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**Effect of Strategic Planning on Financial Performance of Public
Hospitals in Tharaka Nithi County, Kenya**



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Effect of Strategic Planning on Financial Performance of Public

Hospitals in Tharaka Nithi County, Kenya

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Abstract

Purpose: The purpose of the study was to evaluate the effect of strategic planning on financial performance of public hospitals in Tharaka Nithi County, Kenya

Methodology: The study used a descriptive design targeting 120 senior staff in four public hospitals in Tharaka Nithi County. A census approach and structured questionnaires were used. A pilot study ensured validity. Data were analyzed using descriptive and inferential statistics, with diagnostic tests confirming the regression model's robustness.

Results: The study found a statistically significant positive relationship between strategic planning and financial performance in public hospitals in Tharaka Nithi County ($R = 0.504$, $R^2 = 0.254$, $B = 0.592$, $p < 0.05$). Strategic planning explained 25.4% of performance variance, confirming its importance as a key driver of financial outcomes in Kenya's public healthcare institutions.

Unique Contribution to Theory, Policy, and Practice: This study offers a unique contribution to theory, policy, and practice by demonstrating how strategic planning enhances financial performance in public healthcare institutions. Theoretically, it supports the Resource-Based View (RBV) by showing that hospitals with well-structured strategic plans achieve better financial outcomes through effective resource mobilization. Policy-wise, it urges county governments and health agencies to institutionalize strategic planning in public hospitals, linking plans to budgeting, resource allocation, and performance-based funding. Practically, the study calls for evidence-based planning aligned with institutional priorities and available resources. Hospital managers should adopt data-driven monitoring and evaluation to track progress and improve financial sustainability. These insights are especially relevant for Kenya's devolved health system, where strategic planning can strengthen accountability, optimize spending, and enhance service delivery in an evolving fiscal landscape.

Keywords: *Strategic Planning, Financial Performance, Public Hospitals, Resource-Based View, Health Governance.*

1.0 Introduction

The financial performance of public hospitals is a fundamental pillar for sustaining healthcare delivery, ensuring institutional resilience, and achieving equitable access to medical services across Kenya. Financial performance denotes the hospital's ability to efficiently generate, manage, and allocate financial resources to support service provision while maintaining budgetary discipline, audit compliance, and infrastructural development (Muriuki & Gachoka, 2021). Strong financial outcomes are essential not only for service continuity but also for stakeholder accountability, regulatory adherence, and the credibility of public health institutions. Key indicators such as revenue generation, cost containment, budget absorption, and procurement efficiency provide crucial insights into how effectively a hospital utilizes its financial inputs to deliver health outcomes (Kilonzo & Wanjala, 2023). A financially stable hospital can retain skilled personnel, acquire essential supplies, invest in technology, and withstand fiscal shocks, thereby reinforcing the broader goals of Universal Health Coverage (UHC) and sustainable development. Among the governance mechanisms used to enhance financial performance, strategic planning has emerged as a critical determinant. Strategic planning involves the structured formulation of long-term institutional goals, resource alignment, and performance monitoring to ensure effective service delivery and financial accountability (Otieno & Kiragu, 2023). By providing a roadmap for prioritizing expenditures, anticipating risks, and coordinating departmental objectives, strategic planning enables public hospitals to optimize financial decisions and align them with health needs. Kariuki and Cheruiyot (2021) assert that institutions with robust strategic plans are better positioned to manage constrained resources, adapt to policy shifts, and achieve fiscal sustainability. In the public health context, strategic planning also fosters responsiveness by integrating stakeholder inputs and aligning resource allocation with community health priorities. However, the benefits of strategic planning are not guaranteed. Weak implementation, outdated planning tools, and lack of institutional ownership can reduce strategic plans to symbolic documents with limited influence on financial decisions. In decentralized health systems such as Kenya's, institutional fragmentation, capacity constraints, and political interference often undermine the planning process, resulting in budget misalignment, inefficiencies, and suboptimal financial performance (Mutuku & Kimathi, 2022). Empirical findings by Wambua and Ngugi (2021) indicate that public hospitals lacking coherent strategic plans frequently encounter procurement delays, audit queries, and underutilization of development funds. Conversely, facilities that embed strategic planning into day-to-day management report improved budget absorption, better financial oversight, and enhanced service readiness. Strategic planning is especially vital in county-managed health systems like Tharaka Nithi, where hospitals must operate within devolved budget frameworks, meet rising service demands, and comply with evolving national health policies. Effective strategic planning enables hospital managers to navigate these complexities by aligning fiscal targets with health priorities, identifying funding gaps, and evaluating institutional performance. According to Otieno and Kiragu (2023), hospitals that use data-driven strategic planning models including financial forecasting, workload analysis, and risk assessment

