

UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP BETWEEN
STRATEGIC PLANNING AND
ORGANIZATIONAL PERFORMANCE:
EXAMINING THE MODERATING
EFFECT OF TRANSFORMATIONAL
LEADERSHIP**

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ABSTRACT

This study was to examine the relationship between strategic planning (consists of three dimensions strategic planning level, strategic planning implementation and strategic planning barriers) and organizational performance. It examined also the moderating effects of transformational leadership on the relationship between strategic planning (consists of three dimensions strategic planning level, strategic planning implementation and strategic planning barriers) and organizational performance in Yemen banks. The data was collected through self-administered questionnaires from 246 respondents who were the top and middle management staff of Yemen Banks with the percentage of 61.5%. This data was further analyzed using mainly the Structural Equation Modelling (SEM) to investigate causal and moderating relationships between latent variables utilizing the SmartPLS. The results revealed that all of the strategic planning dimensions were significantly and positively related to organizational performance. Accordingly, strategic planning dimensions have contributed significantly on organizational performance. The results have also found that transformational leadership has moderated the relationship between dimensions of strategic planning and organizational performance except for dimension of strategic planning barriers. These findings provided support for all the hypotheses unless one hypothesis of the moderating effect of transformational leadership on the relationship between strategic planning barriers and organizational performance. Findings from this study is very valuable and could serve as guideline for policy makers in organizations especially in Yemen banks in their decision making. It contributed also to the existing body of knowledge and closing the gap of previous empirical findings. These findings are important, as this is, to my best knowledge, the first study that has been conducted to examine the contribution of strategic planning on organizational performance and the effect of transformational leadership in moderating this relationship in Yemen banks context. The findings will benefit both scholars and practitioners as it may provide new insights for further research and help with decision making.

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“..... the beauty of the destination is half veiled and the fragrance of the success half dull until the traces of all those enlightening the path are left to fly with the wind spreading word of thankfulness....”

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The financial services sector is perhaps one of the most significant economic sectors in modern societies. In an attempt to sustain competitive advantage, the financial sector should be consistent in improving organizational performance. It is therefore justified that the performance of banks receives extensive scrutiny from scholars and industry thinkers. The evaluation of banks organizational performance is invaluable for all the parties involved including the depositors, the bank managers and regulators (Sosiawani et *al.*, 2015). The case is similar in Yemen banks. In a financial market characterized by competition, the banks' performance gives the go-ahead for the depositors and investors to invest or withdraw their funds from the bank. In a similar manner, it informs the managers whether their deposit service, loan service or finance is in need of improvement. By the same token, regulators need to know how the banks are doing in order to effectively regulate the financial sector. Environmental uncertainty, which is predominant in Yemen, calls for strategic responses by the Yemeni banks to adopt appropriate, innovative and effective methods for the improvement and measurement of their organizational success. Equally important is the need to ensure that the appropriate strategy will continuously help in gaining competitive advantage, high performance while remaining sustainable. This implies that the banks need be able to achieve optimal organizational performance in order to remain competitive and sustainable.

Organizations should embrace the practice of strategic planning so that this will translate to improved performance. Studies on organizational performance as reported in literature are mostly linked to the financial performance aspects including profitability (Dyson, 2000; Hillman and Keim, 2001; McAdam and Bailie, 2002). Laitinen (2002), in his further explanation on the significance of the broader spectrum of performance measurement stated that managers can survey performance in several areas simultaneously to enable efficient and strategic decision making by cooperating both the financial and non-financial measures in the same model. This suggests that in addressing organizational performance both financial and non-financial aspects of