

THE IMPACT OF STRATEGIC MANAGEMENT ON ORGANIZATIONAL PERFORMANCE IN PALESTINIAN BANKS.

Aaed F. M. Obaid, Sara Ramzani, Valliappan Raju, K. Ramanathan
Limkokwing University of Creative Technology, Malaysia

Abstract

Today, globalization, most kinds of Business organization is Meeting emerging challenges in the form of acquisition, budgeting, maintenance and optimization the performance of the organization in line with development of human capital. It is found that weak organizational performance could be a lack of strategic conducting towards the performance of private banks in Palestine. The aim of this study is examining the impact of strategic management on organizational performance. The result of the study showed that strategic management enhances organizational performance to a higher degree. The recommendations of this study are that private banks in Palestine should implement all stages of strategic management to achieve significant performance, these strategies include setting annual targets, policy development, stimulate employees, resource allocation, awareness-raising and supporting environment for strategies, and developing the skills and knowledge of human capital.

Keywords: *Strategic Management, Organizational Performance, Financial institution*

1 Introduction

Today, the performance of any organization is the guarantee for long-term success, it does not matter either big organization or small (Bruce et al., 2006). Strategic management is a set of administrative decisions and procedures that determine the long-term performance of the corporation (Wheelen and Hunger, 2006). The relationship strategic management and organizational performance is convincing. The empirical works on this association have shown a significant relationship between these two variables (Dimba and K Óbonyo, 2010; Onyango and Kipchumba, 2012).

The implementation of strategic management is essential to the success of most organizations because It provides the general direction to the organization and specifying the organization's Development and performance goals, and the development of policies and plans designed to achieve these goals, and the allocation of resources to implement the plans (Ghemawat, 2002). Palestinian Banks are more profit-oriented and want to ensure their returns before they invest in human resource development Programs. Strategic thinking help organizations to overcome the bureaucracy in work, Encouraging individual initiative and giving confidence to workers by delegating authorities, abandoning low technology, backward mechanization and hard work structure, as well as adhering to the strategic aspect of the options presented (Elcock, 2012). That is why; This study will examine the impact of strategic management on performance of the Palestinian Banks to help them develop the overall performance.

2 The purpose of this study

There is no doubt that financial organizations are determined to achieve high profit in the financial market. For this purpose, organizations must obtain and apply strategic management effectively and efficiently. This study explores the factors of strategic management which is now increasingly evident as highly affecting the performance of large and medium organizations. In addition to that this study will examine the relevance between strategic management and the organizational performance.

3 Strategic Management

Strategic management is Practical approach of defining the organization's goals, setting policies and plans to achieve these goals, and the allocation of resources for the implementation of policies and plans (David, 2011). Strategic management is the

process of examining existing and future environments, the formulation of organizational goals, and Implementation and monitoring of decisions that focus on reaching these goals currently and in the future (Adeleke, 2008).

Ehlers and Lazenby (2007) identified strategic management as "the process by which all functions and regulatory The integration of resources and coordination to implement strategies compatible with the environment to achieve long-term goals of the organization. According to Grunig and Kuhn (2002), Strategic management includes three important elements: strategic planning, implementation of the strategy and strategic observation.

Wheelen and Hunger (2008) stated Strategic management is a set of administrative decisions and procedures that determine the long-term performance of a corporation. The model The strategic management process includes environmental surveys (both external and internal), strategy formulation (strategic or long-term planning) and implementation of the strategy, and estimation and control. Thompson and Strickland (2003) identified five major functions of strategic management that include develop strategic vision and action message, set goals, formulate strategy for achieving goals, implement strategy, implement and evaluate performance.

Through the implementation of strategic management, an organization can process, Formulate, implement and evaluate strategies to achieve long-term goals and maintain competitive advantages (Wilson and Essien, 2012). Thus, in the world of competition and the current economy, many companies are using strategic management as a structure important to make the business environment more manageable (Hunger and Wheelen 2012).