demonstrate stronger control over expenditures and improved ability to attract external funding. Moreover, Wambua and Ngugi (2021) emphasize that participatory and iterative planning practices not only enhance financial performance but also promote transparency and staff motivation in public hospitals. Globally, the Resource-Based View (RBV) Theory offers a compelling lens through which to examine strategic planning. This theory posits that institutional performance is driven by the effective identification, deployment, and alignment of internal resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Applied to public hospitals, RBV suggests that strategic planning is the process through which resources such as skilled personnel, health technologies, financial systems, and leadership capacity are mobilized to achieve performance targets. Empirical research supports this theoretical linkage. Otieno and Kiragu (2023) found that hospitals with well-integrated strategic plans and resource mapping frameworks demonstrated superior financial outcomes, particularly in expenditure control and revenue maximization. Similarly, Kariuki and Cheruiyot (2021) observed that strategic planning enhances financial accountability by aligning internal capabilities with service mandates and fiscal goals. Nonetheless, critiques of RBV such as Priem and Butler (2001) caution that an overemphasis on internal resources may downplay the influence of external variables such as policy changes, political dynamics, and funding fluctuations. In the case of public hospitals, strategic planning must incorporate situational analysis tools such as SWOT and PESTEL frameworks to remain responsive to external shocks. Even so, RBV remains a foundational theory for understanding how internal planning processes can be harnessed to improve financial sustainability and operational efficiency in the public healthcare sector. Despite its strategic relevance, the role of strategic planning in enhancing financial performance remains under-researched within Kenya's public hospital system. Existing studies often bundle strategic planning with other governance variables, overlooking its distinct contributions and operational challenges. Additionally, limited empirical data exist on how strategic planning is implemented in devolved county hospitals and how it influences core financial indicators such as budget absorption, audit performance, and cost-efficiency. Given the escalating demands on Kenya's public health sector, there is an urgent need for evidence-based insights into the financial value of strategic planning. This study addresses the identified knowledge gap by investigating the effect of strategic planning on the financial performance of public hospitals in Tharaka Nithi County. Specifically, it examines how strategic goal setting, resource allocation, monitoring, and evaluation practices influence financial outcomes in county health facilities. By focusing on this underexplored relationship, the study contributes to policy formulation, institutional reform, and academic discourse on the strategic governance of public health resources in decentralized settings.

1.2 Statement of the Problem

Strategic planning has long been regarded as a foundational mechanism for improving financial performance in public institutions, particularly in the health sector. Public hospitals that integrate strategic planning into their operations through structured goal setting, resource allocation, performance tracking, and risk anticipation are more likely to achieve efficient resource use, fiscal

