



Research Article

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Strategic Planning as a Mediator between Customer Relationship Management and Business Performance: Evidence from Ethiopian Private Banks

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Abstract

The purpose of this article is to examine how strategic planning functions as a mediator in the link between business performance (BP) and customer relationship management (CRM). It tackles the issue of how businesses should integrate strategic planning procedures into their CRM operations to maximize performance. Businesses that successfully incorporate strategic planning into their CRM systems typically see improvements in business performance indicators like profitability and customer satisfaction. The consequences of these findings indicate that companies should emphasize developing strong strategic planning capabilities in addition to implementing CRM technologies. Future study avenues include examining how evolving technologies affect CRM and strategic planning, as well as how organizational culture contributes to the successful integration of these components. Longitudinal research may also shed further light on the long-term advantages of strategic planning alignment and efficient CRM.

Keywords: Business performance, Customer relationship management, Strategic planning, Private Banking industry.

1. Introduction

As indicator of strategic leadership, strategic planning is one of the most important concepts for business organizations in achieving its goals and objectives (Muhsin Thaji et al., 2022; Scientific & Development, 2024) In addition to this, studies indicate that, strategic planning as indicators of strategic leadership enables organizations to identify areas of improvement, formulate actionable plans, and informed decisions that will bring significant results in the future end over (Kools & George, 2020; Maleka, 2023)

Nonetheless, successful strategic planning is not only based on the development of

comprehensive plan, rather it requires strong and effective leadership (Djordjevic et al., 2020; Nahak & Ellitan, 2022; Ali, 2023). Therefore, this study simultaneously examines the mediating role of strategic leadership in line with strategic planning in the relationship between CRM and business performance. More importantly, studies revealed that, strategic leadership plays a critical role in strategic planning with efficient leaders in directing and guiding the companies through each step of the process (Zhang et al., 2021; Gandrita, 2023).

Strategic leadership ensures that stakeholders and customers were aligned and committed to the plan, provide clarity and direction, as well as establish accountability and sustainable results throughout the organization. Consequently, leaders should have clear knowledge of strategic planning and communicate to stakeholders, customers and other concerned bodies the importance of investing time and resource in strategic planning process that sustain the performance of business organizations specifically for performance of banking industries (Abdulla Ali et al., 2020; Akinsulire et al., 2024; George et al., 2024).

Accordingly, effective leadership knows that, strategic planning is not a one-time event rather it is a continuous process which needs strong attention and effort and also they recognize as the business environment is currently constantly changing and as a result, the business strategy should be re-adjusted and updated accordingly. By doing so, strategic leaders are critical in implementing strategic planning that leads to profitability and sustainability of the business organizations by winning the technological and competitive business environment (Polman & Alons, 2021; Biloslavo & Edgar, 2024; Maduwinarti et al., 2024).

Therefore, strategic leadership and strategic planning are inseparable and have a critical role in mediating the relationship between customer relationship management and business performance in the private banking industry, Ethiopia. As a result, the current study was tried to examine the mediating effects of strategic planning as dimensions of strategic leadership in the relationship between customer relationship management and business performance of selected private banking industry in Ethiopia.

2. Background of Study

Particularly in fast-paced, cutthroat industries like the private banking sector, strategic planning has become a crucial component of developing successful strategic leadership within firms. The relationship between customer relationship management (CRM) and business success is becoming more and more important in Ethiopia, where the banking industry is changing quickly. CRM systems are intended to improve client interaction, expedite service provision, and eventually increase revenue.

However, the strategic planning procedures that direct CRM projects frequently determine their efficacy. Notably, a study by Lichtenstein and D'Alene (2007) discovered that companies without a clear strategic framework for CRM frequently encounter fragmented implementation, which results in less than ideal customer interactions and a drop in overall performance.

The case of a well-known private bank in Ethiopia that made significant investments in CRM technology but was unable to match it with its strategic objectives provides a useful illustration. Inadequate staff training and a lack of interaction with current business processes were two major obstacles to the adoption, according to their internal reports. In addition to having low employee adoption rates, this misalignment made it more difficult for the bank to efficiently use consumer data. Because of this, the expected increases in customer satisfaction and operational effectiveness did not occur, demonstrating the crucial role that strategic planning plays in mediating the relationship between CRM initiatives and corporate performance.

Furthermore, Ethiopia's private banking industry has particular difficulties like legislative limitations and a quickly evolving consumer market. According to research by Sull and Eisenhardt (2012), strategic planning must be flexible in order to adjust to such changes. Adopting an adaptable strategic planning strategy puts banks in a better position to respond to market demands, which eventually improves their CRM efforts and performance indicators. A rival that adopted agile strategy planning, for example, was able to quickly adapt to changes in regulations and successfully integrate

CRM solutions, which resulted in higher customer loyalty and notable benefits in business outcomes (Alemayehu, 2020).

