Paradigm Academic Press
Law and Economy
ISSN 2788-7049
JUN. 2024 VOL.3, NO.6

Business Planning and Organizational Profitability: A Study of PPMC Approach

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doi:10.56397/LE.2024.06.01

Abstract

The purpose of the study was to examine business planning and organizational profitability. A study of selected organizations in Cross River State, Nigeria. The objectives were to determine the relationship between marketing plan and company turnover rate, to determine the relationship between financial plan and company market share and to determine the relationship between personal plan and quality of product. Desk survey method was used in gathering relevant information on Business corporate planning and organizational profitability. The study adopted Pearson Product Moment Correlation Statistical tool to examine the relationship between independent and dependent variables. Based on the analysis, the findings revealed that marketing plan had a significant relationship with company turnover rate, financial plan had a significant relationship with company market share and personal plan had a significant relationship with quality of product. The study recommended that policies should be disseminated down the line of management. There is an urgent need for all corporate management units to develop a policy that will be non-ambiguous, set out clear targets with well-defined objectives.

Keywords: business planning, organizational profitability, marketing plan, company turnover rate, financial plan, company market share, personal plan, quality of product

1. Introduction

Every organization can appropriately be described as a system, operating within a wider system or supra system. The report, a system's performance is influenced, among other factors, by the environment. For a business organisation to do well, therefore it must develop a formal system of planning which gives direction and prepares the organisation to confront the future challenges arising from the environment. Business planning is such formal planning system that enhances the organization's ability to accommodate the environmental factors as well as provide the basis for organization's success in terms of goal achievement. With business planning, resources are properly developed and utilized for organizational purposes. (Veettil, 2018)

Business planning is "a systematic and disciplined either to designed to help identify the objectives of an organisation or corporate body, determine an appropriate target, decide on suitable constraints and devise practical planning methods by which the objective can be achieved." Business planning is a systematic approach to clarifying corporate objectives, making strategic decisions and checking progress toward objectives. It is a disciplined approach to effective deployment of corporate resources to meet specified long-term objectives of the organisation.

Business planning as the process of determining the major objectives of an organisation and the policies and strategies that will govern the acquisition, use of disposition of resources to achieve these objectives. Business planning is strategic in nature. It is quite obvious from the plethora of the definitions above, that planning is a systematic, formal and comprehensive process, which involves the determination of organizational objectives, appraising the environmental factors and deciding on strategies and means of achieving these objectives. Business planning is not just a process in which you make future decisions now, but rather, planning identifies the most desirable future opportunities to pursue so that current decisions and judgment can improve in relation to corporate objectives and goals. Therefore, planning is not a statement of fact but a statement of expectations in relation to anticipated conditions. Consequently, in business planning, one identifies what one wants to be, where one wants to go and how one expects to get there. Therefore, such planning could be said to be a continuous effort with no real beginning or end as a charge for those directly affected, should be communicated to all participants.

Planning is the most important management tool for performance and for organizations to perform well, resources must be well utilized and customers well served. To achieve such ends, organization’s human and materials resources must be well utilized in the right way and the right time to create high quality products at minimal cost. Organization has been collective in order to achieve group or individual objectives. They serve as the means by which goods and services are provided beyond the boundaries of an individual or small group’s capacity of self-sufficiency. Such provisions, also acknowledged, may be made for profit through some controlled framework of commercial or social provision. (Dawson, 2016)

However, planning on the other hand, is regarded as the most basic of all the management functions. It involves the selecting from among alternative future course of action for the organization as a whole and every department or section within it. Furthermore, it requires selecting organizational objectives and departmental goals, determines and provides a rational approach to pre-selected objectives. It strongly implies managerial innovation and the ability to create something (koontz, 2019). Schermerhorn (2016) adds that most planning failures arise from their inability of managers to truly understand the planning and to implement it well. Problems have been identified in the planning process. For instance, in setting objectives, organizations find it difficult to involve employees, shareholders, customers etc. closely related to this is the issue associated with the likely environmental events. However, the study is to determine the effect of business planning on organizational profitability.

The specific objectives are;

(i) To examine the relationship between marketing plan and company turnover rate.

(ii) To examine the relationship between financial plan and company market share.

(iii) To determine the relationship between personnel plan and quality of product.

2. Theoretical Framework

2.1 Resource-Based Theory

The study adopted the resource-based theory of the firm. This theory was propounded by Barney in 1991combines concepts from organizational economics and strategic management. In this theory, the competitive advantage and superior performance of an organization is explained by the distinctiveness of its capabilities. Traditional sources of competitive advantage such as financial and natural resources, technology and economies of scale can be used to create value. However, the resource-based argument is that these sources are increasingly accessible and easy to imitate.

