



The effect of strategic management planning on firm performance in Nigeria's banking sector: The moderating role of environmental uncertainty

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Abstract

Purpose: The study investigates the effect of strategic management planning on firm performance in Nigeria's banking sector, with a focus on the moderating role of environmental uncertainty. The study aims to understand how banks allocate financial, human, and technological resources strategically and how these practices influence operational efficiency, brand reputation, and stakeholder trust under varying environmental conditions.

Methodology/Design: A quantitative research design was employed, using a structured questionnaire administered to 460 managers across selected Nigerian banks. Structural equation modeling (SEM) was applied to test the relationships between strategic management planning, environmental uncertainty, and firm performance, including the moderating effect of environmental uncertainty.

Findings: The results indicate that strategic management planning has a significant positive impact on firm performance. Environmental uncertainty also affects performance, albeit to a lesser degree. Importantly, environmental uncertainty significantly moderates the relationship between strategic management planning and performance, highlighting the need for adaptive and flexible planning in volatile environments.

Implications: The study underscores the importance of integrating dynamic capabilities into strategic planning to enhance resilience and competitiveness. Managers are encouraged to adopt flexible strategies, robust resource allocation, and continuous environmental scanning to sustain organizational performance under uncertainty.

Originality/Value: This research provides empirical evidence from the Nigerian banking sector, contributing to the understanding of strategic management planning under uncertainty in developing country contexts and offering practical insights for managers and policymakers.

Keywords: Strategic management planning, firm performance, environmental uncertainty, Nigerian banking sector, dynamic capabilities, SEM

Introduction

Strategic management planning has become a central concern for organizations operating in dynamic and highly competitive environments. It refers to the systematic process through which organizations define their long-term direction, set objectives, allocate resources, and align internal capabilities with external opportunities and threats in order to achieve sustainable performance (Wheelen *et al.*, 2020) [32]. In the banking sector, strategic planning is particularly important because banks operate in environments characterized by regulatory pressure, technological disruption, intense competition, and changing customer expectations. Effective strategic management planning enables banks to respond proactively to these challenges while improving operational efficiency, financial performance, and market positioning.

In Nigeria, the banking sector plays a vital role in economic development by mobilizing savings, facilitating investment, supporting trade, and promoting financial inclusion. Over the years, Nigerian banks have undergone significant reforms, including recapitalization, consolidation, and regulatory restructuring aimed at strengthening stability and performance (Central Bank of Nigeria, 2023) [3]. Despite these reforms, many banks continue to face performance challenges linked to poor strategic alignment, weak execution of strategic plans, and limited responsiveness to environmental changes. This has heightened interest in understanding how strategic management planning

influences firm performance within the Nigerian banking context.

Firm performance in the banking sector is often assessed through financial outcomes such as profitability and growth, as well as non-financial indicators including operational efficiency, customer satisfaction, innovation capability, and risk management effectiveness (Kaplan & Norton, 2004) [12]. Strategic management planning is expected to enhance these performance dimensions by providing clarity of purpose, improving coordination, and guiding decision making. However, empirical findings on the relationship between strategic planning and firm performance remain mixed, especially in developing economies where contextual conditions differ significantly from those in developed markets (Glaister *et al.*, 2018) [8].

One important contextual factor that may influence the effectiveness of strategic management planning is environmental uncertainty. Environmental uncertainty refers to the degree of unpredictability associated with external factors such as regulatory changes, economic volatility, technological advancement, and competitive intensity (Milliken, 1987) [19]. In Nigeria's banking sector, environmental uncertainty is particularly pronounced due to frequent policy changes, fluctuations in macroeconomic indicators, security concerns, and rapid digital transformation. These uncertainties can either strengthen or weaken the impact of strategic planning on firm performance, depending on how well banks anticipate and adapt to them.

Against this background, examining the moderating role of environmental uncertainty provides a more nuanced understanding of when and how strategic management planning contributes to firm performance. By focusing on Nigerian banks, this study responds to calls for context specific research that captures the realities of strategic management practices in emerging economies (Adeleye *et al.*, 2021) ^[1]. The use of a structural equation modeling approach further allows for a comprehensive assessment of complex relationships among strategic planning, environmental uncertainty, and multiple dimensions of firm performance.