discipline, and service continuity. Globally, empirical evidence underscores the financial benefits of strategic planning in healthcare systems. For example, the World Health Organization (WHO, 2022) reports that hospitals in low- and middle-income countries that adopted formalized strategic planning frameworks recorded a 12.6% improvement in budget absorption rates and a 9.2% reduction in expenditure variance between 2019 and 2021. Similarly, the International Public Sector Financial Accountability Index (Kimathi & Kiragu, 2021) highlights that public health facilities with clear strategic priorities and implementation plans exhibited greater compliance with procurement timelines, resulting in improved audit ratings and supplier satisfaction. In contrast, institutions lacking such plans were more likely to experience budget misalignment, funding gaps, and operational inefficiencies, particularly during health emergencies such as the COVID-19 pandemic (Barasa and Omondi 2021, 2023; Kimathi & Kiragu, 2021). In Kenya, public hospitals continue to face persistent financial challenges despite increased budgetary allocations under the devolved governance system. The Office of the Auditor General (OAG, 2023) found that several public hospitals, including those in Tharaka Nithi County, consistently underperformed in revenue collection achieving only 48% of projected income targets in FY2021/2022 while accumulating pending bills totaling KES 123 million. Furthermore, audit queries revealed unaccounted-for expenditures exceeding KES 29 million, pointing to weaknesses in financial oversight and planning. The Commission on Revenue Allocation (CRA, 2022) also reported that although counties allocated an average of 28% of their budgets to the health sector, over 60% of these funds were absorbed by recurrent costs, leaving capital investments underfunded. In Tharaka Nithi County, health development budget absorption averaged just 61% between 2020 and 2022, despite mounting infrastructure and service delivery needs. These indicators suggest inefficiencies not just in financial execution but in strategic prioritization and planning. Strategic planning is intended to serve as a solution to such inefficiencies by aligning hospital-level objectives with resource availability and community health needs. However, its implementation in Kenyan public hospitals remains inconsistent and poorly institutionalized. Mutua and Wambua (2020) found that less than half of county hospitals regularly reviewed their strategic plans or conducted financial performance audits. In Tharaka Nithi County, irregular board meetings, inadequate performance monitoring systems, and limited stakeholder engagement have been linked to weak financial accountability and misaligned spending priorities (OAG, 2023). Moreover, the lack of integration between hospital plans and county treasury frameworks often leads to delays in procurement, stalled projects, and inefficient budget utilization. Although policy instruments such as the Public Finance Management Act (2012) and Ministry of Health guidelines provide for strategic planning in public institutions, many hospitals have not operationalized planning tools effectively. Key enablers, including digital platforms like the Integrated Financial Management Information System (IFMIS) and automated billing systems, are not fully functional at the facility level, impeding real-time financial monitoring and plan execution (Muriuki & Gachoka, 2021). Additionally, there remains limited empirical evidence on the direct effect of strategic planning on financial performance within hospital settings, particularly in county-managed facilities. Most

existing studies on healthcare financing and governance in Kenya focus broadly on county-level budgeting or health outcomes, with minimal attention to hospital-specific planning processes and their fiscal impacts. The nuanced role of strategic planning especially how goal setting, resource alignment, implementation tracking, and plan evaluation influence financial indicators like revenue generation, audit performance, and cost efficiency remains underexplored. This gap is particularly pronounced in rural counties such as Tharaka Nithi, where resource constraints and institutional limitations pose unique challenges to effective planning. This study, therefore, addresses these gaps by examining the effect of strategic planning on the financial performance of public hospitals in Tharaka Nithi County. It assesses the extent to which strategic planning is embedded in hospital governance structures, evaluates its influence on core financial performance indicators, and provides evidence-based recommendations for improving fiscal efficiency, accountability, and sustainability in Kenya's decentralized public health sector.

1.3 Purpose of the Study

To establish the effect of strategic planning on financial performance of public hospitals in Tharaka Nithi County, Kenya

1.4 Hypothesis

H₀₁: Strategic planning has no significant effect on financial performance of public hospitals in Tharaka Nithi County, Kenya

