs. Capabilities are based on a mixture of resources that produce organizing routines (Collis & Montgomery, 1998; Nelson & Winter, 1982); nevertheless, not all capabilities are equal (Day, 1994).

2.5.2 Marketing Capabilities

Microfinance institutions like many other organisations potentially have access to a diverse pool of marketing capabilities (Day, 1994). These capabilities may include market orientations (MO), time horizon of strategic of the firm's strategic decisions and its positioning capabilities. Marketing capabilities require a more efficient fit between the organization and its markets, both in knowing the customers' current and potential needs, which will allow it to identify new opportunities, and the ability to put forward marketing policies to maximize the efficiency of those opportunities.

Considerably less attention has been paid to the capabilities by which firms deploy their marketing capabilities into target market(s). Capabilities may be viewed at different levels in the firm, many of which cross different functional areas (e.g., Eisenhardt & Martin, 2000). However, capabilities relating to market resource deployment are usually associated with the marketing function (e.g., Danneels, 2007; Dutta et al., 2003).Two interrelated marketing capability areas have been identified: capabilities concerning individual 'marketing mix' processes, such as product development and management, pricing, selling, marketing communications, and channel management. (e.g., Vorhies & Morgan, 2005), and capabilities concerned with the processes of marketing strategy development and execution (e.g., Morgan et al., 2003). Let us now look at the relationship between marketing capabilities and the performance of MFIs in Ghana.

2.5.2.1 Relationship between Marketing Capability and Firm Performance

Research shows that superior capabilities in marketing give the firm the ability to generate and act on information about competitor actions and reactions. This process of generating knowledge and applying it in ways that support delivering superior customer value helps the firm develop the basis for a competitive advantage (Bharadwaj et al., 1993; Narver & Slater, 1990; Tuominen et al., 1997; Woodruff, 1997).According to Tuominen et al. (1997), marketing capabilities refer to integrative processes designed to apply the collective knowledge, skills, and resources of the firm to the market-related needs of the business, enabling the business to add value to its goods and services and meet competitive demands. Marketing capabilities are developed when the firm's marketing employees frequently apply their knowledge and expertise (an intangible resource) to solving the firm's marketing problems. As reported by May (1994) and Grant, (1991, 1996), marketing capabilities are not resources in and of themselves, but are the integrative processes by which resources are applied to add value to the resource inputs.

Day (1994) identified three types of marketing capabilities: outside-in; inside-out; and spanning capabilities. Outside-in capabilities according to Day (1994) are those skills and competences that help the firm to understand changes taking place in its markets and enable it to operate more effectively in the market place. This kind of marketing capability includes market sensing capabilities, such as market research, and market bonding capabilities, such as customer relationship management. Inside-out capabilities focus on the firm’s internal resources and capabilities such as financial management, cost control, technology development and integrated logistics. Spanning capabilities are the skills and competences that serve to integrate inside-out and outside-in capabilities. They typically require both an understanding of market requirements and the internal competencies to fulfill them. Spanning competences include information sharing and dissemination throughout the organisation, coordination mechanisms to integrate market knowledge into internal processes and activities such as new product/service development which require market input as well as internal technical competence. In addition to Day’s (1994) three sets of marketing capabilities, Hooley et al. (2002) add a further set: networking capabilities (Cravens & Piercy, 1994). Hooley et al. describe networking capabilities as the ability to create mutual trust and commitment between partners, as well as sharing expertise and more tangible assets.

In exploring the relationship between marketing capabilities and firm performance, empirical review (May, 1993; Day & Wensley, 1988; Kohli & Jaworski, 1990; Narver & Slater, 1990; Hooley et al., 2002) affirmed that firms with superior marketing capabilities would achieve a competitive advantage resulting in better performance.

2.6 Empirical review on Strategic planning and firm performance

This section looks at some empirical works on strategic planning and its effect on firm performance.

The first review is that of Phillips (1996) which sought to investigate the planning-performance phenomenon. This study used a neural network to analyse the interactive effects of strategic planning on hotel performance. Based on the data collected from 100 hotel units, the constructs of planning sophistication and planning thoroughness were found to have direct positive effect on overall performance. Conversely, the degree of planning formality and rigidity (even if it is following a market-led orientation) was identified to hamper overall performance. The statistical measure of the Pearson product moment correlation coefficient was used to answer basic questions posed by the study. The results for the first question indicated that there was a relationship between strategic planning and business performance. The results for the second research highlighted the fact that the planning-performance relationship was positive. As the identification of a positive association between planning and performance, was the central pillar of Phillips' study, it was most encouraging that the effect on business performance was positive. More importantly many statistically significant relationships were found.

The work of Nicholas and Ghobadia (2002) focused on effective strategic planning in small and medium sized firms. The sample for the study consisted of 1,000 small and medium-sized manufacturing firms throughout the UK. Practical considerations largely guided the choice of the two industrial sectors examined. Small and medium-sized firms were defined as having fewer than 250 employees. The procedure used to analyse the responses included the determination of the reliability of the instrument. Internally consistency was established using Cronbach's alpha and factor analysis. To ascertain the difference of emphasis on the various selected barriers to strategic planning, a comparison of the mean scores was carried out between formal and non-formal planning firms and independent subsidiary firms. Each set of score was subjected to the non-parametric Wilcoxon test. The findings suggest that SMEs that engage in formal strategic planning experience fewer barriers to implementation than those that do no and that subsidiary firm tend to place a greater emphasis on formal planning than independent firms. However, the differences were not statistically significant. Again, apart from the preparation of written strategic plans by subsidiary firms, there was little transferability from the parent firm of influences that impact on the reduction or elimination of barriers to the deployment of strategic plans.

By comparing the work of Phillips (1996) and that of Nicholas and Ghobadia (2002) it could be realized that the former used a smaller sample and also failed to disaggregate the type of businesses used in terms of size and ownership. Nicholas and Ghobadian on the other hand looked at a wider scope within the manufacturing sector. Their work also compared scores SMEs that undertake formal planning as against those that did not.

Following the neo-liberal trend of less government intervention and more room for market forces, the introduction of private sector models in the public or non-profit sector has gained a lot of attention and popularity. This has also been the case in several European non-profit social housing sectors. In line with the above, Nieboer, (2011) reflected on the practicability of strategic business planning models in the Dutch non-profit housing sector and to present suggestions for improvement of these models. The methodology consists of case studies held among six Dutch non-profit landlords. These case studies included interviews with both policy staff and staff responsible for individual investment projects. The findings show that in the Dutch non-profit housing sector, models based on principles of strategic business planning and similar models have been applied to structure and to systematize decision making about investments in the housing stock. These models, however, appear to be unsuccessful in their impact on actual investments in estates or buildings. The main weakness is that these models implicitly suppose a vertical, top-down implementation of policies, whereas policies are also formed by other strategies, beliefs and motives in the organisation, either documented or undocumented.

Whilst Nieboer (2011) reflected on the practicability of strategic business planning models in the Dutch non-profit housing sector, Ioanniset al. (2013) therefore investigated the nature and extent of strategic planning in the Greek hospitality industry and its outcomes based on Greek managers' views. Niebor (2011) used fewer samples compared to the first two reviews above. Niebor's work also used interviews for data collection. By inference, his work was more qualitative which did not give a more scientific measurement of the relationship between strategic planning and performance. Ioannis et al. on their part used a descriptive analysis. however, the authors used only 21 five star hotels instead of doing a comparative study using other category of hotels.

Although the concept of strategic planning and its dimensions have been widely discussed in previous literature, research has mainly focused on well-developed countries and established sectors. However, there is a limited research in less developed countries like Greece and under-researched sectors like the hospitality industry. Ioannis et al. (2013) therefore investigated the nature and extent of strategic planning in the Greek hospitality industry and its outcomes based on Greek managers' views. This paper aims to give some insights into the nature and extent of use of strategic planning processes and its positive outcomes in the Greek hospitality industry through a study based on a sample of 21 Greek five-star hotels. The survey was carried out via the use of postal questionnaires. Question items were based on the literature review of strategic planning process, executive's satisfaction from planning and business performance. Primary research was conducted, by collecting information from the general managers of Greek five-star hotels. The questionnaire consisted of four sections. Planning formality, functional coverage, internal and external orientation, centralization of the strategic planning process and time horizon of planning are the five dimensions of strategic planning measured in the first part. The second part examined the executives' satisfaction with the strategic planning of their hotels. The third section asked managers' perception of financial performance based on turnover, growth in earnings, changes in market share, return on investment and the average occupancy rate. The last section asked the managers for some of their personal characteristics (i.e. age, educational background and tenure in company).The main findings of the research identified some major strategic planning dimensions to include: planning formality, functional coverage, internal and external orientation, centralization and time horizon of planning. Additionally, the study highlights the positive outcomes/benefits of planning according to managers' views, as well as the financial performance of the Greek five-star hotels that are examined. Descriptive results are presented and the respondents' individual characteristics are outlined.