Barney’s resource based view reflects the fact that rival organizations may not perform at a level that could be identified as considerable competition for the organizations that have been well established in the market because they do not possess the required resources to perform at a level that creates a threat and competition. An organization should exploit existing business opportunities using the present resources while generating and developing a new set of resources to sustain its competitiveness in the future market environments; hence, an organization should be engaged in resource management. There is always high uncertainty in the environment and for organizations to survive and stay ahead of competition, new resources become highly necessary. (Koontz, 2019; Stoner, 2022)

3. Business Planning

According to Ballou (2017), planning involves the plan or pattern of act that adds company main goals, policies and action systems are unified into a whole. Sorel and Pennequin (2018) advocates for planning to involve developing objectives or the organizational strategic plans and looking for resources that would best be suited in achieving the organizational goals as outlined in strategic plans. Each goal should have financial and human resource projections associated with its completion so that it becomes successful. The planning process also creates timelines for when the plans should be achieved.

According to Ballou (2017), planning also involves developing the tracking and assessment method that will be used to monitor the project process. Planning is normally where the direction of the business is made through a multiplicity of activities comprising the making of goals. As such, the planning function of management symbolizes numerous points of decision making (Schraeder, 2015). Marcic (2016) also identified the third effect of planning on organizational performance as its pervasiveness. The entire managers starting from the superintendent to the utmost officer who is the Chief Executive Officer (CEO) of a business are supposed to engage in planning. At the lower levels it may be termed as operational planning and whist at the highest levels it is termed as strategic planning. The time spent in planning in any lever depends on the level type. The CEOs may be involved more in engaging in activities such as organizing and planning, whilst head of departments are more involved in areas leading people, acquiring resources in the respective departments and the control of performance in the departments. According to Awino (2019), positive change is caused by effective planning. The efficiency of plans must be aligned to add to the aims of the business and to promote the analyzing and improvement of strategies.

Employees contribute in planning by giving their suggestion and test-driving the different strategies so as to get the best fit in terms of strategies that an organization can adopt, resulting in increased performance. Whenever employees participate in crafting the plan development for a business, their motivation and attachment to the project is high thus making them more effective while running the project. Veettil (2018) showed that by applying strategic planning correctly, would be able to contribute to companies achieving better performance. Consequently, creating assignments with timelines considering the ability of individual employees in the completion of the task time horizon is also considered as the key element of strategic planning which is capable to advance the performance of the business.

Wagaki (2023) describes strategic planning as a continuing, never-ending, combined process demanding unceasing review and improvement. Strategic planning is thus considered and developed, vigorous and a collaborating process. To build your company to a performing level within the industry, the business has to strategize and employ the use of strategic planning practices. These are key characteristics which are vital towards founding and positioning the business strategically in the market.

3.1 Marketing Plan

According to Veettil (2018), marketing plan is an operational document that shows how an organization is planning to use advertising and outreach to target a specific market. A marketing plan is a blueprint that outlines your strategies to attract and convert your ideal customers as a part of your customer acquisition strategy. A marketing plan is a document that lays out the marketing efforts of a business in an upcoming period, which is usually a year. It outlines the marketing strategy, promotional, and advertising activities planned for the period (Wagaki, 2023). A marketing plan is a strategy or outline crated to accomplish a marketing team’s objectives. A marketing plan is often created together by marketing managers’ product marketing managers, product managers and sales teams. A marketing plan falls under the umbrella of the overall business plan.

3.2 Financial Plan

A financial plan is document that details a person’s current financial circumstances and their short- and lo0ng-term monetary goals. It includes strategies to achieve those goals. A financial plan is a comprehensive picture of your current finances, your financial goals and any strategies you’ve set to achieve those goals. According to Awino (2019), a financial plan is a comprehensive strategy (usually written or typed) that outlines your financial resources (memory and other assets) goals. Financial planning is the process of assessing the current financial situation of a business to identify future financial goals and how to achieve them.

Financial planning is crucial to organizational success because it complements the business plan as a whole, confirming that set objectives are financial achievable. The financing planning process includes multiple tasks. It includes budgets, but the terms are not interchangeable. Budgets are just one piece of a financial business plan which should also include other important information that contribution to a complete picture of a business financial health.