Therefore, it is essential to comprehend how strategic planning acts as a mediator in the interaction between CRM and corporate performance. This study attempts to offer insights that can assist banks in navigating their strategic objectives while improving their CRM skills and overall company performance by looking at the obstacles to effective implementation and the contexts in which these strategies work.

3. Statements of the problem

Ethiopia's private banking sector is functioning in a quickly changing environment that is marked by growing competition, advances in technology, and shifting consumer expectations. To improve corporate performance and keep a competitive advantage, private banks should ideally use Customer Relationship Management (CRM) systems, which are implemented through efficient strategic planning and directed by strategic leadership (Barney, 1991; Teece, 2007). However, there are a number of loopholes in the existing situation that prevent this ideal from being realized.

Contradictory Evidence Gaps: Although research indicates that CRM, strategic planning, and business performance are positively correlated (Freeman, 1984; Jensen & Meckling, 1976), there is conflicting evidence in the particular context of Ethiopia's private banking sector. The fact that some banks have made large investments in CRM systems without seeing appreciable gains in business performance suggests that the link is more complicated than previously thought (Kaplan & Norton, 1996; Reimann, Schilke, & Schaefer, 2010). This discrepancy necessitates a more thorough examination of the situational elements that could affect the relationship between CRM and business performance in this particular setting (Teece, 2007).

Inconclusive Findings: Research on the mediating function of strategic planning in the connection between CRM and corporate performance has yielded conflicting findings (Sabherwal & Chan, 2001). While some research indicates that strategic planning can improve CRM's efficacy (Barney, 1991; Teece, 2007), other studies show that its influence is restricted or even detrimental in specific situations (Reimann, Schilke, & Schaefer, 2010). Because of this uncertainty, more investigation is required to determine the circumstances in which strategic planning might successfully mediate the relationship between CRM and corporate performance (Jensen & Meckling, 1976).

The application of well-known theories, such as the Resource-Based View (RBV) and Dynamic Capabilities Theory, to explain the function of strategic leadership and strategic planning in the context of CRM implementation in Ethiopia's private banking sector has theoretical gaps (Barney, 1991; Teece, 2007). Although these theories offer useful frameworks for comprehending business success, they might not adequately convey the particular difficulties and possibilities that private banks in developing nations like Ethiopia experience (Freeman, 1984).

Knowledge Gaps: According to Kaplan and Norton (1996) and Reimann, Schilke, and Schaefer (2010), there is a substantial knowledge gap about the precise mechanisms by which strategic leadership, as demonstrated by strategic planning, affects the relationship between CRM and business performance in the Ethiopian private banking sector. There is a dearth of empirical data regarding how these banks' strategic leaders create and carry out strategy plans that successfully use CRM to produce better business results (Jensen & Meckling, 1976; Sabherwal & Chan, 2001).

Context Gaps: A major portion of the literature currently available on CRM, strategic planning, and corporate performance is derived from research done in industrialized nations (Teece, 2007). Understanding how these interactions function in Ethiopia's particular institutional, cultural, and economic setting is lacking (Freeman, 1984). The efficacy of CRM and strategic planning in this situation may be greatly impacted by elements including cultural norms, insufficient technological infrastructure, and legal restrictions (Barney, 1991).

Practical Difficulties: Ethiopian private banks encounter practical difficulties in putting CRM and strategic planning into practice because of things like scarce resources, a shortage of qualified staff,

and opposition to change (Reimann, Schilke, & Schaefer, 2010). There is a discrepancy between the potential advantages of CRM and strategic planning and their actual results because of these obstacles (Sabherwal & Chan, 2001; Teece, 2007).

4. Related Theories

Here are four theories that could be relevant to your research, discussed in paragraph form:

Resource-Based View (RBV): According to this view, a company's internal resources and competencies are essential for attaining outstanding performance and a long-term competitive advantage (Barney, 1991). In the framework of your study, RBV would concentrate on how Ethiopia's private banking sector uses its material and immaterial resources—such as technology, strategic planning procedures, staff expertise, and customer relationships cultivated through CRM—to improve company performance. By maximizing resource allocation and utilization, strategic planning—a sign of strategic leadership—can be viewed as a useful tool that mediates the relationship between CRM and business success (Barney, 1991).

By highlighting a company's capacity to adjust, integrate, and reconfigure internal and external resources in order to deal with quickly changing surroundings, Dynamic Capabilities Theory expands on RBV (Teece, 2007). Dynamic capabilities are crucial in Ethiopia's private banking industry, which may encounter particular possibilities and constraints. These capabilities, which allow banks to modify their CRM strategies and strategic planning procedures to enhance corporate performance, are greatly aided by strategic leadership.

Stakeholder Theory: According to Freeman (1984), this theory expands the focus beyond shareholders to include all stakeholders who have the potential to influence or be impacted by the organization's decisions. Customers, staff, regulators, and the community are important stakeholders in private banking. While strategic leadership guarantees that the interests of all stakeholders are taken into account in strategic planning, which ultimately affects business performance, CRM can be seen as a tool to manage relationships with customers.

