

6.4 Formality of Strategic planning and Performance: A study based on Commercial Banks in Sri Lanka

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ABSTRACT

Strategic planning has become an important and indispensable function for the survival of any business organization in any industry ever since the inception of strategic planning. Among many industries, financial services industry faces a severe competition and risk. Hence thinking strategically has become highly crucial. Within the financial services industry, banks in particular have begun to concentrate on strategic planning as a positive response to increase in complexity and change in the financial services industry.

In studies carried out by previous researchers, it has been revealed that among other things strategic planning was used to improve financial performance as well. However, research on impact of formal strategic planning on performance yields mixed results and had mainly focused only on financial aspect of performance. The aim of this study is to examine the relationship between formal strategic planning and performance in both aspects of financial and non-financial. Multiple indicator measures of strategic planning were used to ascertain the strategic planning formality. The study was conducted in the commercial banks of Sri Lanka. The results of strategic planning-performance model reveal that being formal in strategic planning improves financial performance. It further reveals that formal strategic planning have a positive impact on non-financial performance than on financial performance.