3.3 Personnel Plan

A personnel plan is a document that outline an organization staffing needs, goals and strategies for managing its workforce. It is a key component of human resource management and provides a roadmap for the recruitment, selection, training, development, retention and management of employees. It is the process within a company of analyzing the pool of internal and external employees and determining what steps need to be taken to meet project demands. It exists on an operational, tactical and strategic level. It is a document that details an organization’s strategy needs, goals and workforce management practices (Akpan, 2020).

3.4 Turnover Rate

This is the percentage of employees who have left a company over a certain period of time. It’s often described in relation to employee retention rate, which measures the number of employees detained from the beginning of a set period unit the end. It is a measurement of the firms' efficiency. It is calculated by dividing annual income by annual liability can be applied to the cost of inventory or any other business cost. It is an investment outflow or a mutual fund as the percentage of assets that have been replaced in one year. The employee turnover rate is the proportion of employees who leave the company during a certain time period.

3.5 Market Share

Market share represents the percentage of and industry, or a market's total sales, earned by a particular company over a specified period. Market share refers to the portion or percentage of a market earned by a company or an organization. A higher market share usually means greater sales, lesser effort to sell more and a strong barrier to entry for other competitors. Market share is calculated by dividing the company's total by the industry-wide total for any given data set. Market share is useful when comparing companies. Specifically, as market share increase, a business is likely to have a higher profit margin, a deciding purchases to sales ratio, academic in marketing costs.

3.6 Product Quality

It refers to how well a product satisfies customer needs, serves its purpose and meets industry standards. When evaluating product quality, business consider several key factors, including whether a product solves a problem, works efficiently, or suits customers purposes. High product quality describes a product that is well-made, reliable and perform as expected. It is often associated with durability effectiveness, and customer satisfaction. A product of high quality is typically built to last and designed to meet or exceed the needs and expectations of the customer.

4. Empirical Review

In a study conducted by Akpan (2020), in Akwa-Ibom State on the extent to which planning has affected the productivity of an organization, a population of 215 employees was studied using the survey method of research and the questionnaire as the major instrument of data collection. The non-parametric chi-square technique was used in the analysis and it was found that strategic planning has affected the productivity of organizations to a large extent.

Khan (2024) conducted a study on the basis of controversial findings on the relationship between planning and firm performance and the differing nature of small and medium enterprises (SMEs) from that of large organizations, for the first time proposed an empirical study which combines planning with that of intellectual capital. This is one of the first studies in which any researcher has combined the literature of strategic planning with that of intellectual capital in any empirical research. Furthermore, this is the first study in the context of strategic planning from the perspective of Pakistan.

Alaka (2021) in a study of planning and company performance, observed that strategy is designed to help an organization gain competitive advantage over its rivals. This however involves and short term priorities through the adoption of various business analytic techniques. Cross sectional survey research method, using so randomly selected respondents. Analysis of variance (ANOVA) was used to test the research hypothesis. Findings show that planning has positive impact on profitability of insurance. Companies, there is a high and positive correlation between strategic and better service delivery in Nigeria. Based on the evidence, the study recommended that Nigerian insurance managers should have a well-conceived strategic. Visions that can prepare their companies for the future, establish long term direction and indicate the company's invest and intent to stake out a particular business position.

Modebelu (2022) examined planning procedure as an imperative for effective management of higher education in Nigeria. 200 respondents were drawn from 5 Federal Universities in the South East geo-political region were utilized for the study. 4 research questions guided the study; 4 point Likert-type rating with 21 item researchers' self-made questionnaire was used for data collection. Mean computation was used to analyze the research questions while Pearson product movement was used to establish the reliability of the instrument. Findings show that low level management of higher education goals, identification of seven item elements of effective management, identification leads to corporate failure. It was recommended that there should be full adoption vis-à-vis implementation of strategic planning in Nigeria

5. Research Methodology

An ex post facto research design was necessary for a study of this nature. The study focused on business planning and organizational profitability. The study is limited to Dangote Group of Companies, Niger Mills and Lafarge in Cross River State. The data for this study were generated from two main sources — primary and secondary. Primary data are collected using questionnaire, oral interviews are also employed to solicit information from desirable respondents. Observation, deduction and induction methods were freely used to get the necessary information.

Secondary data were collected from archival records, government publications, files and other non-classified documents. Also newspaper dailies, weeklies, journals, magazines and textbooks were used for relevant information on the topic. The study employed Pearson Product Moment Correlation analysis to measure the relationship between variables tested in the study.