Agency Theory: This theory looks at ways to connect the interests of principals (like shareholders) and agents (like managers) (Jensen & Meckling, 1976). Agency theory is pertinent to your research because strategic leadership can mitigate potential conflicts of interest and improve business performance by ensuring that CRM strategies are in line with the organization's and its stakeholders' goals through effective strategic planning (Barney, 1991).

4.1 Strategic Planning as a Mediator

It is true that strategic planning can act as a mediator (Kaplan & Norton, 1996; Reimann, Schilke, & Schaefer, 2010). Under the direction of strategic leadership, effective strategic planning aids in converting CRM insights into workable plans that enhance corporate performance (Sabherwal & Chan, 2001; Reimann, Schilke, & Schaefer, 2010). It guarantees that CRM initiatives are in line with overarching corporate goals and that resources are distributed effectively (Kaplan & Norton, 1996).

4.2 Main Theoretical Lens

Dynamic Capabilities Theory could be the main theoretical lens based on the ideas given and the research question. This is due to the fact that it specifically discusses how strategic leadership and strategic planning allow Ethiopia's private banking sector to modify its CRM tactics and resource allocation in response to a shifting environment in order to attain better company performance (Teece, 2007).

5. Definition and Origin of Terms

5.1 Customer Relationship Management (CRM)

The term "customer relationship management" (CRM) describes a collection of procedures, tactics, and tools used by companies to handle communications and connections with both present and potential clients. CRM's main objectives are to boost customer happiness, strengthen company ties, and increase revenue. CRM systems make it easier to handle data on client interactions, preferences, and feedback, which helps businesses customize their marketing campaigns and customer support (Galka & Baran, 2016).

Origin: In the 1990s, the phrase "customer relationship management" gained popularity as companies realized they needed to strengthen their ties with clients in a market that was becoming more and more competitive (Buttle, 2009). CRM's development can be linked to previous customer-focused strategies like direct marketing and database marketing. CRM systems developed from basic contact management tools to full platforms that integrate multiple customer-related operations across an organization as technology expanded, especially with the emergence of digital databases and the internet (Payne & Frow, 2005).

5.2 Strategic Planning

Definition: Organizations utilize strategic planning as a methodical process to foresee their future and create a number of objectives and actions to get that desired result. This procedure entails assessing the existing organizational environment, establishing long-term goals, and figuring out how to get there. Environmental analysis, mission and vision development, goal setting, strategy formulation, and performance evaluation are important components of strategic planning (Bryson, 2017).

Origin: Influenced by business management theories and military strategy, the idea of strategic planning first appeared in the middle of the 20th century (Mintzberg, 1994). Scholars like Igor Ansoff pioneered the field of strategic management in the 1960s, introducing it as a discipline centered on long-term organizational performance. The foundation for following strategic planning frameworks was established by Ansoff's development of the "product-market matrix" and ideas of diversification (Ansoff, 1965).

5.3 Strategic Leadership

The ability of an individual or group to impact an organization's success and direction through long-term vision, creativity, and adaptation is known as strategic leadership. It comprises making choices that align with stakeholder expectations and shape an organization's strategy and culture. In order to navigate complex organizational contexts and adapt to external changes, strategic leaders need to be skilled in inspiration, direction-setting, and resource allocation (Ireland & Hitt, 1999).

Origin: With roots in the larger subject of strategic management, the phrase "strategic leadership" started to appear more frequently in scholarly literature during the 1990s (Finkelstein et al., 2009). Prominent academics like Michael E. Porter and B. Joseph Pine II have advanced our knowledge of how leadership influences the development and implementation of strategies.

5.4 Private Banking

Definition: Financial services provided to high-net-worth individuals (HNWIs) are referred to as private banking. These services usually include estate planning, investment advising, personalized wealth management, and other financial services designed to meet the unique requirements of wealthy clients (Velasquez, 2023). Private banking concentrates on offering complete financial solutions that cater to specific client needs, in contrast to retail banking, which serves the general public (Peters,

2021).

Origin: European commercial banking practices are the source of the centuries-old idea of private banking (Parker, 2020). Early private banks that served affluent customers include Coutts in the UK and Berenberg Bank in Germany, both of which were established in the 17th century.

6. Empirical Literature Review

6.1 Customer Relationship Management (CRM) and Business Performance

CRM installation can improve corporate performance, according to empirical research (Amegavie et al., 2019; Biraru, 2017). CRM systems increase customer satisfaction, loyalty, and knowledge, which boosts sales and profitability (Kumar et al., 2018; Velasquez, 2023). Adoption of CRM systems is positively correlated with increased sales performance, according to a meta-analysis, but successful implementation depends on organizational culture, staff training, and top management support (Galka & Baran, 2016). However, other research indicates that CRM's effects might differ, and successful adoption necessitates a deep comprehension of the local environment and tailored strategies (Parker, 2020).