Masakure et al (2009) focused their work in a developing economy context to assess the financial performance of microenterprises in Ghana by applying the resource-based theory of the firm. Specifically, it is tested that if firm-specific resources dominate sector and market-wide effects in explaining microenterprise performance, as suggested by the resource-based theory. Data from the 1998/1999 Ghana Living Standards Survey were analysed using ordinary least squares, followed by robustness checks. The findings reveal that Factors embodied in firm-specific resources jointly impact enterprise performance. However, sector/market factors also play a role, suggesting that the interaction between micro enterprise, sector, and market factors helps explain enterprise performance. In the case of Masakure et al. (2009) we realise that the authors tried to argue firm performance using the perspective of the Resource Based View theory.

From the above empirical reviews only work done by Masakure et al. (2009) related their study to developing economy context. The authors also did well by applying the resource-based theory in their study which suggests that firm-specific resources dominate sector and market-wide effects in explaining microenterprise performance. Sihab (2012) in exploring the strategic planning practices tried to understand the link between strategic planning practices, institutional context, and performance in the regional government-owned banks in Indonesia. However, the application of qualitative methods failed to showcase the extent to which these variables correlated.

Sihab (2012) explored the strategic planning practices and tried to understand the link between strategic planning practices, institutional context, and performance in the regional government-owned banks in Indonesia. This study employed a qualitative research method for a framework in this study. Exploring the link between the variables of strategic planning dimensions, institutional context, and performance such as growth in asset and ROI is expected to improve the understanding of the fundamental characteristics of successful strategic planning practices. The method of data collection used in-depth semi-structured interviews of both head and staff of planning department and non-planning members in their institution. The Three banks were selected due to commitment in strategic planning and having high performance. The findings of the study revealed that discovering strategic issues assists to control risks. In addition, the three banks showed that there is need for effective budget planning. The study also revealed that by creating a sharp link between goals, plans, and resources during strategic planning process, the organization would much better select action plans based on their advantage, cost, and ROI and assess the attractiveness of numerous strategies versus the cost of their achievement as argued by Sevier. The other finding in terms of environmental scanning revealed that the constantly scanning of the external environment of the three banks is crucial for effectively underway strategic decision making.

A study by Aldehayyat and Twaissi (2011) examined strategic planning system characteristics in Jordanian small industrial firms and its relationship with corporate performance. The empirical research was co-ordinated via a survey of small Jordanian industrial publicly quoted firms. A questionnaire survey of these firms yielded a 52.1 per cent response rate. The results of the survey provided a rich source of data in relation to a variety of practices associated with strategic planning in small Jordanian industrial firms. Key findings provided empirical evidence about the involvement of top and line management in planning, the use of environmental screening, and the use of strategy tools and techniques. Furthermore, the study found a strong positive relationship between strategic planning and corporate performance. This research gives a new empirical evidence about the value of strategic planning to corporate performance.

A similar comparison between Aldehayyat and Twaissi (2011) which examined strategic planning system characteristics in Jordanian small industrial firms and its relationship with corporate performance as against an integrative model of relationships among managerial, environmental, and organizational factors, strategic planning intensity, and financial performance developed and tested by Hopkins and Hopkins (1997) also raises concerns about the response rate especially the response rate of 52.1 percent. Hopkins and Hopkins (1997) used a more comprehensive approach in measuring performance. The authors used net income as a general measure of banks' financial performance. The second measure was return on equity (ROE), calculated as net income divided by shareholders' equity. This was not covered in the previous 6 reviews looked at.

An integrative model of relationships among managerial, environmental, and organizational factors, strategic planning intensity, and financial performance was developed and tested using data from 112 banks (Hopkins & Hopkins, 1997). In an attempt to derive a more comprehensive and unique picture of banks' financial situations, three measures were used for the financial performance latent variable. First, profits (or net income) were used because of its extensive use in past studies (cf. Ansoff et al., 1971; Eastlack & McDonald, 1970; Herold, 1972; Karger & Malik, 1975; Thune and House, 1970) that have examined the strategic planning-financial performance relationship. Thus, net income was considered by the authors of the present study as a general measure of banks' financial performance. The second measure was return on equity (ROE), calculated as net income divided by shareholders' equity. The results suggested that the intensity with which banks engage in the strategic planning process has a direct, positive effect on banks' financial performance, and mediates the effects of managerial and organizational factors on banks' performance. Results also indicated a reciprocal relationship between strategic planning intensity and performance. That is, strategic planning intensity causes better performance and, in turn, better performance causes greater strategic planning intensity. Finally, the results hold implications for other financial services institutions subject to similar conditions that banks must operate under.

Another study by Baker (2003), looked at Strategic Planning and Financial Performance in the Food Processing Sector. In this study, approximately 200 executives in five food processing industries were surveyed to examine the relationship between formal strategic planning and financial performance. Formal strategic planning tools, the financial performance variable (3-year average pretax ROA) were regressed on several variables that were hypothesized to affect profitability. Firm profitability is impacted by many factors, including industry wide factors, market-specific competitive conditions, and firm-specific factors. A multiple indicator measure of strategic planning was assessed using confirmatory factor analysis. Results of the strategic planning-performance model indicate that use of strategic planning tools has a positive impact on financial performance as measured by the 3-year average pretax return on assets.

Building on previous contingency frameworks, Miller and Cardinal (1994) developed an en-compassing contingency model that might explain the inconsistent planning-performance findings reported in many researches. The model was empirically tested using meta-analytic data drawn from 26 previously published studies. In the analyses, correlations between planning and performance were obtained for 43 different samples contained in the 26 usable studies; note that our unit of analysis is the sample rather than the study. In some cases, the authors transformed a t-value, F-value, X^2-value, a standardized mean difference, or a square root of a sum-of-squares ratio into a product-moment correlation. Results suggest that strategic planning positively influences firm performance and that factor methods are primarily responsible for the inconsistencies reported in the literature.

2.7Overview of Microfinance Institutions in Ghana

Mutual savings banks, savings and loan associations, and credit unions comprise a group of financial services institutions, collectively called Microfinance (Auerbach, 1985). The product/service offerings these institutions have in common binds them into an industry grouping that is subject to similar influences. Mensah (2003) provides an evidence to suggest that the first Credit Union in Africa was established in Northern Ghana in 1955 by Canadian Catholic Missionaries. Mensah believes that *Susu*, which is one of the current microfinance methodologies, originated in Nigeria and spread to Ghana in the early 1990s. According to Ikeanyibe (2010) Microfinance has gone through four (4) distinct phases worldwide of which Ghana is no exception. These stages are: Phase One: The provision of subsidized credit by Governments starting in the 1950's when it was assumed that the lack of money was the ultimate hindrance to the elimination of poverty. Phase Two: Involved the provision of micro credit mainly through NGOs to the poor in the 1960's and 1970's. During this period sustainability and financial self – sufficiency were still not considered important. Phase Three: In the 1990's the formalization of Microfinance Institutions (MFIs) began. Phase Four: Since the mid 1990's the commercialization of MFIs has gained importance with the mainstreaming of microfinance and its institutions into the financial sector.

According to Mensah (2003), the term microfinance is understood as a sub-sector of the financial sector, comprising most different financial institutions which use a particular financial method to reach the poor. Microfinance sector in Ghana comprises 4 various types of institutions and these have been grouped into four (4) categories, namely: Formal suppliers such as savings and loans companies, rural and community banks, as well as some development and commercial banks; Semi-formal suppliers such as credit unions, financial non-governmental organizations (FNGOs), and cooperatives; Informal suppliers such as *susu* collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals (United Nations, 2007).

According to Hamada (2010), there have been three essential microfinance objectives: outreach, impact, and financial sustainability. A microfinance institution should expand its financial services to cover all demands of the poor, especially the poorest of the poor. Again, after obtaining financial services, clients' situations - both financially and socially - should improve. Sources of capital used in microfinance institutions and cost-efficient operations are two important factors affecting the financial sustainability of microfinance institutions.

2.7.1 Industry Diversification

The principals of MFIs are diversifying. According to United Nations(2007), from the more classical savers associations started at grass root level which have been prevalent for decades in the developing world, MFIs have also been initiated by NGO's and private philanthropists. More recently, commercial and philanthropic "Social Venture Capital" as well as purely commercial investors such as Private-Equity firms, local banking corporations and other institutional investors have increasingly been approaching the industry. Some seek the promise of social and developmental returns, whether per say or in combination with financial returns, others such as local banks see an operational mandate in Microfinance as a way of reaching new clientele.