Several strategic approaches (themes) have emerged in the banking industry over last decades, these include: Change the model that focuses on production to the customer-centric model, increase the use of self-service model to reduce costs, Changes in the value string or in the structure of the company Because of globalization and the Internet Self-service (Laszlo and Zhexembayeva, 2011).

3.1 The Dimensions of Strategic Management

As described in earlier sections, strategic management in general is a process oriented towards the future allow organization to take decisions today to put themselves in order to succeed in the future. The traditional view of strategic management uses a linear approach in which the organization's first monitoring (both internal and external) is monitored, Strategy is formulated and then implemented, and then organizational Progress towards strategy is then assessed (David, 2008). The current pace of change provides formula and execution phase Must be more incorporated to ensure that in line with the change and the occurrence of problems in implementation, the strategy is again visited continuously (Mulcaster, 2009). The following descriptions of three basic dimensions of strategic management:

1. Strategic Formulation

Strategy formulation is the advanced stage of long-term Plans for the effective management of existing environmental opportunities and threats to the strengths and weaknesses of companies. They include defining the company's task, setting achievable goals, developing strategies and developing policy guidelines (Quinn and Ghoshal 1999).

According to Thompson et al. (2007), Strategy formulation is part of the wider strategic management process consisting of diagnosis, setting objectives, formulation, implementation, evaluation and control.

2. Strategy implementation

Strategy implementation is recognized as a major management challenge (Dobni, 2003). However, despite the alleged The importance and performance is difficult for many managers. Good planning strategies have always been said to Leads to superior performance, only when they are executed successfully. Efficient implementation is difficult because of the need to coordinate efforts among individuals across companies (Olson et al., 2005). This can be said to be due to a lack of sufficient knowledge about the implementation of the strategy from strategic planning.

The strategy implementation addresses the development of annual goals, policies and Programs, motivate staff and allocate resources to facilitate strategies. During this phase, strategic experts will try to differentiate each employee and manager to work together to turn strategies into solid actions. The following decisions are made at this stage (David, 2008):

1. Create an organizational culture that supports the strategy
2. Create a marketing budget
3. Create a company budget
4. Development and use of information systems
5. Link the salaries of employees to the performance of the company.

3. Strategic Evaluation

The final component of strategic management is to assess and monitor the company's progress towards its strategic goals. Organizations that believe that the process is over after implementation of the plan will only find itself in a state of failure. It is important for the organization to continue to monitor its progress.

The review of literature and previous studies shows the following main dimensions that are used to measure strategic management. Strategy evaluation provides managers with valuable information on how the strategy has proven effective.

Managers will be comparing the results targets identified during the early stages of the process. This is a very necessary step because the actual success of the current strategy is not a guarantee of future success. The external environment will determine the dynamics of changes in the context in which they operate companies. The strategy assessment includes the following activities (Borza, 2008):

1. Analysis of internal and external factors that have been on the development of the strategy.
2. Evaluate performance of the company.
3. Implement the corrective actions.

Evaluation of the strategy is the activity determines the extent to which the change is consistent with the actual performance with the performance of the change and desirable. The strategic management model embodies the five main activities as a rational and linear process. However, it is important to note that it is a standard model, that is, it shows how to manage strategic management rather than representing what senior managers did (Wheelen and Hunger, 2012).

4 Organizational Performance

The reference to organizational performance in general through effectiveness (whether the organization is able to achieve its objectives), or efficiency (whether the organization properly used resources), or employee satisfaction and customer, or innovation, or the quality of products or services, and the ability to maintain On a unique human group (Katou and Budhwar, 2007). Performance is calculated as a vital management factor. The outcome of an individual or team in an organization is the performance of the authority and responsibility to obtain objectives in a legal manner consistent with ethical and ethical standards. (Iswati and Anshori, 2007).

Performance monitoring is critical to measuring organizational performance. The observation ensures that the organization knows how much it is progressing along the way, the health of its map, and what deviations, if any, it needs to stay on track. The key elements of control are as follows: Define performance standards. Measuring performance against actual versus standard results; taking corrective action when needed (Cole, 2005).