According to research, CRM procedures give mobile service providers the chance to provide dependable services, which increases customer satisfaction (Nedeljković et al., 2022). Additionally, CRM enhances organizational capacities including strategic information management and customer service (Amegavie et al., 2019). Additionally, research emphasizes the significance of technology infrastructure, customer knowledge management, and customer orientation in improving bank performance (Reimann et al., 2010).

6.2 Strategic Planning and Business Performance

The total performance of banks is positively correlated with strategic planning (Domazet et al., 2023). According to Kaplan and Norton (1996), banks that engage in strategic planning are better able to match their operations and resources with the needs of their customers, which enhance customer retention and business outcomes. Organizational performance can be improved through strategic integration, which aligns vision, mission, and business processes with specific goals (Dess et al., 2021).

6.3 Strategic Leadership and Business Performance

Sustainable competitive advantage is greatly impacted by strategic leadership (Finkelstein, Hambrick, & Cannella, 2009). Organizational competitiveness depends on the development of strategic leadership abilities (Ireland & Hitt, 1999). Strong vision that prioritizes customer-centric methods, moral behavior, and sustainability is necessary for effective strategic leadership (Teece, 2007). Additionally, strategic leaders successfully manage risks and promote an innovative culture (Mintzberg, 1994).

According to studies, strategic leadership makes it possible for banks to employ cutting-edge technology, develop human resources, and offer a range of banking products—all of which are directly related to performance (Biraru, 2017). Organizational growth and enhanced bank performance are facilitated by strategic leaders' support of human capital development (Finkelstein et al., 2009).

6.4 CRM, Strategic Planning, Strategic Leadership, and Business Performance in the Ethiopian Context

Research highlights the significance of CRM in enhancing client retention and overall bank performance in Ethiopia's banking industry (Kebede, 2020). However, the successful use of CRM tactics may be hampered by real-world issues such as scarce resources, a shortage of qualified workers, and infrastructure limitations (Biraru, 2017). While technology infrastructure and customer knowledge management also greatly improve performance, some research suggests that customer orientation and

CRM organization have the greatest positive impact on bank performance (Reimann et al., 2010). Additionally, research indicates that the relationship between CRM and bank performance is mediated by brand equity, meaning that CRM promotes brand equity, which in turn improves customer trust, loyalty, and engagement, eventually improving bank performance (Velasquez, 2023).

6.5 Gaps in the Literature

Particularly in the context of developing nations like Ethiopia, the research highlights knowledge gaps about the precise processes via which strategic leadership and strategic planning impact the relationship between CRM and business performance (Kebede, 2020). Further context-specific understanding of how these interactions function in Ethiopia's distinct institutional, cultural, and economic setting is also required (Kebede, 2020).

7. Methodology of the Study

This study was utilized quantitative research design method by using Survey questionnaire to collect data. The analysis of data was done by using Structural Equation Modeling (SEM) technique with the help of AMOSV23 soft ware .

7.1 Sample Size and Sampling Design

The selection of the respondent for this study was non random sampling and random sampling for customers and managers of selected private banks are purposely selected to respond the questionnaires. Since Ethiopia is so large in size, the researcher would selected 6 towns and 6 branches from Yabelo, Bule Hora, Dila, Hawasa, shashamane and Adola towns. The sampling frame for this study is 6 private bank branches from 6 selected towns. In this case,a total of 400 respondents were selected as sample size. Estimating the total population as 1,800,247 in 6 private bank branches, the sample size (400) would be determined by using Yamane (1967) formula for finite population

Which is $n = \frac{N}{1 + N(e)^2}$

Where, n= Number of sample size, N=Total number of population, e=percentage error, value of e =0.05

Then, $n = \frac{1,800,247}{1 + 1,800,247(0.05)^2}$

$n = 400$

8. Result and Discussion

Table 1. KMO and Bartlett's Test.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.967
Bartlett's Test of Sphericity	Approx. Chi-Square		26936.019
	df		903
	Sig.		.000

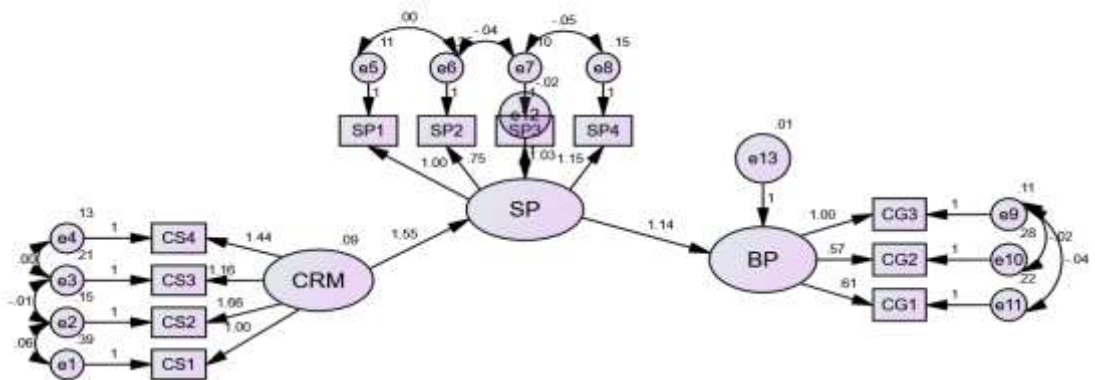
Source: FA result (2025)