Levine (2004) believes that the profiles and operations of MFIs are also diversifying. While some are entirely committed to serve the poorest segment of the populations, others have established themselves as targeting the whole segment of the population who do not qualify to benefit from regular banking services (as much as 75% in some developing countries). Others still find themselves travelling away from low income segments, moving up market on motives on profitability, eventually becoming more similar to regular retail banks. Further, the services provided are being diversified. From only delivering savings and credit facilities, some MFIs are now engaged in a broad span of services including money transfer, health insurances, life insurances, money insurances. Some go beyond the realm of financial service and provide education (on health, financial matters, domestic violence and even basic hygiene) or advisory functions (for budding entrepreneur).

2.7.2 Microfinance Products and Services

According to Bennett (1994) and Ledgerwood (1999) MFIs can offer their clients who are mostly the men and women who could be below or slightly above the poverty line a variety of products and services. The most prominent of their services is financial, that they often render to their clients without tangible assets and these clients mostly live in the rural areas, a majority of whom may be illiterate. Formal financial institutions do not often provide these services to small informal businesses run by the poor as profitable investments. They usually ask for small loans and the financial institutions find it difficult to get information from them either because they are illiterates and cannot express themselves or because of the difficulties to access their collateral (farms) due to distance. The deliveries of MF products and services have transaction cost consequences in order to have greater outreach. Some microfinance institutions visit their clients instead of them to come to the institution thereby reducing the cost that clients may suffer from (FAO, 2005). For MFIs to be sustainable, it is important for them to have break-even interest rates. This interest rates need to be much higher so that the financial institution's revenue can cover the total expenditure (Hulme & Mosley, 1996). The break-even rate which is higher than the market rate is defined as the difference between the cost of supply and the cost of demand of the products and services (Robinson, 2003).

The services provided to microfinance clients can be categorized into four broad different areas:

1. Financial intermediation or the provision of financial products and services such as savings, credit, insurance, credit cards, and payment systems should not require ongoing subsidies.

2. Social intermediation is the process of building human and social capital needed by sustainable financial intermediation for the poor. Subsidies should be eliminated but social intermediation may require subsidies for a longer period than financial intermediation.

3. Enterprise development services or non-financial services that assist micro entrepreneurs include skills development, business training, marketing and technology services, and subsector analysis. This may or may not require subsidies and this depends on the ability and willingness of the clients to pay for these services.

4. Social services or non-financial services that focus on advancing the welfare of micro entrepreneurs and this include education, health, nutrition, and literacy training. These social services are like to require ongoing subsidies and are always provided by donor supporting NGOs or the state (Bennett, 1997; Legerwwod, 1999).

2.8 Conceptual framework

This section looks at a conceptual framework in explaining the relationship between strategic planning and performance as well as the interaction effect of strategic planning, managerial capability and marketing capability on the performance of MFIs. To this effect, five (5) main hypotheses were formulated.

2.8.1 Strategic planning and performance of MFI's

In examining the relationship between strategic planning and performance, Hopkins and Hopkins, 1997 used an integrative model of relationships among managerial, environmental, and organizational factors, strategic planning intensity, and financial performance. The result confirmed a strong correlation between strategic planning and performance. A similar study by West and Olsen (1988) explored the relationship between environmental scanning and firm performance. Strategic planning involves tasks such as planning, coordinating activities, efficient allocation of resources and information management, etc. (Castanias & Helfat, 2001; Chan et al., 2006; Golann, 2006). Traditionally, this type of capability has been considered to be a requisite factor for the development MFIs market expansion process, both in national and foreign markets (Autio et al., 2000; Havnes & Senneseth, 2001; Sapienza et al., 2006; Zahra et al., 2000). In the case of Ghanaian MFIs, the importance of strategic planning capabilities have been demonstrated by the suggestion that organizational aspects (Prater and Ghosh, 2005) and a lack of adequate planning (Eddleston et al., 2008; Roure & Madique, 1988) constitute a barrier to the growth of microfinance institutions in their early stages. Equally, a broad current of studies suggests that innovation strategies require a higher level of organizational capabilities, such as long-term planning, appropriate assignation and distribution of resources and coordination of the firm's activities (Hoskinsson, 1993; Kraus et al., 2008; Markides & Williamson, 1996; Smith & Cooper, 1988; Wolff & Pett, 2006).

The study therefore posits that high performing MFIs would be those involved in significantly greater amounts of formal strategic planning activities.

H1: Strategic planning has a positive impact on the performance of MFIs.

2.8.2 Managerial capability and performance of MFI's

In the area of managerial capability and firm performance, Barney (1991) found that managerial capabilities serve as an important source of competitive advantage. Other studies also reveal that organisations with high managerial capability are more likely to succeed in the long term than those with weak managerial capabilities (Golemanet al., 2002; Sarros & Butchatsky, 1996). The implication is that firms with good managerial resources such as leadership, strategy making, planning, participatory and delegation styles would more likely attract quality human resources and very often appeal to the larger stakeholder group. Despite the possible existence of awide variety of unique resources and capabilities, Penrose (1959) underlined the role of managerial capabilities as the most important among them. Penrose argued that the main limit to the firm's growth lay with executive talent (Rugman & Verbeke, 2002), since it is the only resource that cannot be acquired short-term in the market. In In the view of Penrose, of all the various kinds of productive services, managerial services are the only type which every firm, because of its very nature as an administrative organization, must make use of. This analogy is presented as hypothesis 2.

H2: Managerial capability has a positive impact on performance of MFIs

2.8.3 Marketing capability and performance of MFI's

Prior to formulating the next hypothesis, marketing capabilities as defined by Tuominen et al. (1997) refers to integrative processes designed to apply the collective knowledge, skills and resources of the firm to the market-related needs of the business by enabling the business to add value to its goods and services. Studies show that superior capabilities in marketing give the firm the ability to generate and act on information about competitor actions and reactions that enables the organisation to build a competitive advantage. Similarly, studies reveal that marketing capabilities play a crucial role in the growth and performance of every organisation especially at the operational level (Blount et al., 1999; Semler, 1993).Marketing capabilities require a more efficient fit between MFIs and their markets, both in knowing their customers' current and potential needs, which will allow it to identify new opportunities, and the ability to put forward marketing policies to maximize the efficiency of those opportunities. Therefore, marketing capabilities are a key factor, both in the development of market expansion strategies and strategies for developing innovative products to satisfy existing markets (Chen & Martin, 2001; Day, 1994; Srivastava et al., 2001). There are many works that demonstrate the relationship between the ability to identify market needs and new product development (Calabrese et al., 2005; Kotabe, 1990; Qian, 2002; Roper, 1997; Schoonhoven et al., 1990). These works show that MFIs with high marketing capabilities are more familiar with their customers' needs, and therefore are more likely to develop new products to satisfy these needs and exploit new niche markets.

H3: Marketing capability has a positive impact on performance of MFIs

2.8.4 Moderation effect of strategic planning and managerial capability

Even though studies have found a strong correlation between strategic planning, very few studies dwelled on the interaction effect of strategic planning and managerial capability on the performance of MFIs. A study by Nadkarni and Barr (2008) concluded that managerial cognition drives strategic action. Given the continued debate of what strategy really is and how it is formulated (Giovani & Rivikin, 2007) it turns to the skills of the manager to shape what he takes to be a strategy and what to be pursued as goals. Management skill and relationship with other factors in the organization are fundamental and it was argued that managerial skill was a strategic resource (Bharadwaj et al., 1993; Narver & Slater, 1990; Tuominen et al., 1997; Woodruff 1997). Several works demonstrate the important role of different aspects of managerial capability on the processes of growth MFIs through market expansion, such as motivation and supervision (Barringer & Greening, 1998), socialization processes, staff training and selection (Barringer et al., 2005), or the policies on staff salaries and human resource management policies (Kerr, 1985). Similarly, an extensive literature taking the resource-based view of the firm highlights the role of appropriate managerial capabilities in the processes of expansion into external markets (Kor & Leblebici, 2005; Sambharya, 1996; Tihanyi et al., 2000).

Both strategic planning and managerial capabilities constitute an important factor in the growth and performance of MFIs. In the development of new products and the improvement of existing products by the firm through innovation policies, human resources are an essential factor in a large number of investigations (Freel & Robson, 2004; Perry, 1987). According to these studies, the development of new innovations requires a higher degree of staff recruitment and training. This is presented in hypothesis 4.