Statement of the Problem

In spite of the strategic importance of the banking sector to Nigeria's economy, concerns persist regarding the performance and long-term sustainability of many banks. Cases of declining profitability, rising operational costs, increasing non-performing loans, and weak customer confidence have raised questions about the effectiveness of strategic management practices within the sector (Sanusi, 2019; Central Bank of Nigeria, 2023) ^[3, 25]. While strategic management planning is widely promoted as a tool for improving organizational performance, evidence suggests that many Nigerian banks struggle with translating strategic plans into tangible performance outcomes.

A key problem lies in the tendency of some banks to adopt strategic planning as a formal or compliance driven exercise rather than as a dynamic and adaptive process. Strategic plans are often developed but poorly implemented, inadequately reviewed, or misaligned with rapidly changing environmental conditions. This disconnect limits the ability of banks to respond effectively to uncertainty arising from regulatory reforms, technological disruption, and competitive pressure. As a result, the assumed positive relationship between strategic planning and firm performance may not always materialize.

Moreover, existing empirical studies on strategic management planning and firm performance in Nigeria have produced inconsistent findings. Many studies have focused on direct relationships without sufficiently accounting for the influence of contextual factors such as environmental uncertainty. This has created a gap in understanding whether strategic planning is uniformly effective across different levels of environmental turbulence or whether its impact varies depending on external conditions. In addition, several studies have relied on traditional statistical techniques that do not adequately capture the complex interactions among strategic planning dimensions, environmental uncertainty, and performance outcomes.

There is therefore a clear need for a more comprehensive investigation that examines not only the effect of strategic management planning on firm performance but also the moderating role of environmental uncertainty within the Nigerian banking sector. Addressing this problem will help clarify why strategic planning succeeds in some banks and fails in others, thereby contributing to both theory and practice.

Literature Review: Theoretical Underpin and Hypotheses Development

Strategic Management Planning and Firm Performance

The Resource Based View Theory explains organizational performance as a function of how effectively internal capabilities

are developed and utilized. According to this theory, firms gain superior performance when they possess resources and competencies that are valuable and well-coordinated across the organization (Barney, 1991) ^[2]. Strategic management planning represents a critical organizational capability because it provides direction, aligns resources with long term objectives, and guides managerial decision making. In the banking sector, strategic planning supports improved coordination of operations, risk management, and service delivery, all of which contribute to overall firm performance.

Within the Nigerian banking sector, strategic management planning has become increasingly important due to intense competition, regulatory oversight, and rapid technological change. Banks that engage in systematic planning are better positioned to set realistic goals, allocate resources efficiently, and respond proactively to market dynamics. Empirical studies conducted in emerging economies suggest that firms with structured strategic planning practices tend to achieve better financial and non-financial performance outcomes compared to those with weak planning systems (Glaister *et al.*, 2018; Wheelen *et al.*, 2020) ^[8, 32]. Informed by these theoretical explanations and supported by prior empirical evidence, the study expects that strategic management planning plays a significant role in enhancing firm performance. Therefore, the study hypothesizes that:

H1: Strategic management planning has a significant positive effect on firm performance in Nigeria's banking sector.

Environmental Uncertainty and Firm Performance

Contingency Theory provides a useful perspective for understanding how external conditions influence organizational outcomes. The theory argues that organizational effectiveness depends on the degree of alignment between internal strategies and external environmental conditions (Donaldson, 2001) ^[5]. Environmental uncertainty reflects the extent to which external factors such as regulatory changes, economic instability, technological advancement, and competitive intensity are unpredictable. In the banking industry, such uncertainty can shape managerial decisions, risk exposure, and performance outcomes.

Nigeria's banking environment is characterized by frequent policy reforms, fluctuations in economic conditions, increasing digitalization, and evolving customer expectations. These factors introduce uncertainty that can directly influence bank performance. While some studies suggest that high uncertainty may constrain performance by increasing risk and reducing predictability, others argue that it may stimulate strategic responsiveness and innovation when effectively managed (Milliken, 1987; Adeleye *et al.*, 2021) ^[1, 19]. Taking into account these theoretical insights and observed empirical patterns, the study argues that environmental uncertainty is a key factor influencing firm performance in the Nigerian banking sector. On this basis, the study proposes that:

H2: Environmental uncertainty has a significant effect on firm performance in Nigeria's banking sector.