2.0 Literature Review

2.1 Theoretical Review

The Resource-Based View (RBV), originally developed by Jay Barney in 1991, provides the theoretical foundation for examining the effect of strategic planning on the financial performance of public hospitals in Tharaka Nithi County, Kenya. The RBV posits that sustainable competitive advantage stems from an organization's ability to acquire, develop, and utilize internal resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Within the context of public health institutions, this theory explains how strategic planning serves as a mechanism for aligning organizational resources such as personnel, infrastructure, and technological systems with long-term financial goals. Empirical refinements to the theory (e.g., Peteraf & Barney, 2003) have emphasized the importance of organizational routines and capabilities in shaping performance outcomes across sectors, including healthcare. Applied to public hospitals, the Resource-Based View underscores the critical role of strategic planning in harnessing internal resources to improve financial sustainability. Strategic planning in this context involves not only setting financial priorities and forecasting expenditures, but also systematically aligning institutional capabilities such as skilled staff, ICT systems, procurement processes, and leadership structures to achieve efficient resource utilization and enhanced revenue management. Otieno and Kiragu (2021) observed that public hospitals in Kenya that integrated strategic planning with internal capacity assessments achieved better financial oversight, reduced wastage, and improved budget absorption rates. Similarly, Kariuki and Cheruiyot (2022) found that strategic investments in automated systems and financial reporting platforms contributed to improved revenue generation and cost

containment in county hospitals. The RBV further suggests that financial performance is maximized when internal strengths are deliberately leveraged through planning processes tailored to the institution's operational realities. In Tharaka Nithi County, where public hospitals operate within constrained fiscal environments, strategic planning enables the prioritization of essential services, the optimization of procurement cycles, and the timely allocation of available resources. Empirical evidence indicates that such planning practices particularly when informed by participatory and data-driven approaches enhance both financial accountability and operational resilience (Mutua & Koskei, 2023). This is especially pertinent in devolved health systems, where institutional autonomy allows hospital managers to align strategic initiatives with localized financial goals. However, the Resource-Based View is not without its limitations. Critics such as Priem and Butler (2001) argue that the RBV may downplay the importance of external environmental factors, such as political shifts, donor dependence, or regulatory changes, which can disrupt strategic plans in public institutions. To address these concerns, strategic planning in the public health context must integrate external scanning tools such as SWOT and PESTEL analyses to adapt to shifting policy landscapes and socioeconomic dynamics. Nonetheless, the RBV remains a powerful lens for assessing how the strategic alignment of internal resources can drive financial outcomes in complex public sector environments. Recent advancements in health systems management emphasize the integration of data analytics, performance dashboards, and scenario-based modeling to support evidence-based planning. These tools enhance the practical application of RBV by enabling hospital administrators to dynamically allocate resources and monitor financial performance in real time. As highlighted by Njeru and Mwaura (2024), public hospitals that incorporated digital tools into their strategic planning processes reported improved cash flow management, timely supplier payments, and stronger audit compliance outcomes that directly support the theoretical assumptions of RBV. In this study, the Resource-Based View is applied to explore how strategic planning defined as the structured formulation, implementation, and evaluation of financial and operational goals affects key financial performance indicators such as budget absorption, revenue growth, and cost efficiency among public hospitals in Tharaka Nithi County. Grounding the research in RBV enables a deeper understanding of how public health institutions can leverage internal strengths to achieve fiscal sustainability and improve healthcare delivery in Kenya's devolved system.

2.2 Empirical Review

Strategic planning has been empirically validated as a fundamental governance tool for enhancing financial performance within public healthcare institutions. Studies across various contexts have consistently shown that hospitals that implement structured and participatory strategic planning processes are better positioned to achieve financial efficiency, improve budget absorption, and strengthen audit outcomes. In Kenya's devolved health system where public hospitals operate within constrained fiscal environments and rising service demands strategic planning has emerged as a critical enabler of financial sustainability and institutional accountability. Globally, Mwangi and Muriuki (2023) conducted a multi-county analysis and found that hospitals with clearly