As per the table1 above, Kaiser Meyer Olkin (KMO) gauges the study's sample adequacy and the strength of the correlations between its variables. Accordingly, strategic planning as strategic leadership dimensions was sorted and clustered into two components, as the KMO and Bartlett's Test result table1 above demonstrated. Bartlett's Test of Sphericity and the Kaiser Meyer Olkin (KMO)

measure of sampling adequacy were applied in this instance. Kaiser (1974), Hair et al. (2007), Pallant (2011), and Field (2005) and (2013) state that a sampling adequacy measure of 0.5 or higher indicates that the sample is sufficient for the factor analysis to be deemed appropriate.

Consequently, the sample size was sufficient for the variables included in the analysis, as indicated by the KMO measure of sampling adequacy, which showed a value of 0.967. The Bartlett's Test of Sphericity was significant at $X^2=26936.019$ $DF=903$, $P<0.000$, indicating that factor analysis was suitable for the study and that the variables under investigation had a strong association.

Figure 1. CFA Model for the mediating effect of Strategic planning as indicator of strategic leadership in the r/n ship b/n CRM and BP.



Model fit: CMIN/DF=5.01, RMR=0.004, RMSEA=0.107, CFI=0.994, GFI=975, AGFI=0.836
Source: AMOS result (2025).

All of the numbers fit well and are suitable for analysis, according to the model fit above following the modifications provided. Furthermore, the factor loading of all items on latent variables is good. The mediating effects of strategic planning as a marker of strategic leadership in the connection between CRM and BP are therefore important for SEM analysis. The comparative fit index (CFI), an established incremental fit measure that compares the base model with the current model fit assuming that the latent variables in the model are uncorrelated, is hence the most crucial criterion used in confirmatory factor analysis to evaluate a model's fitness.

In this instance, the CFI value ought to fall between 0 and 1. In this sense, CFI indicates the proportion of data variance that the model can replicate, following Medsker, Williams, and Holahan (1994). The better the model fit, the higher the value. 0.90 is regarded as an excellent model fit in this context. The model is therefore well-fitting, as indicated by the CFA model result displayed in figure 1 above, which shows that the mediating variable SP significantly mediates the r/n ship b/n CRM and BP. The Comparative Fit Index (CFI) value is 0.994. Thus, one absolute indicator of model fit is the Standardized Root Mean Square Residual (SRMR).

In this context, Kirchoff (2011) defines the Standardized Root Mean Square Residual (SRMR) as the standardized difference between the predicted and observed correlations; values of SRMR < 0.10 indicate a strong model fit. Regarding this, the CFA model result shown in figure 4.1 above showed that the SRMR value was 0.004, which is within the normal range and indicates that the model has a good fit value.

This suggests that the relationship between CRM and BP is largely mediated by strategic planning, a component of strategic leadership. Furthermore, because it has no effect on model complexity, the root mean square error of approximation (RMSEA) tends to favor models with more parameters. Accordingly, RMSEA < 0.05 indicates a good model fit, ≤0.08 indicates an adequate fit, and >0.10 indicates a bad model fit. Furthermore, Medsker et al. (1994) state that RMSEA values between 0.05 and 0.08 are appropriate. Thus, as can be seen from figure 1 above, the CFA model result of the mediating influence of strategic planning (SP) on the r/n ship b/n CRM and BP showed that the value of RMSEA is 0.107, which is within the standard value and indicates the model is well fitted.

This suggests that SP has acted as a substantial mediator between BP and CRM. More significantly, the observed variance and covariance pattern data that correlate to an absolute measure are indicated by the chi-square appropriate degree estimate model. A common test for measuring variance in a cross-group measure is the chi-square difference test.

In this instance, a significant 1.00 indicates a poor model fit, whereas a non-significant chi-square >0.05 indicates a good match. But chi square/degree of freedom/CMIN/DF<5 is acceptable and regarded as a good model fit value, according to Kline (1998). As a result, the CFA model result displayed in figure 1 above indicated that the CMIN/DF value was 5.01, falling within the range of fit values. This suggests that strategic planning (SP), a component of strategic leadership, is an effective mediator between customer relationship management and organization performance.