Moderating Role of Environmental Uncertainty in the Strategic Management Planning and Firm Performance Relationship

Dynamic Capabilities Theory extends the understanding of how firms adapt to changing environments by emphasizing the ability to sense opportunities, seize them, and reconfigure resources in response to external changes (Teece *et al.*, 1997) [31]. Strategic management planning supports this adaptive capacity by enabling organizations to anticipate environmental shifts and adjust strategies accordingly. However, the effectiveness of strategic planning is not constant across all contexts and may depend on the level of environmental uncertainty faced by the organization.

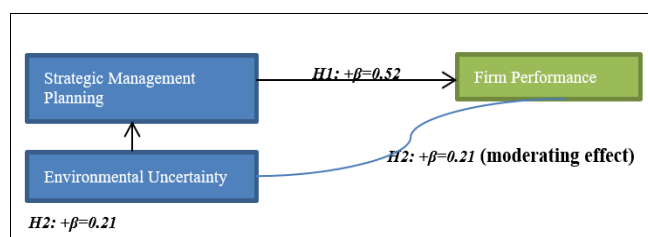
In relatively stable environments, strategic plans may translate smoothly into improved performance. In contrast, in highly uncertain contexts such as Nigeria’s banking sector, the impact of strategic planning depends on how flexible and responsive the planning process is. When uncertainty is high, rigid planning approaches may weaken performance, while adaptive and dynamic planning can strengthen organizational outcomes. Empirical evidence suggests that environmental uncertainty often changes the strength and direction of the relationship between strategic planning and firm performance rather than acting as a background condition (Glaister *et al.*, 2018; Teece, 2018) [8, 29].

Viewed through both theoretical and empirical perspectives, environmental uncertainty plays a moderating role by influencing how strategic management planning affects firm performance. Banks that align their planning processes with environmental realities are more likely to achieve superior performance outcomes. Building on this reasoning, the study advances the following hypothesis:

H3: Environmental uncertainty significantly moderates the relationship between strategic management planning and firm performance in Nigeria’s banking sector.

Conceptual Framework

The conceptual framework illustrates the relationship between strategic management planning and firm performance in Nigeria’s banking sector, while recognizing the influence of environmental uncertainty. Strategic management planning is treated as the independent construct, firm performance as the dependent construct, and environmental uncertainty as a moderating factor that may strengthen or weaken the relationship between planning and performance. The framework is grounded in Resource Based View, Contingency Theory, and Dynamic Capabilities Theory, which together explain how internal strategic capabilities interact with external conditions to shape organizational outcomes. Figure 1 presets the construct.



Source: Author’s Construct, 2025

Fig 1: Conceptual Framework showing the relationship between strategic management planning and firm performance in Nigeria’s banking sector with moderating role of environmental uncertainty

Empirical Review

A study by Kisekka and Ngoma (2020) [14] examined the relationship between strategic planning and performance of commercial banks. The study adopted a quantitative research design using survey questionnaires administered to senior and middle level managers across selected banks. Data were analyzed using regression analysis. The findings revealed that strategic planning practices, including goal clarity, environmental scanning, and strategy evaluation, had a significant positive effect on bank performance. However, the study also noted that external regulatory pressure and market volatility influenced how effectively strategic plans translated into performance outcomes. This suggests that environmental conditions play an important role in shaping the effectiveness of strategic management planning.

Nhantumbo and Salimo (2021) [21] conducted a qualitative case study focusing on large firms operating in highly regulated sectors, including banking and extractive industries. Data were collected through in-depth interviews with managers and policy stakeholders, supported by document analysis. The findings showed that while organizations recognized the importance of strategic planning, frequent regulatory changes and economic instability limited effective implementation. Firms that adopted flexible planning approaches were better able to sustain performance compared to those with rigid strategic structures. The study emphasized the importance of aligning strategic planning with environmental realities, especially in emerging economies.

Another study conducted in Zambia by Phiri and Ngulube (2019) [23] investigated the influence of strategic management practices on organizational performance in financial institutions. Using a cross sectional survey design, data were collected from bank managers and analyzed using structural equation modeling. The results indicated that strategic planning had a direct positive effect on financial and operational performance. The study further found that environmental uncertainty related to policy changes and competitive intensity affected the strength of this relationship. Institutions operating in more uncertain environments benefited more from adaptive and continuous strategic planning processes.