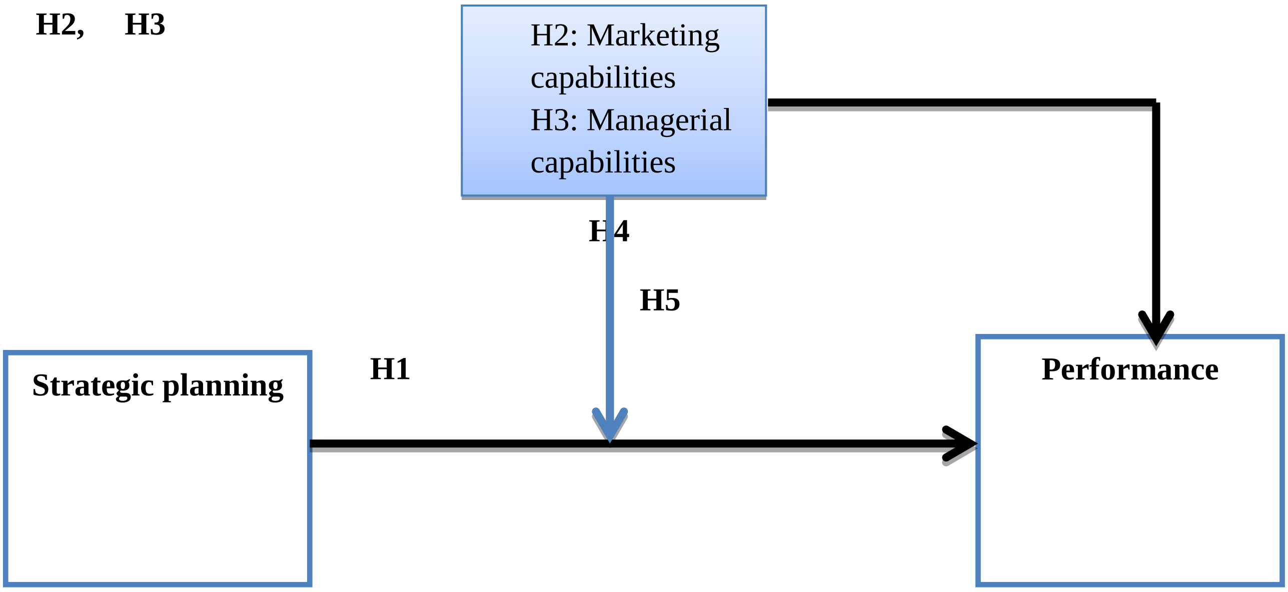
H4: Strategic planning and managerial capability have a positive impact on the performance of MFIs.

2.8.5 Moderation effect of strategic planning and marketing capability.

The final hypothesis focused on the interaction effect of strategic planning and marketing capabilities on the performance of MFIs in Ghana. Both resource-based theory and strategic planning indicate the importance of the interaction between a firm's 'know-what' knowledge resources and its complementary planning activities (e.g., Grant, 1996). This suggests that a firm's strategic planning and marketing capabilities may interact to enable the firm to align its resource deployments to attain better performance than its rivals (e.g., Day, 1994; Eisenhardt & Martin, 2000). There are two main reasons to expect such an interaction. First, resource-based theory indicates that deployment of marketing capabilities offer economies of scope benefits for firms' investments in their knowledge resources (e.g., Danneels, 2007; Helfat, 1997). Marketing capabilities are viewed in the literature as important market-relating mechanisms by which superior market knowledge maybe deployed by firms to generate economic rents (Madhavan & Grover, 1998), making them particularly complementary with firms' market-based knowledge assets such as strategic planning (Day, 1994).Second, as strategic planning and marketing capabilities are complementary to one another in ways that generate economic rents, and each may be viewed as an individual source of competitive advantage ,the interaction between strategic planning and marketing capabilities possesses the characteristic of 'asset interconnectedness'(Teece et al., 1997). This creates causal ambiguity that makes it particularly difficult for competitors to disentangle the source of a firm's observed performance advantage (Reed & Defillipi, 1990). It also requires that a rival acquire both the interconnected strategic planning skills and marketing capabilities of a high-performing firm that bases its strategy on these co-specialized assets to be able to compete away its performance advantage (e.g.,Helfat, 1997; Madhavan & Grover, 1998).

H5: Strategic planning and Marketing capability have a positive impact on the performance of MFIs

Figure 2.2: Conceptual framework



Source: Researcher' Construct, 2015.

CHAPTER THREE
METHODOLOGY

3.1 Introduction

The general objective of this research is to assess the interactive effect of strategic planning, managerial and marketing capabilities on the performance of MFIs in Ghana. The essence of this chapter therefore is to provide information on the methodological framework for the study. It includes research design, the target population, appropriate sources of data and how they were collected and analysed.

3.2 Research Design

The study follows a descriptive approach. The choice of this research design was to help the researcher examine the effective of strategic planning on the performance of MFIs as well as the interactive effect of marketing and managerial capabilities on Microfinance Institutions. The justification for this method is the fact that it generates answers to the questions such as "why firms that do strategic planning more often outperform those that do not?" Again, what is likely to be the performance of MFIs that combine strategic planning with marketing and managerial capabilities? Using descriptive studies allow for both qualitative and quantitative research methods.

3.3 Population of the Study

There is a tall list of microfinance institutions in the Ashanti Region. In spite of the collapse and threatening bankruptcy reports of many of these companies, more microfinance firms continue to spring up. There are three umbrella associations: Ghana Association of Microfinance; Money Lenders Association of Ghana; and Ghana Cooperative Susu Collectors Association. As at December, 2014, the number of microfinance institutions (MFIs) licensed by the Bank of Ghana (BoG) to operate were 409 (Bank of Ghana, 2014). Out this number, it is estimated that 65 licensed MFIs were located in the Ashanti Region alone.

3.4 Sample and Sampling Technique

For every research, it is often impossible to collect data from all the potential units of analysis (population). In pursuit of this, a sample was chosen to represent the whole population. Using convenience sampling, 60 MFSs were selected for data collection purposes. And using purposive sampling, 4 each management members were sampled from the selected 60 MFIs. This gave a total sample size of 240 respondents.

3.5 Sources of Data

For the purpose of this research, two main data sources were explored: primary and secondary. Whilst questionnaires (as the research instrument) were used to get primary opinion of managers, secondary data was sourced from the published annual reports of the company. An examination of strategic plans was also considered. Respective company mission statements, goals and values were as well looked at. The advantage of secondary sources of data is the fact that is easily accessible compared to primary data. However, its validity and reliability cannot be guaranteed. In the case of primary data, it allows the researcher to tailor questions that directly help solicit appropriate responses.

3.6 Research Instruments

Questionnaires were used as the research instrument. It had four sections (A, B, C, & D). The sector A contained the demographics of the selected MFIs and section B considered strategic planning activities of the selected MFIs. The section C, which represented the organizational capability, had two subsections, viz. marketing capability and managerial capability. The last section of the questionnaire measured the organizational performance (sales, profit and productivity). The sections B to D were responded to on a Likert scale.

3.7 Administration of Questionnaire

Questionnaires were administered personally to respondents. Personal visits were made to the various companies to distribute questionnaires. A pre-testing activity of the data collection instruments was carried out to test the construction of the English language, validity and reliability of the questions.

3.8 Data Analysis

The main analytical tool for the study was a Structural Equation Model (SEM), which was conducted using R and Lisril analytical software. Before the main analysis was conducted, a preliminary test to check the data reliability and parsimony was conducted. This was necessary to check the robustness of constructs used. Factor loadings, Dillion-Goldstein's rho, Chi^2/ (df), Parsimony Fit, Prob., RMSEA, CFI, NNFI, SRMR, AVE, Composite Reliability (CR) and Cronbach's Alpha were conducted.

A descriptive analysis was conducted using frequencies, mean, standard deviation, minimum and maximum. Correlation matrix was conducted to determine if there existed any form of multi-collinearity. The age and size of the MFs were controlled for to account for their effect on organizational performance. The moderation effects of marketing and managerial capabilities were determined using the stepwise multiple linear regression model.

CHAPTER FOUR
DATA ANALYSIS AND RESULTS

4.0 Introduction

This chapter presents the data analysis and hypotheses test results of the study. The analysis is mainly conducted in two sections; with the first section illustrating the descriptive summary of the survey data. The second section then demonstrates the correlation and regression analysis in order to achieve the study objectives. The primary objective of the study was to examine the effects of strategic planning on organizational performance. The study also sought to explore the moderating effects of both marketing and managerial capabilities on the relationship between strategic planning and performance. Survey data were solicited from 60 microfinance institutions in Ashanti Region.

4.1 Reliability and Parsimony Tests

Before the study analysis was commenced, it was necessary to check the robustness of constructs used. The study involved exploring the relationship between four main constructs including strategic planning, marketing capabilities, managerial capabilities and firm performance. It was therefore necessary to check whether items used for the measurement of these constructs were indeed satisfactory and perfect. To this the confirmatory factor analysis was used with the help of other fitness test. Table 4.1 shows the results of the robustness examination.