Organizational performance could be defined as an enterprise's ability to achieve and manage resources that are effectively accessible through different methods in order to achieve a competitive advantage. You can identify two types of financial and non-financial performance. (Hansen and Moyné, 2005).

Several types of organizational performance can be identified, and Gupta summarizes the following main types of organizational performance (Mohamed, 2010):

- 1. Managerial organizational performance:** A series of variables related to the management of the company and its indicators can include the return of the development of the level of research and development, quality management, process re-engineering, high file, increased delegation.
- 2. Technical organizational performance:** This type of performance includes the use of energy, product quality, work productivity and can be described as the main performance in the industrial process.
- 3. Cultural organizational performance:** This type of performance reflects the relationship between employees, company and communication among the employees of the organization, team spirit, work satisfaction, morale and ethics with the main culture.
- 4. Marketing Organizational Performance:** This type of performance consists of reliability of delivery, manufacturing cycle time, size flexibility, product marketing time, product marketing capability, and other variables related to processors, intermediaries and customers.

5 The Relationship between Strategic Management and Organizational Performance

Wan (2002) In a study on strategic management and organizational performance in Singapore we examined the relationship between the variables of strategic management and performance of the company. It found that strategic management variables have a positive impact on organizational results, specifically with regard to job satisfaction for the performance of the company's human resources, employee productivity and commitment. The results indicated that if the effective implementation of the HRM practices, the companies will achieve higher levels of organizational performance. Results of the study also showed that the various aspects of performance can be affected by variables of different human resources strategy. For a company promoting financial performance, it seems that the performance evaluation is the most important issue to be dealt with. On the other hand, interested companies may focus to strengthen the performance of human resources on the need for training and development.

In a study for Onyango and Kipchumba (2012) on strategic management and organizational performance of Hotels in Kenya, they investigated the correlation between Strategic human resource management practices, motivation and overall performance. The study concluded that training and development, compensation systems were better predicting the performance of hotels factors, while the training and development and systems of compensation and performance evaluation of the best predictors motivated business and organizational excellence, which had a strong impact on the relationship between performance and strategic management.

Based on literature review and findings of previous studies which concluded and existence of significant relationship between Strategic Management and Organizational Performance, this study will test the following hypothesis as shown in Figure 1:

Strategic management affects organizational performance in a causal and statically relationship

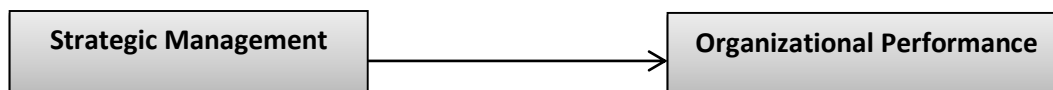


Figure 1 The relationship between Strategic Management and Organizational Performance

To test the association between Strategic Management and Organizational Performance, Simple linear regression was conducted to measure the relationship between strategic management and organizational performance as defined in the following hypothesis:

H₁: There is a causal and statistical relationship between strategic management and organizational performance.

H₀: There is no causal and statistical relationship between strategic management and organizational performance.

The following figure shows the model of simple linear regression between strategic management and organizational performance.



Figure 2: Regression Model between strategic management and organizational performance

After making the test of regression analysis in SPSS software, the results output are summarized in three outputs tables (Models summary, ANOVA, and regression coefficients table).

The following are the discussion of results of each output table:

Table 1 Simple Linear Regression Output between Strategic management and Organizational performance.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.621 ^a	.386	.383	.50698

a. Predictors: (Constant), Strategic Management

b. Dependent Variable: Organizational Performance

The reading of data in the table of model summary reveals the degree of variance and associations between the pair of variables. It is found that R (i.e simple linear correlation) = 0.621, this outcome indicates a good degree of correlation between strategic management and organizational performance in the regression model. The value of R² also indicates the level of variation occurs to organizational performance due to the effect of strategic management. R² = 0.386 shows that 38.36% of the change in the dependent variable which is organizational performance in this case is explained by the variance in the independent variable strategic management. In other words, the variability in organizational performance could be explained 38.30% due to the impact of strategic management. It is evident that the remaining of percentage of variance in organizational performance = 61.70% is supposed to other reasons or any kind of random variability which may not particularly related to strategic management.