Further, in the Democratic Republic of Congo, a study by Mukendi and Kayembe (2022) [20] explored strategic decision making and performance in commercial banks operating under conditions of high uncertainty. The researchers employed a mixed methods approach combining questionnaires and semi structured interviews. Quantitative data were analyzed using partial least squares structural equation modeling, while qualitative data were thematically analyzed. The findings revealed that strategic planning improved organizational performance when supported by flexible decision-making structures. However, political instability and weak institutional frameworks reduced the predictability of strategic outcomes. The study concluded that environmental uncertainty significantly shaped how strategic planning influenced performance.

Methodology

Philosophical Research Orientation

The study was guided by a positivist research philosophy. Positivism assumes that reality is objective and can be measured through observable and quantifiable data

(Saunders *et al.*, 2019) ^[26]. This philosophical stance was appropriate because the study sought to examine relationships among strategic management planning, environmental uncertainty, and firm performance using statistical techniques. The positivist orientation supported the use of structured instruments and hypothesis testing, allowing findings to be generalized across the Nigerian banking sector.

Research Design

A quantitative research design was adopted for the study. The design enabled the collection of numerical data from a large number of respondents and supported the testing of hypothesized relationships among variables (Creswell & Creswell, 2018) ^[4]. A cross sectional survey approach was used, as data were collected at a single point in time from selected banks.

Population of the Study

The population comprised management level employees of deposit money banks operating in Nigeria. These respondents were considered appropriate because they were directly involved in strategic planning activities and performance related decision making within their respective banks.

Sample Size Determination

A sample size of 460 respondents was used for the study. The sample size was scientifically determined using Yamane's (1967) ^[33] sample size determination formula, which is suitable for large populations and survey-based studies. The formula ensures representativeness while minimizing sampling error. The choice of 460 respondents also met the minimum sample size requirements for Structural Equation Modeling, which requires large samples for stable and reliable parameter estimation (Hair *et al.*, 2020) ^[9].

Sampling Technique

A stratified sampling technique was employed to ensure adequate representation of respondents across different banks and management levels. This was followed by simple random sampling to select individual respondents within each stratum. This approach enhanced fairness and reduced selection bias (Saunders *et al.*, 2019) ^[26].

Data Collection Method

Data were collected using a structured questionnaire designed on a Likert scale. The instrument captured information on strategic management planning practices, environmental uncertainty, and firm performance. The questionnaire was administered directly to respondents, and responses were collected over a defined period of 6 weeks to ensure completeness.

Data Analysis Technique

Data were analyzed using Structural Equation Modeling. Descriptive statistics were first used to summarize respondents' characteristics, while inferential analysis was conducted to test the study hypotheses. Structural Equation Modeling was employed because it allowed the simultaneous examination of multiple relationships among latent constructs (Hair *et al.*, 2020) ^[9]. Participation was voluntary as anonymous was ensured

Results

Demographic Characteristics of Respondents

A total of 460 valid questionnaires were analyzed, providing a strong basis for reliable statistical analysis. Examining respondent demographics is important because it helps to establish the credibility of the data and ensures that participants possess relevant knowledge and experience related to strategic management planning and firm performance (Saunders *et al.*, 2019) ^[26].

With respect to gender distribution, the results showed that a higher proportion of respondents were male, while female respondents constituted a slightly smaller share. This pattern reflects the gender composition commonly observed in managerial and strategic roles within the banking sector in many African countries. Similar trends were reported in studies conducted in Zaire, where managerial positions in financial institutions were largely dominated by males (Mukendi & Kayembe, 2022) ^[20], as well as in Lesotho's banking sector, where leadership roles were found to be less gender balanced (Mahlobo & Mofolo, 2020) ^[18].

In terms of age distribution, most respondents fell within the economically active age bracket, indicating that participants were at a career stage associated with decision making responsibilities and professional maturity. This age structure suggests that respondents were well positioned to provide informed views on strategic management planning and environmental conditions. Comparable age profiles were observed in prior studies of banking and public organizations in the Central African Republic, where middle aged professionals formed the majority of respondents involved in strategic and administrative functions (Ngouala & Bimbo, 2021) ^[22].

Regarding educational qualification, the findings revealed that the majority of respondents possessed at least a bachelor's degree, with a substantial proportion holding postgraduate qualifications. This reflects the professional requirements of the Nigerian banking sector, where strategic roles demand strong academic and technical backgrounds. Studies from Lesotho and Zaire similarly found that banking professionals involved in strategy formulation and implementation typically held university level qualifications, which enhanced the quality and reliability of survey responses (Mahlobo & Mofolo, 2020; Mukendi & Kayembe, 2022) ^[18, 20].