The correlation coefficient is measured on a scale that varies from +1 through 0 to -1. Complete correlation between two variables is expressed by either +1 or -1. When one variable increases as the other increases the correlation is positive when one decreases as the other increases it is negative.

Correlation coefficient (r)	Description (Rough)
0.0 to -0.2	Very weak
-0.2 to -0.4	Weak association
-0.4 to -0.6	Moderate association
-0.6 to -0.8	Strong association

Hypothesis one:

H_0: There is no significant relationship between marketing plan and company turnover rate.

Independent variable: Marketing plan

Dependent variable: Turnover rate

Test statistic: Pearson's product moment correlation coefficient

The analysis showed a correlation coefficient of 0.872 indicating the existence of strong positive relationship between marketing plan and turnover rate. The test was significant at 0.01 significant level and led to the rejection of the null hypothesis which states that there is no significant relationship between marketing plan and turnover rate. Consequently, the alternative hypothesis was accepted and conclusion reached that there is a significant relationship between marketing plan and turnover rate

Table 1. Correlation result of relationship between marketing plan and turnover rate

		MP	TR
	Pearson correlation	1	.872**
	Sig. (2-tailed)		.000
MP	Sum of squares and cross-products	138.58	171.21
	Covariance	.250	.236
	N	196	196
	Pearson correlation	.872**	1
	Sig. (2-tailed)	.000	
TR	Sum of squares and cross-products	176.41	622.44
	Covariance	.336	1.51
	N	196	196

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

Source: SPSS analysis.

Hypothesis two:

H_0: Financial plan does not significantly induce company market share.

Independent variable: Financial plan

Dependent variable: Market share

Test statistic: Pearson product moment correlation coefficient

The analysis showed a correlation coefficient of 0.845 indicating the existence of strong positive relationship between financial plan and market share. The test was significant at 0.01 significant level, and led to the rejection of the null hypothesis which states that there is no significant relationship between financial plan and market share. The alternative hypothesis was consequently accepted and conclusion reached that there is a significant relationship between financial plan and market share.

Table 2. Correlation result of relationship between financial plan and market share

		FP	MS
	Pearson correlation	1	.845**
	Sig. (2-tailed)		.000
FP	Sum of squares and cross-products	301.74	116.94
	Covariance	.421	.305
	N	196	196
	Pearson correlation	.845**	1
	Sig. (2-tailed)	.000	
MS	Sum of squares and cross-products	176.94	159.32
	Covariance	.305	.201
	N	196	196

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

Source: SPSS analysis by Researcher, 2024.

Hypothesis three:

H_0: Personnel plan does not determine the quality of products a company will produce.

Personnel plan and product quality

Independent variable: Personnel plan

Dependent variable: Product quality

Test statistic: Pearson product moment correlation coefficient

The analysis showed a correlation coefficient of 0.809 indicating the existence of strong positive relationship between Personnel plan and product quality. The test was significant at 0.01 significant level. This led to the rejection of the null hypothesis in favor of the alternative hypothesis which states that there is a significant relationship between personnel plan and product quality. The conclusion was that personnel planning significantly related with product quality.

Table 3. Correlation result of relationship between personnel plan and product quality

		PP	PQ
	Pearson correlation	1	.809**
	Sig. (2-tailed)		.000
PP	Sum of squares and cross-products	33.32	124.92
	Covariance	.517	.404
	N	196	196
	Pearson correlation	.809**	1
	Sig. (2-tailed)	.000	
PQ	Sum of squares and cross-products	127.92	318.28

Covariance	.404	.649
N	196	196

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

Source: SPSS analysis by Researcher, 2024.

6. Summary of Findings

Based on the analysis of results, the following findings were made thus:

1) There is a significant relationship between marketing plan and company turnover rate.
2) Financial plan significantly induce company market share.
3) Personnel plan determined the quality of products a company will produce.

7. Conclusion/Recommendations

The study empirically examined the relationship between business planning and organizational profitability. The study revealed that there is a significant relationship between marketing plan and company turnover rate. Financial plan significantly induce company market share. Personnel plan determined the quality of products a company will produce. Planning involves the plan or pattern of act that adds company main goals, policies and action systems are unified into a whole. It empowers managers to convert data into valued decisions and appropriate actions. The following recommendations are made for the study:

1) There is an urgent need for all corporate management units to develop a policy that will be non-ambiguous, set out clear targets with well-defined objectives.
2) Policies formulated should be disseminated down the line of management.
3) External and internal factors tend to affect organizations and also be involved while planning.

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