4.1 Fitness Tests of Constructs

	No of items	Loadings	Cronbach's Alpha	Dillion-Goldstein's rho	Chi^2/ (df) Parsimony Fit	Prob.	RMSEA	CFI	NNFI	SRMR	AVE	Composite Reliability (CR)
Strategic Planning	11	0.70-0.99	0.91	0.93	1.31	0.08	0.04	0.98	0.98	0.04	0.965	0.996
Marketing Capability	6	0.76-0.98	0.82	0.88	1.75	0.07	0.06	0.98	0.97	0.03	0.959	0.993
Managerial Capability	7	0.71-0.90	0.87	0.92	1.73	0.04	0.06	0.98	0.97	0.03	0.844	0.959
Performance	5	0.81-0.91	0.92	0.94	2.09	0.06	0.07	0.98	0.97	0.02	0.77	0.945

It is argued in literature that for a construct to be considered robust for further analysis, chi-square goodness of fit should not be less than 5%. However because of the associated problems with using only chi-square to test for model fitness, other fit indices such as the comparative fit index (CFI) and the non-normed fit indices; including the standardized root-mean-square residual (SRMR) and root mean-square error of approximation must be examined. Kline (2004) suggests that when the CFI and TLI are 0.95 and above, it indicates that the construct has a perfect fit. Also the RMSEA and SRMR indices should be less than 0.08 and 0.1 respectively with the ratio of the chi-square to its degrees of freedom comfortably below the value 5.

When these a priori restrictions are met, the items used for the constructs can be said to be a better fit and further analysis can be pursued with them. Given this analogy, it is concluded from the results on Table 4.1 above that all the constructs are robust and parsimonious. Cronbach's alpha and Dillion-Goldstein rho were also well above recommended values of 0.65 suggesting that the survey data is also reliable. Construct and discriminant validity were also achieved given the AVE and CR values being well above the recommended index of 0.5. Construct validity was further confirmed with all cases showing no sign of cross loadings. Hence the measures of strategic planning, marketing and managerial capabilities and firm performance are all strong with their respective items measuring exactly what they were intended to measure. Meeting these statistical conditions therefore affords the study the chance to perform further statistical analysis. Strategic planning is therefore measured with 11 items. Marketing and managerial capabilities are measured with 6 and 7 items respectively; whereas 5 items were used to measure the firm performance construct. Each of these items loaded significantly on their corresponding construct above the factor load value of 0.4. Construct parsimony was therefore achieved.

4.2 Descriptive Summary

Upon meeting all fitness conditions, the study attempted to conduct a descriptive summary of the survey data to observe for general patterns within the microfinance sector. Table 4.2 below reveals that the sampled microfinance institutions involved in a generally accurate and frequent strategic planning. Overall strategic planning has a mean value of 4.445 which suggests a fairly accurate level of planning. All the components of strategic planning: goals (mean = 4.313), analysis (mean = 4.447), scanning (mean = 4.252), strategic option (mean = 4.412) and evaluation (mean = 4.531) were also fairly robust. However mean analysis shows that the microfinance institutions emphasised more on evaluation and systems analysis. However it is observed that though strategic planning activities are fairly frequent and accurate, there seems to be a generally low level of organisational capabilities and performances across the units. Mean analysis shows an abysmal firm level performance in the sector (mean = 3.791). Meanwhile among the components of organisational capabilities it is shown that level of managerial capabilities is relatively higher (mean of 4.816) than for marketing capabilities (mean = 4.264). The number of branches and firm age, proxies for firm size and experience respectively, were also observed.

Descriptive results shows that there is varying level of experiences among the institutions with the average institution obtaining about 10 years of experience in service. However, the standard deviation of 5.43 shows some significant amount of differences in terms of experience and learning curve. Again, the results shows that the average institution is expected to have about 12 branches with largest unit having as many as 80 branches. Similarly, standard deviation shows a strong variation in firm sizes among the sampled microfinance institutions. In order to examine the effect of the organizational capabilities and strategic planning activities on performance, it is important therefore that the researcher control for these firm level differences on performance.

Table 4.2 Descriptive Summary – Combined

	N	Mean	Median	Std. Deviation	Minimum	Maximum
Strategic Planning	197	4.445	4.454	1.190	1.636	6.909
1. *Goals*	199	4.313	4	1.501	1.33	7
2. *Analysis*	198	4.447	4.5	1.247	1.67	7
3. *Scanning*	197	4.242	4	1.317	1.33	7
4. *Strategic option*	199	4.412	4.5	1.522	1.5	7
5. *Evaluation*	196	4.531	4.56	1.234	1.12	7
Marketing	196	4.264	4.25	1.175	1.38	7
Managerial	199	4.816	5	1.220	1.43	7
Performance	200	3.791	3.6	1.309	1.2	7
Firm Age	200	10.02	9	5.43	3	22
No. of branches	200	11.54	2.5	19.364	1	80

An attempt to check for individual differences in firm level performance and strategic planning shows that only 6 out of the total of 26 micro finance institutions could be considered as gaining much superior performance though efforts in strategic planning activities may be fairly high. Again it is shown that whilst the managerial capacity of about 13 microfinance institutions are pinned at levels which may be considered as good; only 5 institutions have a marketing capability threshold which were observed as adequate (see appendix for firm level descriptive analysis). As at this critical moment, there is no indication to suggest a reason for the low level of firm performance. the study proceeds to find out if observed differences in strategic planning activities can explain the variations in firm performance, plus how will integrating these activities with the level of organisational capability affect such a relationship? To help answer this question, the correlation and regression analysis were performed.

4.3 Correlation Results

Table 4.3 presents correlation results of study data. The correlation analysis was performed to examine the extent of association between the observed variables after preliminary test showing the suitability of the data for correlation analysis using scatter plots (see appendix for scatter plots). Results showed that there is a strong positive relationship between strategic planning and performance with a correlation coefficient of 0.376. This indicates that strategic planning can explain 37.6% of differences in firm level performance; confirming the linear pattern observed in the scatter plot. Again results showed that both marketing and managerial capabilities have a significant direct relationship with performance. Correlation coefficient (managerial, $r = 0.233$; marketing, $r = 0.293$) suggest that managerial and marketing capabilities explain 23% and 29.3% of firm performance.

Table 4.3 Correlation results

	Firm Age	Size	Strategic Planning	Marketing capacity	Management	Performance
Firm Age	1					
Size	.677**	1				
Strategic planning	-0.068	.203**	1			
Marketing capability	-0.088	0.121	.744**	1		
Managerial capability	-.170*	0.02	.678**	.659**	1	
Performance	.259**	.456**	.376**	.293**	.233**	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

It is also revealed that a positively significant relationship exist between strategic planning activities and organisational capabilities. Correlation coefficient of marketing (r = 0.744) and managerial (0.678) indicates that a firm is expected to engage in a lot of strategic planning activities as the level of marketing and managerial capabilities increases over time. focusing on the control variables, results demonstrates that both firm age (proxied by number of years the microfinance institution has been in operation) and size (proxied by the number of branches of the microfinance institution) also have a statistically significant impact on firm performance. Correlation coefficient results indicate that whilst firm age can explain 25.9% of firm performance, size explains 45.6% of firm level variations in performance. Furthermore, results demonstrate that strategic planning activities become more accurate and profound as the microfinance institution increases in size. Correlation coefficient results show that the degree of relationship between firm performance and size is significantly 20.3%. Meanwhile the microfinance institution is expected to grow in size as it improves with age. Results show a 67.7% degree of association between firm size and firm age. Meanwhile, there is a strong negative relationship between firm age and management capacity (r = -0.170); suggestive of the fact that management capacity reduces with age.

4.4 Stepwise Regression Analysis

The purpose of conducting the regression analysis was to examine the impact of independent variables on firm performance. Specifically the study sought to examine two things. First, it attempted to investigate the direct impact of efforts in strategic planning on the performance of the microfinance institutions. The second objective was then to gauge the interacting effects of components of organisational capabilities (marketing and managerial) and strategic planning on the performance of the MFIs.

To commence such an analysis, four models were estimated each connected to the other. The strength of each model was examined by the F-test; the variance inflator factors (VIFs) and the R-square. The F-test was used to examine the combined explanatory performance of the independent variables used. VIFs on the other hand were used to check for multi-collinearity among the independent variables; whereas the R-square captured for the explanatory power of the models estimated. Model 1 estimated the effects of the control variables on the performance of the MFIs. This was necessitated to see if firm level factors or attributes have a significant impact on the performance as was shown in the correlation matrix. In model 2, the study attempted to investigate the impact of strategic planning on performance was controlling for firm age and size. The change in R-square was then checked to see the proportion of impact strategic planning has on performance. Managerial and marketing capabilities were then included to the variables in model 2 to estimate model 3. Again differences in R-squares were examined to see the contribution of levels of organisational capabilities has on performance. In the fourth model, variables representing the interacting effects of organisational capabilities and strategic planning were added to the variables in model 3 to conduct the final model. The purpose was to observe the moderating effects of managerial and marketing capabilities on the relationship between strategic planning and performance.