Another value important to examine is adjusted R-squared which mainly compares the power of explanatory of regression relationship. In this model, it is obvious that SPSS adjusted 38.30% of the variance between strategic management and

organizational performance, this value indicates a small difference between Predicted R^2 and adjusted R -Squared = 0.002 found in the regression output. This very small difference is statistically accepted. Therefore, the level of regression model fit is very well between the dependent and independent variable.

The data in the ANOVA table 2 reports the degree of good fitness of the regression model between strategic management and organizational performance.

Table 2 ANOVA output between Strategic management and Organizational performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.774	1	34.774	135.291	.000 ^b
	Residual	55.261	215	.257		
	Total	90.035	216			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Strategic Management

ANOVA table is very important to examine whether the correlation between strategic management and organizational performance is significant from statistical perspective. The conclusion about significant correlation is made through first comparing the value of probability (ρ), if the level of $\rho \leq 0.05$ then the regression relationship is significant. As shown in the value of sig. in last column of ANOVA table 4 $\rho = 0.000$, thus this study concluded the null hypothesis is rejected and therefore accept the alternative hypothesis H_1 . In other words, the regression model predicts the association between strategic management and organizational performance. Additionally, the value of $F = 1135.291$, F must be greater than 1 to accept the variance between two variables is not made by chance or probable reasons. Based on these results, the causal relationship between strategic management and organizational performance does exist and the alternative hypothesis (H_1) is true where the null-hypothesis is rejects.

The last table 3 in the regression analysis between strategic management and organizational performance is a table of coefficients that provides the necessary information for examining the correlation between these two variables; also, regression coefficients is mainly used to know if the regression significant or not.

Table 3 Coefficients of Regression between Strategic management and Organizational performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.011	.191		5.294	.000
	Strategic Management	.617	.053	.621	11.631	.000

a. Dependent Variable: Organizational Performance

Reading the level of significance in coefficients table reveals that the equation of regression is statistically significant, ρ (Sig.) = 0.000. Also, unstandardized coefficient (B) = 0.617 positive and moderate. Therefore, organizational performance is positively predicted by the variance in the magnitude of strategic management.

The summary of regression analysis indicates the necessary information related to the relationship between strategic management and organizational performance. Based on the outcome of this analysis it is concluded that the null hypothesis is rejected and the alternative hypothesis is accepted. Therefore, strategic management is correlated with organizational performance in a strong and causal relationship.

6 Conclusions

The findings from literature and previous studies showed Strategic management is a science and art that is concerned with the formation, implementation and appraisal of overlapping decisions that qualify the organization to achieve its goals, with a focus on integrating management, marketing, finance, production, research and development functions for the organization's success. The core of strategic management lies in long-term planning, which aims to allocate resources to specific goals.

The empirical results in Palestine inside the selected banks showed that strategic formulation is identical with relevant vision statement to the association's activities of the bank, where the current mission statement is compatible with the activities being

carried on by the bank. Organizational performance was critically reviewed in this study by analysing its main factors and influence in financial institutions. It is concluded that organizational performance comprises the actual output (outcome) of an organization as measured against its intended (expected) outputs (objectives and goals). In general, organization performance includes the identification of outcomes that organization aims to achieve, also the plans to achieve those outcomes, and carrying out those goals and plans, then determining whether the measured outcomes were achieved or not. The empirical evidence related to the impact of strategic management and organizational performance shows a significant relationship between these two variables.

7 Recommendations

The recommendations of this study is that private banks in Palestine should implement all stages of strategic management to achieve significant performance, these strategies includes setting annual targets, policy development, stimulate employees, resource allocation, awareness-raising and supporting environment for strategies, and developing the skills and knowledge of human capital.

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