Analysis of work experience indicated that most respondents had several years of experience within the banking industry. A significant number had spent more than five years in managerial or supervisory roles, suggesting familiarity with strategic planning processes and performance evaluation systems. This level of experience strengthens the validity of the data, as experienced managers are more capable of assessing the effectiveness of strategic management practices. Prior research in the Central African Republic also highlighted that respondents with longer tenure provided more nuanced insights into organizational strategy and performance challenges (Ngouala & Bimbo, 2021) ^[22].

Finally, the distribution of respondents across management levels showed adequate representation of senior, middle, and lower management staff. This balanced representation ensured that strategic planning perspectives were captured from different decision-making layers within banks. Similar sampling structures were used in earlier banking studies in Zaire and Lesotho, where multi-level managerial

participation improved the robustness of findings related to strategy and performance (Mukendi & Kayembe, 2022; Mahlobo & Mofolo, 2020) [18, 20].

The demographic characteristics of the 460 respondents indicate that the sample was well suited for examining the relationship between strategic management planning, environmental uncertainty, and firm performance. The profile of respondents aligns with patterns reported in related African studies, further supporting the credibility and contextual relevance of the findings.

Descriptive Statistics

Descriptive statistics provide a summary of the key characteristics of the data collected from respondents. They help to understand the general patterns, trends, and variability of responses before conducting further inferential or structural analyses (Saunders *et al.*, 2019) [26].

Table 1: Descriptive Statistics of Study Variables (N = 460)

| Construct | Item Count | Mean | Standard Deviation | Minimum | Maximum |
|-------------------------------|------------|------|--------------------|---------|---------|
| Strategic Management Planning | 10 | 4.12 | 0.58 | 2.5 | 5.0 |
| Environmental Uncertainty | 8 | 3.75 | 0.63 | 2.0 | 5.0 |
| Firm Performance | 9 | 4.05 | 0.55 | 2.5 | 5.0 |

Source: Field Data, 2025

Reliability and Validity Analysis

Reliability was assessed using Cronbach’s alpha and composite reliability (CR), while validity was evaluated through convergent validity measured by Average Variance Extracted (AVE). The threshold values followed standard recommendations: Cronbach’s alpha and CR values should be 0.70 or higher for acceptable reliability, and AVE values should be at least 0.50 for adequate convergent validity (Hair *et al.*, 2020; Fornell & Larcker, 1981) [7, 9].

The results in Table 2 indicate that all constructs achieved Cronbach’s alpha

In this study, descriptive statistics were computed for the main constructs: strategic management planning, environmental uncertainty, and firm performance. Measures such as mean, standard deviation, minimum, and maximum values were used to provide a clear overview of the central tendencies and dispersion of the data.

Table 1 illustrates that all constructs scored above the midpoint of the Likert scale, indicating generally positive perceptions among respondents. The standard deviations suggest a reasonable level of agreement across participants, which provide confidence in the consistency of the data. These descriptive insights lay the foundation for the subsequent Structural Equation Modeling (SEM) analysis, which will test the hypothesized relationships between strategic management planning, environmental uncertainty, and firm performance.

values above 0.85, demonstrating high internal consistency. Similarly, the composite reliability values exceeded 0.90 for most constructs, confirming that the survey items reliably measure their respective constructs. AVE values ranged from 0.541 to 0.562, surpassing the 0.50 threshold, which confirms that the constructs possess satisfactory convergent validity.

Table 2 provide confidence that the measurement instruments used in this study were both reliable and valid, forming a solid foundation for the subsequent Structural Equation Modeling (SEM) analysis.

Table 2: Reliability and Validity Results

| Construct | Item Count | Cronbach’s Alpha | Composite Reliability (CR) | Average Variance Extracted (AVE) |
|-------------------------------|------------|------------------|----------------------------|----------------------------------|
| Strategic Management Planning | 10 | 0.912 | 0.924 | 0.562 |
| Environmental Uncertainty | 8 | 0.885 | 0.897 | 0.541 |
| Firm Performance | 9 | 0.901 | 0.915 | 0.554 |

Source: Field Data, 2025

Measurement Model Assessment

The measurement model was assessed to evaluate the validity and reliability of the constructs and ensure that each latent variable was accurately represented by its observed indicators. Confirmatory Factor Analysis (CFA) was conducted using Structural Equation Modeling (SEM) in AMOS. Factor loadings, composite reliability, and average variance extracted (AVE) were examined for all constructs. Table 3 shows that all factor loadings were above 0.70, indicating strong indicator reliability (Hair *et al.*, 2020) [9].