The procedure for the generation of the interacting variables is as follows:

First, the means of strategic planning, managerial and marketing capabilities were calculated and consequently deducted from their respective constructs. See example below:

1. Strategic planning – mean of strategic planning = Msp
2. Managerial capability – mean of managerial capability = Mmc
3. Marketing capability – mean of marketing capability = Mmarc

After generating Msp, Mmc, and Mmarc; the final process was to multiply the centred strategic planning variable with the respective capabilities variables to generate the interacting variables. See examples below:

1. Interactive effects of strategic planning and management capability = SPMANAGE = Msp x Mmc
2. Interacting effects of strategic planning and marketing capability = SPMARKET = Msp x Mmarc

SPMANAGE and SPMARKET therefore become the respective interactive variables that were used in the estimation. A positive coefficient for each denotes a positive moderating effect, whereas a negative coefficient will show a negative moderating effect of the respective organisational capability variable (ie whether marketing or managerial). Table 4.4 illustrates the regression results obtained following the procedure highlighted above.

Table 4.4 Stepwise Regression Results

Model		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		Beta			Tolerance	VIF
1	Age	-.092	-1.055	.293	.542	1.845
	Size	.519	5.931	.000	.542	1.845
2	Age	.021	.245	.807	.498	2.008
	Size	.381	4.311	.000	.480	2.085
	Strategic planning	.300	4.594	.000	.881	1.135
3	Age	.032	.362	.717	.491	2.036
	Size	.377	4.226	.000	.473	2.113
	Strategic planning	.218	2.104	.037	.350	2.860
	managerial	.025	.277	.782	.463	2.161
	marketing	.086	.836	.404	.358	2.797
4	Age	.032	.363	.717	.488	2.049
	Size	.377	4.191	.000	.471	2.123
	Strategic planning	.216	2.049	.042	.341	2.935
	managerial	.036	.376	.707	.419	2.385
	marketing	.081	.785	.433	.354	2.829
	SPMANAGE	.033	.366	.715	.464	2.157
	SPMARKET	-.013	-.146	.884	.486	2.058

As shown on Table 4.4 above, when model 1 was estimated only firm size had a significant impact on performance (B = 5.931, sig = 0.000). The R-square estimated was 0.213 suggesting that the control variables can explain 21.3% of the total variance in performance. VIFs calculated were also below bounds suggesting that there was no problem of multicollinearity. Furthermore the F-test results, F (2, 192) = 25.668, significant at 1%, also show that all the variables together can significantly explain performance. Hence model 1 has a strong fit. In model 2, the strategic planning variable was added to the control variables and its direct contribution examined. Change in R-square = 0.079 shows that strategic planning efforts significantly improves the explanatory power of the model by 7.9%. The coefficient of strategic planning (B = 0.300, sig = 0.000) indicates that strategic planning has a significant and positive effect on performance. Again it is observed in model 2 that size has a positive and significant impact on performance (B = 0.381, sig = 0.000). Tests of model fitness reveal that model 2 also has a strong fit: VIFs and Tolerance levels for all the variables were comfortably below bounds of 10 and 1/10 respectively. The F-test statistics, F (2, 192) = 25.959, significant at 1% also proves that the model is strong; with R –square indicating that model 2 can explain 29.2% (R^2 = 0.292) of the differences in performance. As highlighted earlier, marketing and managerial capabilities were added to the variables in model 2 to estimate model 3. The purpose as indicated was to examine the individual contribution of organisational capability on performance. The change in R-square = 0.004 shows that organisational capability variables contributed only 0.4% to the explanatory power of the model. The coefficients of the organisational capability variables; marketing (B = 0.86, p> 0.10) and management (B = 0.25, p> 0.10) shows that though marketing and managerial capability have a positive effect on performance, the impact of each variable is not strong or adequate. However, results showed that size (B = 0.377, sig = 0.000) and strategic planning (B = 0.218, sig = 0.031) have a strong and positive impact on performance. Meanwhile among the list of capabilities, results show that the direct impact of managerial is relatively weaker than that of marketing.

The question that remains unanswered is will marketing and managerial capabilities generate any moderating effect on the observed relationship between strategic planning and performance given their weak impacts? To answer this question, model 4 was constructed. Results indicates that when the interactive variables; SPMANAGE and SPMARKET were added, the explanatory power of the model increased by only 0.1% (change in R-square = 0.01); suggesting that the moderating effects of management and marketing may be weak. However the F-test results, F (2, 192) = 11.132 significant at 1% shows that the entire group of independent variables significantly explain performance. The coefficient of SPMANAGE (B = 0.033, p> 0.10) demonstrates that although the interactive effect of strategic planning and managerial capability has a positive impact on performance, this impact is insignificant. Hence managerial capability has no significant moderating effect on the relationship between strategic planning and performance. Similarly, the coefficient of SPMARKET (B = -0.013, $p > 0.10$) gives an indication that the interactive effect of strategic planning and marketing capability has a rather detrimental impact on performance, albeit insignificant. Thus it is concluded that marketing capability has no significant moderating effect on the relationship between strategic planning and performance. This results are interesting since both marketing (B = 0.036, $p > 0.10$) and management capability (B = 0.081, $p > 0.10$) were observed to also have very weak direct impact on performance. It is therefore inferred that though among the organisational capabilities, marketing capability seems to draw a relatively high returns to the microfinance institution than their managerial capability; when integrated with strategic planning efforts marketing capability will effect a cutback in returns unlike integrating strategic planning with managerial capability. Meanwhile, it is seen that size (B = 0.377, $p < 0.05$) and strategic planning (B = 0.216, $p < 0.05$) have a positive and significant relationship on performance.

4.5 Discussion of Results

The results of the findings showed that there is a positive and significant linkage between strategic planning and performance. This results supports the findings of Hopkins (1997), Castanias and Halfat (2001) and Golann (2006) who found a strong correlation between strategic planning and organisational performance. However there are few areas of concern raised by the results of the study. It is shown that generally performance thresholds in the microfinance sector are abysmally low. The same observation was seen for the level of management and marketing capability. Meanwhile results show that the average microfinance institution engage in some level of accurate strategic planning. What can be extracted from this observation is that whilst the average microfinance institution may be caught up extensively focusing on strategic planning activities of goal setting, analysis, strategic options, evaluation and environmental scanning, the emphasise on improving organisational capabilities may be less than adequate to draw out meaningful strategic impact. As a result complementing efforts of strategic planning the available capacity of management and marketing skills does not yield any strong benefit. There is therefore the need for microfinance companies to also highlight or entrench capacities at the organisational level. Nadkami and Barr (2008) for instance conclude that managerial cognition drives strategic actions of firms. Bharadwaj et al (1993) and Kor and Leblebici (2005) also state that managerial capabilities are very important to the growth of microfinance institutions and can help in discovering new markets

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter serves as a climax for the entire study. It provides a summary of findings made from the previous chapter and also makes some interesting findings to guide strategic planning activities within the Microfinance Sector.

5.2 Summary of Findings

This section provides a summary of findings from the previous chapter.

5.2 .1 Level of strategic planning activities among MFIs in Ghana

The study attempted to conduct a descriptive summary of the survey data to observe for general patterns within the microfinance sector. At the end, the study found that the sampled microfinance institutions involved in a generally accurate and frequent strategic planning. Overall strategic planning has a mean value of 4.445 which suggests a fairly accurate level of planning. All the components of strategic planning: goals / mission (mean = 4.313), analysis (mean = 4.447), scanning (mean = 4.252), strategic option (mean = 4.412) and evaluation (mean = 4.531) were also fairly robust. However mean analysis shows that the microfinance institutions emphasised more on evaluation and systems analysis.

Descriptive results also show that there were varying level of experiences among the institutions with the average institution obtaining about 10years of experience in service. However, the standard deviation of 5.43 shows some significant amount of differences in terms of experience and learning curve. Again, the results show that the average institution is expected to have about 12 branches with largest unit having as many as 80 branches. Similarly, standard deviation shows a strong variation in firm sizes among the sampled microfinance institutions.

5.2.2 The Relationship between Strategic Planning and Performance

The purpose of conducting the regression analysis was to examine the impact of independent variables on firm performance. Specifically in this part, the study sought to investigate the direct impact of efforts in strategic planning on the performance of the microfinance institutions. The study found that only firm size had a significant impact on performance (B = 5.931, sig = 0.000). The R-square estimated was 0.213 suggesting that the control variables can explain 21.3% of the total variance in performance. VIFs calculated were also below bounds suggesting that there was no problem of multicollinearity. Furthermore the F-test results, F (2, 192) = 25.668, significant at 1%, also show that all the variables together can significantly explain performance. Hence model 1 has a strong fit.