documented strategic plans and regular financial reviews achieved up to 23% higher budget absorption rates and demonstrated better audit compliance than those operating without formalized planning frameworks. The study highlighted that facilities integrating financial forecasts and procurement timelines into strategic plans were more successful in minimizing waste and aligning expenditures with health service delivery goals. Similarly, Kilonzo and Njiru (2021) observed that public hospitals applying medium-term expenditure frameworks and stakeholder-aligned planning tools reported improved consistency in revenue generation, reduced procurement delays, and fewer cases of expenditure overruns. These findings affirm that strategic planning strengthens financial control mechanisms and promotes fiscal discipline across healthcare systems. Within the African context, empirical studies have linked strategic planning to improved financial and operational outcomes in public hospitals. Omondi and Rambo (2022) assessed participatory planning practices in 10 Kenyan counties and concluded that hospitals involving multidisciplinary teams such as medical officers, procurement staff, and finance departments in strategic planning processes reported stronger alignment between service delivery priorities and financial allocations. The inclusion of stakeholder inputs improved resource targeting and enhanced financial transparency. Likewise, Gathii and Okello (2022) documented that public hospitals conducting routine performance reviews and budget realignment meetings were more likely to utilize funds efficiently and meet financial reporting standards. These outcomes underscore the role of strategic planning in fostering institutional agility and accountability in public health finance. In Tharaka Nithi County, audit reports have consistently pointed to challenges such as delayed procurement, weak budget execution, and low own-source revenue collection (Office of the Auditor General, 2023). However, emerging county-specific studies highlight the transformative potential of hospital-based strategic planning in addressing these gaps. Kariuki and Cheruiyot (2022) found that hospitals in resource-constrained counties that developed strategic financial goals and implemented regular monitoring systems recorded better cash flow management, timely supplier payments, and increased transparency in fund utilization. These findings provide context-specific evidence that well-structured planning systems enhance financial performance even in semi-rural healthcare settings. Nonetheless, implementation challenges continue to hinder the full benefits of strategic planning. Wanjiru and Rambo (2021) identified common constraints such as poor access to planning tools, insufficient staff training, and inadequate data systems that prevent effective execution of strategic plans in county hospitals. Many facilities lack the analytical capacity to track plan implementation against performance indicators, leading to disjointed fiscal decision-making. These barriers are especially pronounced in rural and semi-urban counties where hospital management teams have limited autonomy and capacity for comprehensive financial planning. Recent developments in healthcare technology offer new avenues for improving planning and financial accountability. Njenga and Mwangi (2023) observed that hospitals using digital dashboards, electronic procurement platforms, and budget-tracking systems reported greater alignment between planned and actual expenditures. Such technological interventions enable real-time monitoring, evidence-based forecasting, and adaptive planning. However, hospitals in

Tharaka Nithi still face infrastructural and digital literacy barriers that limit full adoption of these innovations, particularly in remote areas with limited internet access and ICT personnel.

Participatory planning frameworks have also proven effective in improving the relevance and ownership of hospital financial strategies. According to Otieno and Kiragu (2023), public hospitals that engaged clinical staff, community representatives, and finance officers in developing strategic plans reported better budget execution and community support. These inclusive processes not only improved transparency but also strengthened stakeholder trust and responsiveness to local health needs. Despite growing literature on the strategic management of public health institutions, most studies focus on county-wide health planning and neglect the micro-level processes within individual hospitals. There remains a critical empirical gap in understanding how specific components of strategic planning such as financial goal setting, resource prioritization, and implementation monitoring affect financial performance at the hospital level, especially in underserved counties like Tharaka Nithi. This study explored how strategic planning practices influenced the financial performance of public hospitals in Tharaka Nithi County. It examined how hospitals defined financial objectives, aligned budgets with operational priorities, monitored implementation progress, and evaluated performance outcomes. By focusing on the hospital level, the study aimed to generate actionable insights that could inform strategic governance reforms and financial accountability mechanisms within Kenya's devolved healthcare system.

3.0 Research Methodology

This study was conducted in Kenya, focusing on four selected public hospitals located within Tharaka Nithi County. The research employed a descriptive research design to examine the effect of strategic planning on the financial performance of public hospitals. As defined by Creswell (2018), a descriptive design involves collecting data to describe characteristics of a population and is suitable for identifying patterns, relationships, and trends. This design was appropriate as it enabled the researcher to collect measurable data on strategic planning practices and their impact on financial indicators such as budget absorption, revenue generation, and audit performance.