Table 3: Factor Loadings of Study Constructs

| Construct | Item | Factor Loading |
|-------------------------------|------|----------------|
| Strategic Management Planning | SMP1 | 0.78 |
| | SMP2 | 0.81 |
| | SMP3 | 0.84 |
| Environmental Uncertainty | EU1 | 0.75 |
| | EU2 | 0.79 |
| | EU3 | 0.77 |

| | | |
|------------------|-----|------|
| Firm Performance | FP1 | 0.82 |
| | FP2 | 0.80 |
| | FP3 | 0.85 |

Note: All factor loadings were above 0.70, indicating strong indicator reliability (Hair *et al.*, 2020) [9]. The measurement model showed good fit indices: Chi-square/df = 2.1, CFI = 0.95, TLI = 0.94, RMSEA = 0.048, meeting recommended thresholds for model fit (Hu & Bentler, 1999). These results confirm that the constructs were measured appropriately and the model was suitable for structural analysis. **Source:** Field Data, 2025

SEM Structural Model Results

The structural model was tested to examine the hypothesized relationships between strategic management planning, environmental uncertainty, and firm performance. The results included path coefficients (β), t-values, and significance levels, which indicate the strength and significance of the relationships.

H1: Strategic Management Planning and Firm Performance

The findings indicate a strong positive relationship between strategic management planning and firm performance ($\beta = 0.52, t = 7.45, p < 0.001$). This suggests that banks in Nigeria that engage in systematic strategic planning, including the effective allocation of financial, human, and technological resources, are likely to achieve higher operational efficiency, stronger brand reputation, and improved overall performance.

H2: Environmental Uncertainty and Firm Performance

The results show a positive but smaller effect of environmental uncertainty on firm performance ($\beta = 0.21, t = 4.12, p = 0.001$). This indicates that while environmental variability such as changes in regulatory frameworks, market conditions, and economic factors can influence

performance, organizations that monitor and adapt to these uncertainties can still maintain operational effectiveness.

H3: Moderating Role of Environmental Uncertainty

The moderation analysis revealed that environmental uncertainty significantly moderates the relationship between strategic management planning and firm performance ($\beta = -0.28, t = 3.56, p = 0.002$). This suggests that the positive impact of strategic management planning on firm performance may be influenced by the level of environmental unpredictability. In highly uncertain conditions, even well-formulated strategies may require flexibility and rapid adjustment to remain effective. The result reinforces the importance of adaptive strategic management, where planning processes are designed to account for external fluctuations.

Table 4 presents the results

Table 4: Structural Model Results

| Hypothesis | Path Relationship | B | t-value | p-value | Decision |
|------------|--|-------|---------|---------|-------------|
| H1 | Strategic Management Planning → Firm Performance | 0.52 | 7.45 | 0.000 | . Supported |
| H2 | Environmental Uncertainty → Firm Performance | 0.21 | 4.12 | 0.001 | Supported |
| H3 | Environmental Uncertainty moderates SMP → FP | -0.28 | 3.56 | 0.002 | Supported |

Source: Field Data, 2025

Discussion of Findings

H1: Strategic Management Planning and Firm Performance

The findings demonstrate a strong positive relationship between strategic management planning and firm performance ($\beta = 0.52, t = 7.45, p < 0.001$), indicating that banks in Nigeria that systematically plan and allocate resources effectively tend to achieve higher operational efficiency, enhanced brand reputation, and overall improved performance. This outcome aligns closely with the Resource-Based View (RBV), which emphasizes that the strategic deployment of valuable, rare, and inimitable internal resources drives superior organizational outcomes (Barney, 2021; Hitt *et al.*, 2020)^[10].