In model 2, the strategic planning variable was added to the control variables and its direct contribution examined. Change in R-square = 0.079 shows that strategic planning efforts significantly improves the explanatory power of the model by 7.9%. The coefficient of strategic

planning (B = 0.300, sig = 0.000) indicates that strategic planning has a significant and positive effect on performance. Again it is observed in model 2 that size has a positive and significant impact on performance (B = 0.381, sig = 0.000). Tests of model fitness reveal that model 2 also has a strong fit: VIFs and Tolerance levels for all the variables were comfortably below bounds of 10 and 1/10 respectively. The F-test statistics, F (2, 192) = 25.959, significant at 1% also proves that the model is strong; with R –square indicating that model 2 can explain 29.2% (R^2 = 0.292) of the differences in performance.

5.2.3 Interaction effect of Strategic Planning, Marketing and Managerial capabilities on performance of MFIs.

The second objective was then to gauge the interacting effects of components of organisational capabilities (marketing and management) and strategic planning on the performance of the MFIs. As highlighted earlier, marketing and managerial capabilities were added to the variables in model 2 to estimate model 3. The purpose as indicated was to examine the individual contribution of organisational capability on performance. The change in R-square = 0.004 shows that organisational capability variables contributed only 0.4% to the explanatory power of the model. The coefficients of the organisational capability variables; marketing (B = 0.86, $p > 0.10$) and managerial (B = 0.25, $p > 0.10$) shows that though marketing and managerial capability have a positive effect on performance, the impact of each variable is not strong or adequate. However, results showed that size (B = 0.377, sig = 0.000) and strategic planning (B = 0.218, sig = 0.031) have a strong and positive impact on performance. Meanwhile among the list of capabilities, results show that the direct impact of management is relatively weaker than that of marketing.

The question that remains unanswered is do marketing and managerial capabilities generate any moderating effect on the observed relationship between strategic planning and performance given their weak impacts? To answer this question, model 4 was constructed. Results indicated that when the interactive variables; SPMANAGE and SPMARKET were added, the explanatory power of the model increased by only 0.1% (change in R-square = 0.01); suggesting that the moderating effects of management and marketing may be weak. However the F-test results, F (2, 192) = 11.132 significant at

1% shows that the entire group of independent variables significantly explain performance.

5.3 Conclusion

Though strategic planning activities were fairly frequent and accurate, there seems to be a generally low level of organisational capabilities and performances across the units. Again it is shown that whilst the managerial capacity of about 13 microfinance institutions are pinned at levels which may be considered as good; only 5 institutions have a marketing capability threshold which were observed as adequate (see appendix for firm level descriptive analysis). Thus, it is concluded that marketing capability has no significant moderating effect on the relationship between strategic planning and performance. This results are interesting since both marketing (B = 0.036, $p > 0.10$) and managerial capability (B = 0.081, $p > 0.10$) were observed to also have very weak direct impact on performance. It is therefore inferred that though among the organisational capabilities, marketing capability seems to draw a relatively high returns to the microfinance institution than their managerial capability; when integrated with strategic planning efforts marketing capability will effect a cutback in returns unlike integrating strategic planning with management capability. Meanwhile,, it is seen that size (B = 0.377, $p < 0.05$) and strategic planning (B = 0.216, $p < 0.05$) have a positive and significant relationship on performance. The coefficient of SPMANAGE (B = 0.033, $p > 0.10$) demonstrates that although the interactive effect of strategic planning and managerial capability has a positive impact on performance, this impact was insignificant. Hence managerial capability also had no significant moderating effect on the relationship between strategic planning and performance. Similarly, the coefficient of SPMARKET (B = -0.013, $p > 0.10$) gives an indication that the interactive effect of strategic planning and marketing capability has a rather detrimental impact on performance, albeit insignificant.

5.4 Recommendation

On the basis of the above findings, the researcher makes the following recommendations to guide strategic planning activities in the Microfinance industry.

First, even though most MFIs were found to be involved in some strategic planning activities, management must undertake periodic comprehensive analysis in addition to evaluation and control to identify strengths and weaknesses as well as possible threats and opportunities that may exist. MFIs are also encouraged to expand through mergers and acquisitions if they need to expand and grow their market share. This is necessary especially at a time when the Central Bank has raised the capitalisation of players in the financial sector.

Having identified that strategic planning significantly impacted firm performance, the researcher recommends that MFIs engage seasoned consultants to provide a thorough review of operations to ensure that they remain competitive in the industry.

Even though the coefficients of the organisational capability variables; marketing (B = 0.86, $p > 0.10$) and managerial (B = 0.25, $p > 0.10$) may show a very weak but positive effect on performance, management must therefore commit adequate resources to develop both managerial and marketing capabilities of their firms.

MFIs are also advised to improve on investment and trading activities to avert the possible collapse of more players in the industry. Technology and other innovative capabilities also need be explored in more details to build competitive edges over other players.

It is also suggested that MFI collaborate with other players to build entry barriers to protect the credibility of the industry. The regulator must also devise more proactive measures to protect investors against fraudsters purporting to be accepting deposits through superfluous investment returns.

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Appendix I

STRATEGIC PLANNING QUESTIONNAIRE

My name is *Joseph Adjei*, an MBA student at KNUST. I'm undertaking a study on the interactive effect of strategic planning, managerial and marketing capabilities on the performance of Microfinance institutions (MFIs) in Ghana. The study is mainly for academic purpose as part of the requirements for the award of an MBA in Strategic Management and Consulting. I shall be grateful if you could spare few minutes of your time to respond to the statement/ questions below. You are assured that all information given would be treated as highly confidential. Thank you.

SECTION A: Background of Respondents

1. What is the name of the organisation you work for? --
2. What is your gender? ( ) Male ( ) Female
3. Which of the following applies to you?
   ( ) Owner-Manager ( ) Manager ( ) Executive
4. How long have you worked in your current position? -------years and -------month(s)
5. How long has your company been in existence? ---------------------------------------
6. How many people are working for this company? -------------------------------------
7. How many branches does your company have?--

SECTION B: STRATEGIC PLANNING ACTIVITIES

Here, respondents are required to indicate on a scale of 1-7, the accuracy of the following statements concerning their firms' strategy making activities. Please note: 1=Not at all accurate, 4=Accurate, 7=Very accurate.

Strategic planning activities

1.	We have a broad, long-range goals known to all managers (goal)	1	2	3	4	5	6	7
2.	We have specific short term goals known to all workers (goals)	1	2	3	4	5	6	7
3.	We involve employees in planning activities (goals)	1	2	3	4	5	6	7
4.	Our firm's actions are based on formal plans rather than intuition (Analysis)	1	2	3	4	5	6	7
5.	We have a department or manager devoted exclusively to formal planning	1	2	3	4	5	6	7
6.	We old regular meetings with managers to discuss overall strategy (Analysis)	1	2	3	4	5	6	7
7.	We use mathematical and computer models to aid planning activities (Analysis)	1	2	3	4	5	6	7
8.	We have a written plan for the next 12 months (Analysis)	1	2	3	4	5	6	7
9.	Our planning outlook is more long term than short-term (Analysis)	1	2	3	4	5	6	7
10.	We search for information regularly about our competitors (Scan)	1	2	3	4	5	6	7
11.	We use special market research studies for planning activities(Scan)	1	2	3	4	5	6	7
12.	We search systematically for new products, acquisitions and investments (Scan)	1	2	3	4	5	6	7
13.	We develop strategies that give long term direction to the	1	2	3	4	5	6	7

company (Strategic option)

14.	We consider different customer groups for our products (strategic option)	1	2	3	4	5	6	7
15.	The business conducts quarterly reviews of implementation activities (Evaluation)	1	2	3	4	5	6	7
16.	Management determines control measures (Evaluation)	1	2	3	4	5	6	7
17.	There are standards against which to compare performance (Evaluation)	1	2	3	4	5	6	7
18.	Where standards are not met, corrective actions are taken (Evaluation)	1	2	3	4	5	6	7
19.	There is fairness in evaluation (Evaluation)	1	2	3	4	5	6	7
20.	Actions are taken to avoid future occurrences (Evaluation)	1	2	3	4	5	6	7
21.	Employees accept results on performance reviews (Evaluation)	1	2	3	4	5	6	7
22.	There is proper communication of performance results (Evaluation)	1	2	3	4	5	6	7

SECTION C: ORGANISATIONAL CAPABILITY

For each of the following, indicate your firm's strength relative to competitors over the past three years on a 7-point scale ranging '1=much weaker than' competitors to 7 = much stronger than competitors.