The target population consisted of 120 personnel drawn from the four public hospitals in the county, specifically hospital management board members, section heads, finance officers, and procurement officers. Due to the relatively small and specialized nature of the population, a census approach was used. Each hospital was treated as a distinct unit, and all eligible respondents were included to ensure comprehensive representation of hospital-level strategic management leadership. Data was collected through self-administered questionnaires designed to capture relevant information aligned with the study's objectives. The questionnaires focused on strategic planning dimensions including financial goal setting, budgeting alignment, implementation monitoring, and performance evaluation, as well as their perceived effects on financial performance. Participants completed the questionnaires independently to ensure privacy and encourage honest responses. Pre-testing was conducted on 10% of the target population to refine the questionnaire items. Reliability was assessed using Cronbach's alpha, achieving the acceptable

threshold of $\alpha \geq 0.70$. Construct, content, and face validity were confirmed through expert evaluation and academic review. Data analysis was conducted using SPSS version 25. Multiple regression analysis was employed to assess the relationship between strategic planning and the financial performance of public hospitals. Diagnostic tests, including normality (Shapiro-Wilk and Kolmogorov-Smirnov), linearity (ANOVA), multicollinearity (Variance Inflation Factor), heteroscedasticity (Breusch-Pagan), and autocorrelation (Durbin-Watson), were performed to ensure the validity of the regression model. Descriptive statistics and inferential analysis were used, and results were presented in tabular form to aid interpretation.

The study adhered to strict ethical standards, with research approval obtained from the National Commission for Science, Technology, and Innovation (NACOSTI). Participants were fully informed of the study's objectives, and participation was voluntary, confidential, and anonymous, ensuring data integrity and protection of respondents. All collected data were securely stored and used solely for academic purposes in compliance with ethical research practices.

4.0 Results

4.1 Reliability Analysis

A pilot test was conducted to evaluate the internal consistency and reliability of the questionnaire items used to measure strategic planning. The instrument's reliability was assessed using Cronbach's Alpha coefficient, a widely accepted statistical metric for testing internal consistency among scale items. The construct for strategic planning attained a Cronbach's Alpha value of 0.807, as presented in Table 1. This value exceeded the commonly accepted minimum threshold of 0.70, signifying that the scale items were internally consistent and suitable for research purposes. According to Tavakol and Dennick (2020), Cronbach's Alpha values above 0.70 indicate acceptable reliability, while values approaching 1.0 demonstrate stronger internal consistency. These results validate the use of the instrument for measuring core components of strategic planning, including alignment with hospital goals, prioritization of financial objectives, plan implementation, periodic review, and efficient resource utilization in the context of public hospitals. Therefore, the findings affirm that the questionnaire was reliable for assessing the role of strategic planning in influencing financial performance across the selected public health institutions in Tharaka Nithi County.

Table 1:

Reliability Test for Strategic Planning

Instrument	Cronbach's Alpha	N of Items
Strategic Planning	0.807	5

4.2 Response Rate

The study targeted a total of 120 personnel drawn from selected public hospitals within Tharaka Nithi County. Out of the distributed questionnaires, 112 were completed and returned, while 8 were not, resulting in a response rate of 93.33%. This notably high return rate was attributed to the researcher's approach of administering questionnaires in person, which encouraged participation and allowed respondents to seek immediate clarification where necessary. Additionally,

participants were assured of confidentiality and informed that the study was conducted solely for academic purposes, which further enhanced their willingness to respond. According to Bryman and Bell (2022), response rates exceeding 70% are considered statistically robust and significantly reduce the risk of non-response bias. Likewise, Nguyen and Bui (2023) affirm that high response rates strengthen data reliability and improve the generalizability of research findings by ensuring representativeness. Based on these standards, the 93.33% response rate achieved in this study is regarded as highly satisfactory and sufficient for rigorous inferential analysis related to strategic planning and financial performance in the public healthcare sector.