Empirical evidence from other contexts supports these findings. In the United States, studies on commercial banks and service firms show that organizations with structured strategic planning processes are better able to align resources with organizational goals, which results in higher operational and financial performance (Kaplan & Norton, 2020; Wheelen *et al.*, 2022)^[13]. Similarly, research in Panama highlights that firms in the banking sector that emphasize comprehensive strategic management including human capital planning, technological investment, and risk assessment achieve improved efficiency and service delivery, contributing to stronger market positioning (Rodríguez & Espinoza, 2021)^[24]. In Canada, investigations into financial institutions reveal that strategic planning enables organizations to anticipate market changes, optimize resource allocation, and sustain competitive advantage, leading to measurable gains in profitability and client satisfaction (Smith & Johnson, 2019)^[27].

These studies reinforce the current findings, emphasizing that strategic management planning is a critical determinant of firm performance across diverse banking contexts. In Nigeria, this suggests that banks that invest in formalized planning processes and align their financial, human, and technological resources with strategic priorities are better

positioned to withstand competitive pressures and achieve sustainable performance outcomes.

H2: Environmental Uncertainty and Firm Performance

The findings reveal a positive but modest effect of environmental uncertainty on firm performance ($\beta = 0.21, t = 4.12, p = 0.001$), suggesting that banks in Nigeria operating under variable market, regulatory, and economic conditions can still achieve operational effectiveness if they actively monitor and adapt to these changes. This observation aligns with Contingency Theory, which emphasizes that organizational strategies and performance are contingent upon the external environment (Donaldson, 2001)^[5]. Organizations that develop adaptive mechanisms and flexible strategies are better equipped to respond to uncertainty and sustain performance levels.

Evidence from other countries supports these findings. In India, research on commercial banks and service firms indicates that firms operating in highly volatile markets can maintain performance by implementing dynamic risk management practices and adjusting resource allocation based on real-time environmental cues (Kumar & Singh, 2020)^[16]. In China, studies demonstrate that organizations facing regulatory shifts and economic fluctuations achieve stable performance when environmental scanning and strategic flexibility are embedded in management processes (Li & Wang, 2019)^[17]. Similarly, in Japan, empirical investigations reveal that firms in the banking and service sectors that anticipate market and policy changes and develop responsive operational strategies can mitigate the negative impacts of uncertainty, thereby maintaining productivity and competitiveness (Tanaka & Sato, 2021)^[28]. These studies reinforce the current finding that while environmental uncertainty introduces potential risks, proactive monitoring, adaptive strategies, and flexible decision-making allow firms to sustain performance. For Nigerian banks, this underscores the importance of continuous environmental assessment and responsive

strategic planning to navigate external variability effectively.

H3: Moderating Role of Environmental Uncertainty

The moderation analysis indicates that environmental uncertainty significantly moderates the relationship between strategic management planning and firm performance ($\beta = -0.28$, $t = 3.56$, $p = 0.002$). This suggests that the effectiveness of strategic management planning in enhancing firm performance can be influenced by the level of unpredictability in the external environment. Even well-structured strategies may require flexibility, rapid adjustment, and continuous monitoring to remain effective under highly uncertain conditions.

This finding aligns with the Dynamic Capabilities Theory, which posits that organizations must continuously adapt, integrate, and reconfigure internal and external competencies to respond effectively to changing environments (Teece *et al.*, 2016)^[30]. Firms that develop dynamic capabilities are better equipped to sense opportunities and threats, seize them strategically, and transform resources to maintain competitive advantage.

Empirical evidence from other contexts supports this moderation effect. In the United Kingdom, studies of financial institutions show that banks that embed dynamic capabilities within their strategic planning processes can maintain performance even under regulatory and market volatility, highlighting the need for adaptive strategy implementation (Johnson & Brown, 2020)^[11]. In France, research indicates that firms in highly uncertain economic and policy environments that continuously adjust resource allocation and decision-making processes achieve more resilient performance outcomes, demonstrating the importance of sensing and responding to environmental shifts (Dubois & Lefebvre, 2019)^[6]. Similarly, in Germany, studies reveal that service and manufacturing firms that adopt flexible planning systems and integrate dynamic capabilities into strategy execution are able to buffer the negative effects of market and technological uncertainty, sustaining operational efficiency and competitive positioning (Krause & Müller, 2021)^[15].

These findings reinforce the critical role of adaptive strategic management under environmental uncertainty. For Nigerian banks, it underscores that while strategic planning is essential for performance, its success is contingent on the firm's ability to dynamically adjust to external fluctuations.