8.1 Model fit

The root mean of the residual has a strong model fit, as indicated by the CMIN/DF of 5.01 in table 2 of the model fit result below. Furthermore, the model was fit, as evidenced by the Goodness of Fit Index (GFI) of 0.975, the Comparative Fit Index (CFI) of 0.994, and the Root Mean Square of Approximation of 0.0123, all of which are close to 0.05. Table 2 of the model fit indices result below contains the exact model fit values that were calculated using AMOS software.

Table 2. Model fit Indices.

Measurement category	Fit indices	Model value	Acceptance level	Result
	CMIN	63.832		
Chi-Square	P-Value	0	< 0.05	Received
	CMIN/DF	5.01	Nearly=5	Received
Absolute fit measurement	GFI	0.975	>0.90	Healthy
	RMR	0.004	<0.008	Healthy
	RMSEA	0.0123	Less/equal to 0.08	Complete
	SRMR	0.004	Less/equal to 0.08	Complete
Incremental fit measurement	CFI	0.994	>0.90	Healthy
	IFI	0.994	>0.90	Received
	RFI	0.962	>0.90	Complete
	TLI	0.969	>0.8	Fit
Parsimony fit measure	PNFI	1.00	>0.6	Fit
	PCFI	1.00	>0.6	Confirmed

Source: AMOS result (2025)

Table3. Regression weight result for mediating effect of strategic planning in the r/n ship b/n CRM and Business Performance.

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
SP	<---	CRM	1.555	.184	8.440	***	
BP	<---	SP	1.135	.061	18.559	***	

Source: AMOS result (2025)

As indicated in the table3 above, the regression weights result of the mediating effect of strategic planning (SP) in the r/n ship between CRM and BP, the probability of obtaining a critical ratio as large as 8.440 in absolute value is less than 0.001 and when CRM increases by 1 standard deviation, SP increases by 1.555 standard deviation. As a result, business performance (BP) increases by 1.135 standard deviations when strategic planning (SP) increases by 1 standard deviation, and the likelihood of obtaining a critical ratio as large as 18.559 in absolute value is less than 0.001.

Stated differently, at the 0.001 level, the regression weights for strategic planning (SP) and customer relationship management (CRM) in the prediction of business performance (BP) deviate considerably from zero.

8.2 Discriminate Validity

Items designed to quantify multiple constructions must undoubtedly gauge different constructs, according to the discriminating validity analysis (Kirchoff, 2011). Items from two different scales should not converge too tightly, and items should not load on one variable that is intended for discrimination among different variables, even if there is a significant correlation between specific construct pairs. Accordingly, if such issues arise, the model should be carefully synthesized to determine whether it should be divided or merged (Garver and Mentzer, 1999).

Convergent validity can thus be achieved by comparing the common variance between all potential pairs of constructs to the pair wise AVE of a construct or dimension. Accordingly, this discriminative validity conservative test is supported when a construct's AVE exceeds its common variance with other constructs (Fornell and Larcker, 1981). A pair wise AVE is compared by factor correlation squared and established the discriminate validity for all components as displayed in table 4 below.

Table4. Discriminate validity of the mediating effect of SP in the r/n ship b/n CRM and Business Performance.

Pairs	Factor correlation	Correlation squared	AVE1AVE2 (AVEs should be $>r^2$)	Discriminate Validity
SP<-->CRM	0.854	0.7293	0.891	Complete
BP<-->SP	0.802	0.6432	0.810	Complete

Source: Statisticalreg.result (2025)

8.3 Mediation Analysis

According to Hopwood (2007), while examining SEM's latent characteristics for mediation, the fear that technique effects could be entangled with actual basic outcomes is also lessened. Because the P-Value was 0.07, which is greater than the permitted value, models like Baron and Kenny's (1987) were unable to derive the mediation effect because direction relations were shown as inconsequential. As a result, the researcher employed the current model, Holland et al. (2016), since it states that you can measure indirect interactions without having to examine the direct ones.

Thus, strategic planning (SP) has a full mediation effect in the relationship between CRM and business performance. BP has a direct effect of 1.14 on BP and 1.02 on its customer growth dimension, while CRM has a direct effect of 1.66 on SP and 1.00 on its customer satisfaction dimension.

8.4 Hypothesis Testing

The process of determining whether assertions or theories about a population are likely to be accurate is known as hypothesis testing. In this sense, assessing the likelihood of a population parameter is the goal of hypothesis testing. Accordingly, there are two kinds of hypotheses in this case: the alternative (H_a) and the null (H_o). The significance value indicates whether the (null) hypothesis should be accepted or rejected. Another name for it is the P-value. The likelihood that the connection is one by chance is known as the p-value.

Consequently, it will be preferable if the p-value is smaller. In general, the null hypothesis is accepted if $P \geq 0.5$ and H_o is rejected if $P < 0.5$. Pallant (2016) Thus, under the following table5, the hypothesis testing for the mediating influence of strategic planning (SP) on the r/n ship b/n CRM and BP is covered in this section of the study. This is due to the fact that it is possible to determine if the mediating variables are significant predictors of the independent and dependent variables by testing the study hypothesis that was established in chapter one.