Table 2:

Response Rate

Questionnaires	Frequency	Percentage
Returned	112	93.33%
Not Returned	8	6.67%
Total	120	100%

4.3 Descriptive Statistics of Strategic Planning

The study aimed to assess respondents' perceptions of strategic planning and its effect on the financial performance of public hospitals in Tharaka Nithi County. As shown in Table 3, the results revealed widespread agreement among respondents regarding the strategic role of planning processes in enhancing financial management. A majority of respondents (50.0% agreed and 24.1% strongly agreed) indicated that their hospital has a documented strategic plan aligned to county health goals (Mean = 3.85, SD = 0.926). Likewise, 51.8% agreed and 22.3% strongly agreed that financial priorities are clearly defined in the strategic plan, with a mean score of 3.87 (SD = 0.935). Regarding the periodic review of strategic goals, 47.3% agreed and 23.2% strongly agreed that their hospital undertakes regular updates (Mean = 3.81, SD = 0.961). In terms of staff participation, 48.2% agreed and 20.5% strongly agreed that staff are actively involved in developing financial strategies (Mean = 3.78, SD = 0.975). The highest-rated item was the statement that strategic planning has improved resource utilization and cost-efficiency, with 49.1% agreeing and 25.0% strongly agreeing (Mean = 3.90, SD = 0.902). These findings are supported by previous studies such as Musyoka and Kiragu (2023) and Nyaga and Ndungu (2021), who emphasized the role of strategic planning in aligning financial priorities with service delivery objectives. Similarly, Otieno and Muriithi (2024) found that public hospitals with active strategic plans demonstrated improved audit compliance and resource absorption.

Table 3:
Descriptive Statistics of Strategic Planning

Statements	Mean	Std. Deviation
Our hospital has a documented strategic plan aligned to county health goals.	3.85	0.926
Our hospital financial priorities are clearly defined in the hospital's strategic plan.	3.87	0.935
Our hospital strategic goals are regularly reviewed and updated.	3.81	0.961
Our hospital staff are involved in developing financial strategies and plans.	3.78	0.975
Our hospital strategic planning has improved resource utilization and cost-efficiency.	3.90	0.902

4.4 Regression Analysis of Strategic Planning and Financial Performance

The relationship between strategic planning and financial performance was analyzed using regression analysis. As indicated in Table 4, the coefficient of correlation (R) was 0.504, indicating a moderate positive relationship between the two variables. The coefficient of determination (R^2) stood at 0.254, suggesting that strategic planning accounted for 25.4% of the variance in financial performance. The adjusted R^2 value of 0.246 further confirmed the reliability of this model estimate. The standard error of the estimate (0.313) demonstrated a close fit between the predicted and actual financial performance values. These results affirm that strategic planning is a significant driver of financial outcomes in public hospitals. This finding aligns with Wambugu and Karani (2023), who noted that effective strategic planning facilitates optimal allocation of resources, timely expenditure reviews, and enhanced budget implementation in public health institutions.

Table 4:
Model Summary of Strategic Planning and Financial Performance

R	R-Square	Adjusted R-Square	Std. Error of the Estimate
0.504	0.254	0.246	0.313

4.5 ANOVA of Strategic Planning and Financial Performance

To assess the overall significance of the regression model, an ANOVA test was conducted. As shown in Table 5, the F-statistic was 74.986 with a significance value of $p < 0.05$, indicating that the model was statistically significant. This implies that strategic planning is a significant predictor of financial performance in public hospitals in Tharaka Nithi County. These findings are supported by the work of Otieno and Muriithi (2024), who emphasized that institutions with regularly reviewed strategic plans experienced improved fiscal discipline and audit performance.

Table 5:
ANOVA – Strategic Planning and Financial Performance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	280.970	1	280.970	74.986	.000
Residual	823.630	110	7.488		
Total	1104.600	111			

4.6 Regression Coefficients for Strategic Planning and Financial Performance

The unstandardized coefficient (B) for strategic planning was 0.592, indicating that a one-unit increase in strategic planning leads to a 0.592-unit increase in financial performance. The standardized beta coefficient (β) was 0.504, affirming the strength and direction of the relationship. A t-value of 8.659 with a p-value of 0.000 supported the statistical significance of the predictor. The regression equation derived was:

$$Y = 3.012 + 0.592X_1$$

Where:

Y = Financial Performance

X₁ = Strategic Planning

These results mirror the findings of Gikonyo and Waiganjo (2021), who established that integrated strategic planning strengthens hospital governance frameworks, leading to better financial health and operational stability.