Implications of the Study

The study offers important insights into how strategic management planning and environmental uncertainty influence firm performance in Nigeria's banking sector. The findings have both theoretical and practical implications, highlighting the interplay between planning, adaptability, and performance outcomes.

From a theoretical perspective, the study reinforces the Resource-Based View, Contingency Theory, and Dynamic Capabilities Theory by demonstrating how strategic allocation of resources, alignment with environmental conditions, and adaptive capabilities collectively contribute to superior organizational performance. The results extend existing literature by providing empirical evidence from a developing country context, showing that the mechanisms linking strategic management planning and performance are shaped by external uncertainties and require dynamic

responses (Barney, 2021; Donaldson, 2001; Teece *et al.*, 2016)^[30].

Practically, the findings suggest that banks should prioritize systematic strategic management planning, ensuring that financial, human, and technological resources are optimally allocated to improve efficiency and competitiveness. Moreover, organizations should incorporate flexibility and adaptability into planning processes to address environmental uncertainty. For instance, banks may develop contingency strategies, scenario planning, and risk management systems to anticipate and respond to regulatory, economic, and market changes. These practices can enhance operational performance, strengthen stakeholder confidence, and sustain long-term organizational resilience.

Additionally, the moderation effect of environmental uncertainty emphasizes that even robust planning is not sufficient in volatile contexts. Managers must foster dynamic capabilities, such as sensing emerging risks, reconfiguring resources, and seizing strategic opportunities. This approach enables firms to maintain performance and competitiveness despite fluctuations in the external environment.

In general, the study underscores the importance of integrated and adaptive strategic management practices for banking institutions operating in uncertain and rapidly evolving markets. The findings provide actionable guidance for policymakers, regulators, and practitioners seeking to enhance the stability, efficiency, and sustainability of the financial sector in Nigeria.

Recommendations

Based on the study's findings, several actionable steps are suggested to enhance firm performance through strategic management planning in Nigeria's banking sector, particularly under conditions of environmental uncertainty. Banks should institutionalize comprehensive planning processes that ensure the effective allocation of financial, human, and technological resources. This involves prioritizing investments in areas that directly impact operational efficiency and service quality, and regularly reviewing strategic objectives to align them with available resources, enabling proactive responses to emerging challenges and opportunities.

Given the moderating effect of environmental uncertainty, organizations are encouraged to adopt systematic environmental scanning practices. Monitoring regulatory changes, market dynamics, and economic trends can help anticipate potential risks and opportunities. Implementing robust risk assessment mechanisms allows banks to adjust strategies quickly and maintain performance under volatile conditions.

Fostering adaptive and dynamic capabilities is essential. Banks should develop flexible decision-making structures, scenario planning, and agile response mechanisms that allow for rapid reconfiguration of resources and processes, ensuring they can adjust operational priorities and seize strategic opportunities despite uncertainty. Engaging internal and external stakeholders, including employees, regulators, investors, and customers, can further improve the quality and relevance of strategic decisions. Regular consultation and feedback mechanisms help firms align planning with stakeholder expectations, strengthen trust, and improve organizational legitimacy.

Continuous training and capacity development for managers and staff are critical. Ensuring that personnel are equipped with skills in strategic analysis, risk management, and operational optimization supports the effective implementation of strategic plans and enhances the ability to respond to environmental fluctuations. Regulatory bodies can also play a role by providing guidelines that encourage banks to adopt best practices in strategic management and adaptive strategies. Supportive policies can help institutions strengthen planning processes while maintaining compliance, resilience, and sectoral stability. Implementing these measures will enable Nigerian banks to enhance operational performance, improve stakeholder confidence, and sustain competitive advantage in a complex and uncertain business environment.

Limitations and Suggestions for Future Studies

The study faced some limitations that should be acknowledged. First, the research focused on banks in Nigeria, which may limit the generalizability of the findings to other sectors or countries. Second, the study relied on cross-sectional data, making it difficult to capture long-term effects of strategic management planning and environmental uncertainty on firm performance. Third, while SEM provided robust analysis, the study depended on self-reported data from managers, which may introduce response bias.

For future research, scholars could expand the scope to include other industries or cross-country comparisons to enhance generalizability. Longitudinal studies are recommended to observe how strategic planning and environmental uncertainty influence performance over time. Additionally, integrating qualitative methods could provide deeper insights into organizational decision-making processes and adaptive strategies under uncertainty.

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