Marketing Capabilities **Much weaker**
Much stronger

1.	Developing marketing information about specific customer needs	1	2	3	4	5	6	7
2.	Pricing the firm's product and services and monitoring prices in the market	1	2	3	4	5	6	7
3.	Focusing on customer recruitment and retention	1	2	3	4	5	6	7

4.	Providing access to innovative distributive channels	1	2	3	4	5	6	7
5.	Providing effective relationship management services	1	2	3	4	5	6	7
6.	Effective branding activities	1	2	3	4	5	6	7
7.	Using aggressive promotional campaigns	1	2	3	4	5	6	7
8.	Providing creative online services	1	2	3	4	5	6	7
	Managerial Capability							
9.	Skills and expertise in developing a clear operating procedures to reduce service failures	1	2	3	4	5	6	7
10.	Ability to allocate financial resources to achieve set goals	1	2	3	4	5	6	7
11.	Ability to coordinate different areas of the business to achieve results	1	2	3	4	5	6	7
12.	Having the ability and expertise to design jobs to suit staff capabilities and interest	1	2	3	4	5	6	7
13.	Providing opportunities for employee career development	1	2	3	4	5	6	7
14.	Providing safe and secured working environment	1	2	3	4	5	6	7
15.	Ability to attract and retain creative employees	1	2	3	4	5	6	7

SECTION D: ORGANISATIONAL PERFORMANCE

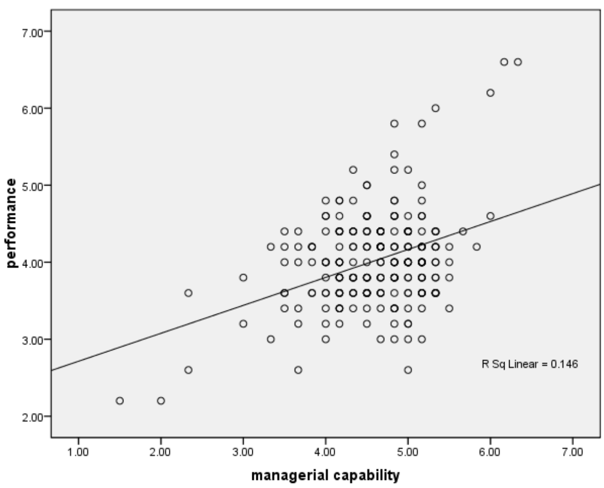
Please rate the actual performance of your company relative to your company's planned performance over the past three years on a 7-point scale ranging '1=much less' to '7 = much more'.

Much less **Much more**

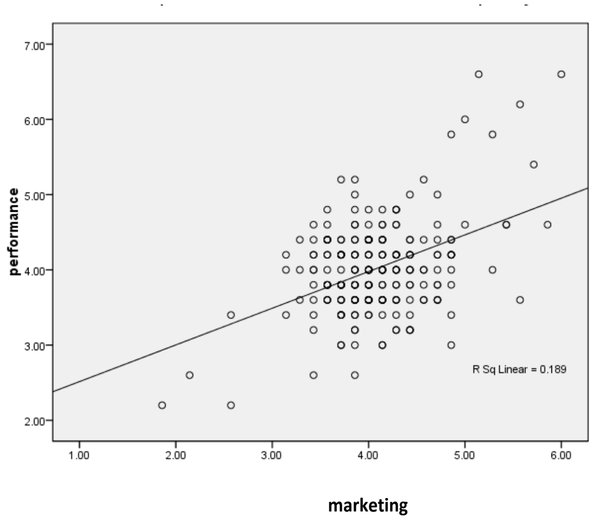
1.	Sales growth	1	2	3	4	5	6	7
2.	Profit growth	1	2	3	4	5	6	7
3.	Productivity growth	1	2	3	4	5	6	7
4.	Net profit	1	2	3	4	5	6	7
5.	Sales revenue	1	2	3	4	5	6	7

Appendix II

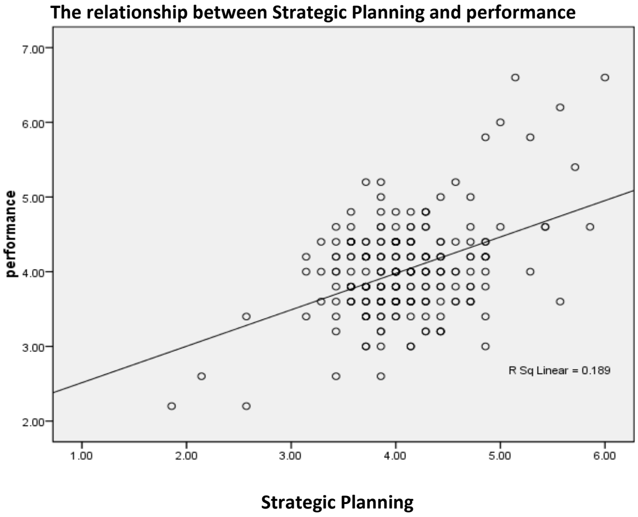
The relationship between Performance and Managerial Capability



the relationship between marketing capabilities and performance



The relationship between Strategic Planning and performance



OVA[e]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70.014	2	35.007	25.668	.000[a]
	Residual	259.130	190	1.364		
	Total	329.144	192			
2	Regression	96.046	3	32.015	25.959	.000[b]
	Residual	233.098	189	1.233		
	Total	329.144	192			
3	Regression	97.353	5	19.471	15.708	.000[c]
	Residual	231.791	187	1.240		
	Total	329.144	192			
4	Regression	97.552	7	13.936	11.132	.000[d]
	Residual	231.592	185	1.252		
	Total	329.144	192			

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.461[a]	.213	.204	1.16784	.213	25.668	2	190	.000
2	.540[b]	.292	.281	1.11055	.079	21.107	1	189	.000
3	.544[c]	.296	.277	1.11334	.004	.527	2	187	.591
4	.544[d]	.296	.270	1.11886	.001	.080	2	185	.924

1. Predictors: (Constant), Size, Age
2. Predictors: (Constant), Size, Age, strategic planning
3. Predictors: (Constant), Size, Age, strategic planning, management, marketing
4. Predictors: (Constant), Size, Age, strategic planning, management, marketing, SPMARKET, SPMANAGE Dependent Variable: Performance

Descriptive summary – Firm level

Organisation	Goals	Analy sis	Scan ning	Strategic Option	Evalua tion	Marketing	Managerial	Perfor mance	Firm Age	Firm Size
1.	5	5.06	5.53	5.80	6.0	5.178	5.46	6	5	2
2.	6.55	6.16	6.78	6.66	6.62	5.58	5.95	6.9	6	73
3.	4	3.17	3.33	3.83	4.21	3.58	5.14	4.8	10	14
4.	6.55	5.89	5.11	6.5	6.08	5.67	6.14	5.4	3	2
5.	4.67	3.33	5	3.5	3.25	3.13		5.8	6	0
6.	4.85	4.98	4.70	4.88	5.32	4.01	5.73	3.75	10	3
7.	5	5.395	4.29	5.11	5.54	5.51	5.85	3.04	4	1
8.	3.14	3.48	3.54	4	3.55	3.36	3.85	2.91	5	1
9.	3.48	3.14	3.18	2.94	3.31	3.33	3.63	3.15	8	3
10.	5.33	5.58	5.58	5.25	5.56	4.81	5.53	4.55	5	6
11.	4.08	4.52	3.87	3.81	4.72	4.47	5.28	3.6	11	2
12.	5.33	5.29	4.51	4.72	4.92	4.83	6.06	3	6	2
13.	3.09	2.91	3.28	3.21	3.11	3.21	3.71	3.25	6	2
14.	3.90	3.92	4.04	4.14	4.10	3.77	5	3.45	10	3.
15.	3.69	4.30	3.36	4.36	4.03	4.12	4.12	3.8	16	53
16.	3.33	3.62	3.66	3.31	3.56	3.61	3.82	3.58	12	3
17.	4.87	4.5	4.54	4.62	4.76	4.48	5.05	3.65	4	1
18.	3.45	3.60	3.16i	3.5	3.44	3.03	3.48	2.52	13	3
19.	4.70	4.90	4.55	4.77	4.79	4.96	4.88	2.66	7	2
20.	5.23	5.45	4.52	5.07	5.27	5.53	6.12	2.57	9	4
21.	5.16	5.08	5.16	5.25	5.38	4.87	5.35	4.5	6	2
22.	3	4.83	3	4	3.88	2.38	4.57	4	15	2
23.	4.92	5.13	5.27	5.65	5.15	4.70	5.02	5.30	21	47
24.	4.66	4.64	4.71	4.42	4.71	4.39	4.95	4.37	11	2
25.	4.33	4.54	4.29	4.18	4.56	4.12	4.78	3.35	4	1
26.	2.9	3.31	2.73	2.4	3.14	3.19	3.51	3.38	15	2
Total	4.31	4.44	4.24	4.41	4.53	4.26	4.81	3.79	10	11
SE of Mean	0.10643	0.08861	0.09384	0.1079	0.0880927	0.08394	0.08648	0.09258	0.383939	1.36922