Table 6:
Coefficients – Strategic Planning and Financial Performance

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
Constant	3.012	0.430		7.005	.000
Strategic Planning	0.592	0.068	0.504	8.659	.000

5.0 Summary, Conclusion, And Recommendation
5.1 Summary of the Findings

The study established that strategic planning significantly influenced the financial performance of public hospitals in Tharaka Nithi County, Kenya. Respondents consistently reported that well-articulated strategic plans, aligned with county health priorities, played a critical role in guiding resource use, budgeting, and service delivery. Key components of effective strategic planning identified included stakeholder involvement, periodic plan reviews, financial priority setting, and alignment of goals with broader institutional and governmental objectives. Descriptive statistics showed that strategic planning enhanced cost-efficiency, reduced wastage, and improved fiscal accountability. Regression analysis confirmed a statistically significant and positive relationship between strategic planning and financial performance. A one-unit increase in strategic planning was associated with a 0.592-unit increase in financial performance ($\beta = 0.592$, $p < 0.001$), while the correlation coefficient ($r = 0.504$, $p < 0.01$) indicated a moderate but meaningful association.

These findings are consistent with those of Kimathi and Mwenda (2024) and Nyaga and Ndungu (2021), who reported that strategic planning improves resource distribution and fosters transparency in hospital operations. Respondents also noted the need to institutionalize long-term planning processes, supported by training in monitoring and evaluation tools to enhance plan implementation and financial accountability. Overall, the findings emphasized the strategic role of planning in supporting sustainable healthcare financing, operational efficiency, and institutional resilience within the devolved public health system.

5.2 Conclusion

The study concluded that strategic planning positively influences the financial performance of public hospitals in Tharaka Nithi County. Hospitals that implement well-structured planning frameworks tend to achieve better budget execution, effective resource allocation, and improved financial reporting. Strategic plans that are inclusive, regularly reviewed, and aligned with county development objectives contribute to more sustainable financial practices. Therefore, strategic planning should be treated not as a static document but as a dynamic institutional process that supports performance monitoring, risk management, and long-term financial sustainability. These conclusions reinforce the importance of integrated planning in enhancing the financial resilience and operational efficiency of public healthcare institutions.

5.3 Recommendations

To enhance financial performance, public hospitals in Tharaka Nithi County should institutionalize strategic planning as a central governance practice. Planning units must be well-resourced and integrated into hospital management for effective implementation and regular review. Inclusive stakeholder participation should be prioritized to align strategies with local health needs. Hospitals should adopt performance-based plans with measurable indicators, timelines, and financial targets to support accountability. The use of evidence-based tools like budgeting dashboards and scorecards can aid in tracking outcomes. Ultimately, these measures will transform strategic planning into a practical tool for promoting efficiency, fiscal discipline, and better healthcare delivery.

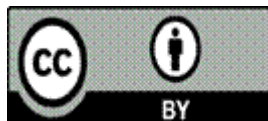
5.4 Contribution to the Existing Body of Knowledge

This study contributes to public sector financial performance literature by demonstrating that strategic planning significantly enhances financial health in public hospitals. It supports theoretical models like goal-setting theory and strategic alignment frameworks, which link structured planning to improved outcomes. The research provides localized insights from Kenya's devolved healthcare system, highlighting the role of county-aligned planning in promoting fiscal sustainability. By focusing on a rural county, the study fills a gap in empirical evidence on planning and financial governance in public health settings. These findings are relevant to scholars, policymakers, and healthcare managers aiming to strengthen institutional performance. Ultimately, the study underscores strategic planning as a key governance tool for achieving long-term efficiency and accountability.

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