Table5. Summary of Hypothesis Test Result of the Mediating Effect of Strategic planning in the r/n ship b/n CRM and Business Performance.

No	Hypothesis	Tool	P-Value	Result
1	Strategic planning significantly mediate the r/ship b/n CRM and BP	SEM-Regression	0.001	Significant

Source: SEM reg. result (2025)

As can be seen in table 5 above, the alternative hypothesis is accepted and the null hypothesis is rejected because the p-value of the mediating variables is less than 0.5 or $p=0.000$. In other words, strategic planning's p value as a measure of strategic leadership is 0.001. In this instance, the alternative hypothesis is accepted and the null hypothesis is rejected. This suggests that the relationship between customer relationship management and corporate performance is considerably mediated by strategic planning (SP), an indicator of strategic leadership.

9. Discussion

The results of this study support the idea that the integration of strategic planning is essential for maximizing business outcomes by demonstrating that strategic planning significantly mediates the

relationship between Customer Relationship Management (CRM) and Business Performance (BP). By contrasting with earlier research that frequently considered CRM and BP separately, this finding contributes to the body of current literature. For example, Zablah et al. (2010) noted how CRM systems can improve customer interactions, but they did not specifically discuss how strategic planning can improve performance results. On the other hand, our results point to a gap in previous research by suggesting that CRM adoption without a related strategic framework may lead to suboptimal performance.

Additionally, although Homburg et al. (2011) highlighted the alignment of CRM initiatives with more general corporate objectives, they did not explore the role that strategic planning plays as a mediating factor in this context. Our research contributes to this conversation by showing how strategic planning helps businesses make wise choices, which boosts productivity. This mediation effect stands in contrast to earlier research that, without a more thorough examination of underlying processes, revealed a linear link between CRM deployment and corporate performance.

Furthermore, Wang and Feng (2012) did not address the importance of strategic planning as a mediator, even though they demonstrated that companies with established strategic approaches typically outperform their rivals in utilizing customer data. This implies that the complex relationship between CRM and strategic planning that our research highlights may have been missed by earlier studies. Therefore, our findings support a dual focus for companies looking to improve performance through CRM: developing strong strategic planning capabilities as an essential part of their overall strategy in addition to concentrating on the technological aspects of CRM.

III. Conclusion

This study concludes by highlighting the critical function that strategic planning plays as a mediator in the interaction between business performance (BP) and customer relationship management (CRM). The results show that although CRM systems are crucial for improving client interactions, their efficacy is much increased when they are in line with strategic planning techniques. This relationship suggests that in order to guarantee that CRM activities are successfully integrated with more general business objectives, firms must prioritize the development of strong strategic planning capabilities in addition to investing in CRM systems.

By doing this, companies may make better decisions that boost productivity and provide them a competitive advantage. In the end, this study adds to the expanding corpus of literature by emphasizing the significance of a comprehensive strategy that integrates both CRM and strategic planning, offering practitioners practical insights to maximize business performance in increasingly competitive environments.

10.1 Managerial Implications

For businesses looking to improve performance through the efficient use of Customer Relationship Management (CRM) systems, the study's conclusions have numerous significant managerial ramifications. First and foremost, managers need to understand that implementing CRM calls for a holistic strategy that includes strategic planning rather than just a technological undertaking. Managers may make sure that customer interaction efforts significantly contribute to corporate growth by coordinating CRM initiatives with the organization's overarching strategic objectives.

Additionally, teams will be empowered to make data-driven decisions that successfully utilize customer insights if the firm invests in training and resources to build strategic planning capabilities. In addition to increasing operational effectiveness, this comprehensive integration promotes a culture of ongoing development and client response. Lastly, companies can better traverse the intricacies of the market landscape and position them for long-term success and sustained competitive advantage by giving strategic planning equal weight with CRM.

10.2 Practical Implications

The study's practical implications highlight the need for businesses to prioritize both strategic planning and customer relationship management (CRM) in order to maximize corporate performance. In order to guarantee alignment with corporate objectives, practitioners should simultaneously create and improve their strategic planning procedures as they use CRM systems. By creating cross-functional teams that include CRM data insights into the strategic planning process and improve decision-making, this alignment may be operationalized.

Organizations should also think about funding specialized training programs that give staff members the know-how to use CRM systems efficiently and comprehend the larger strategic framework in which they work. This combined approach fosters a proactive rather than reactive customer engagement strategy in addition to a more cohesive deployment of CRM activities. Additionally, companies may stay flexible and sensitive to shifts in consumer preferences and competitive dynamics by continuously evaluating and modifying both CRM procedures and strategic goals based on real-time data and market input, thereby promoting sustainable business performance.

10.3 Theoretical Implications

By emphasizing the intricate interactions between Customer Relationship Management (CRM), strategic planning, and Business Performance (BP), the study's theoretical implications considerably add to the body of current knowledge. This study challenges conventional models that frequently consider both components separately by establishing strategic planning as a mediator in the interaction between CRM and BP. The necessity for a more comprehensive theoretical framework that takes into consideration the dynamic relationships between CRM, strategic planning, and performance results is suggested by this mediation effect.

Additionally, the results call for a review of the literature on CRM and encourage researchers to take into account the contextual elements that affect CRM systems' efficacy. This more comprehensive viewpoint motivates future studies to investigate how factors like leadership styles, organizational culture, and external market conditions could interact with strategic planning to affect CRM programs' effectiveness. In the end, this research establishes the foundation for more complex theoretical investigations that might direct scholarly research as well as real-world applications in the domains of marketing and strategic management.

10.4 Recommendation

Organizations wishing to maximize their Customer Relationship Management (CRM) initiatives and improve overall business performance can benefit from a number of recommendations based on the study's findings. Prioritizing the incorporation of strategic planning into CRM frameworks should be the first step for firms. This entails creating a clear, implementable strategic strategy that is in line with customer engagement objectives in addition to implementing CRM solutions. To make sure that every employee knows how to use CRM technologies efficiently within the framework of the company's strategic goals, managers should lead training sessions and seminars.

Organizations are also urged to develop cross-departmental cooperation in order to promote a culture in which CRM data insights guide strategic choices in a variety of departments. Maintaining relevance and competitiveness requires routinely evaluating and upgrading both CRM procedures and strategic strategies in response to changing customer preferences and market conditions. Last but not least, companies should make continuous investments in research and development to investigate novel technologies and approaches that might improve the efficacy of CRM systems, thereby reinforcing their leadership in customer engagement and business performance.

10.5 Suggestion for Future Research

Future studies in the fields of strategic planning and customer relationship management (CRM) should investigate a number of intriguing avenues to enhance our comprehension of their interactions and effects on corporate performance. The use of cutting-edge technology like artificial intelligence and machine learning to improve CRM systems and strategic planning procedures is one possible research topic. Researchers might look into how these technologies can help with predictive modeling and real-time data analysis, resulting in more flexible and responsive tactics.

Furthermore, research might concentrate on how leadership and organizational culture affect the successful integration of CRM with strategic planning, offering insights into the human elements that support successful execution. Analyzing how various sectors affect the relationship between CRM, strategic planning, and performance outcomes may also be beneficial because different market dynamics may provide different outcomes.

Lastly, long-term studies that monitor how strategic planning affects CRM activities over time may provide a more complete picture of their long-term advantages and provide best practices for ongoing development. Future studies in the fields of marketing and strategic management can greatly improve theoretical frameworks and real-world implementations by following these paths.

10.6 Key Terms

Customer Relationship Management (CRM): A strategy and set of tools that organizations use to manage interactions with current and potential customers, aimed at improving customer satisfaction, retention, and overall business relationships.

Strategic Planning: An organization's long-term goals and objectives are defined, strategies for achieving them are developed, and resources are allocated efficiently through a methodical process. It synchronizes internal strengths and market prospects with organizational activities.

Business Performance (BP): A gauge of how well a company achieves its aims and objectives; it is frequently evaluated using a variety of non-financial and financial variables, including market share, profitability, and customer happiness.

Mediation: A statistical phrase that denotes the transmission of an independent variable's impact on a dependent variable via a third variable (the mediator). In this case, CRM and BP are mediated via strategic planning.

Market Dynamics: The factors that influence the behavior of buyers and sellers in a market, including competition, consumer preferences, and economic conditions. Understanding these dynamics is essential for effective strategic planning.

Data-Driven Decision Making: The practice of making decisions based on data analysis and interpretation rather than intuition or observation alone. This approach enhances accuracy and effectiveness in strategy and CRM implementation.

Cross-Functional Collaboration: The cooperation among different departments within an organization, such as marketing, sales, and customer service, to achieve common goals. This collaboration is crucial for creating a unified approach to CRM and strategic planning.

Agility: The ability of an organization to quickly adapt to changes in the market environment, consumer behavior, and technological advancements. Agility is important for leveraging CRM data effectively in strategic planning.

Organizational Culture: The values, beliefs, and behaviors shared within an organization that shapes its practices and interactions. A positive culture can facilitate the integration of CRM and strategic planning.

Continuous Improvement: An ongoing effort to enhance products, services, or processes through incremental and breakthrough improvements. This concept is vital for maintaining competitive advantage in CRM strategies.

These key terms and definitions provide a foundational understanding of the concepts explored in the

study of CRM and strategic planning within the context of business performance.

Declarations

Ethical Approval and Consent to Participate

The ethical approval is checked and approved.

Consent for publication

The ethical consideration was under taken by the researcher during data collection.

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