

# STRATEGIC PLANNING EFFECTIVENESS COMPARATIVE ANALYSIS OF THE MACEDONIAN CONTEXT

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**ABSTRACT:** *Strategic planning practice and effectiveness has been the subject of much academic debate in the Western context, but little empirical research and comparative analysis exists on this subject in emerging and developing countries. The aim of this study is to investigate the relationship between strategic planning and the organizational effectiveness with the examination of a wider list of strategic planning dimensions and different approaches and measures to assess the strategic planning effectiveness in the case of the Republic of Macedonia, as well as to conduct comparative analysis of the strategic planning effectiveness in different emerging and developing countries. Two regression models were performed as well as factor analysis was performed for all stated items for each of the investigated variables. The empirical analysis conducted in Macedonian companies shows that strategic planning can generally contribute to organizational effectiveness. The comparative analysis conducted in this study refers to useful knowledge conclusions for the specifics of strategic planning effectiveness in the emerging and developing countries and indicates the probable reasons for potential differences in strategic planning effectiveness in different countries.*

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**Keywords:** *strategic planning, dimensions, organizational effectiveness, companies, Republic of Macedonia, emerging and developing countries.*

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**JEL classification:** M11; M21

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## INTRODUCTION

With the approach towards the gates of the European Union, considerable changes took place in all segments of the environment in the Republic of Macedonia. Besides the reforms in the political and institutional environment, which have led to an adjustment of the business climate to that of EU, the improvement of the Macedonian companies' competitiveness and effectiveness has become essential. The need for improving the com-

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petitiveness and effectiveness has arisen as a result of the opportunities for placement of domestic products and services on the integrated EU market and regional trade zones, according to many bilateral and multilateral agreements for free trade, as well as the threats from foreign companies, which according to the same free trade agreements are placing their products and services without any restrictions on the Macedonian market, or FDI companies, which operate and compete directly from the Macedonian ground. Due to the great importance of the improvement of the Macedonian companies' effectiveness, it is of particular interest to identify factors which contribute to the effectiveness in the Macedonian context. Strategic planning might be one of these factors.

The studies and practice show that many changes that have occurred in developing and emerging countries have led to the faster diffusion of strategic planning (Al-Shammari and Hussein, 2008). On account of the problem of the implementation of strategic planning, the main focus of strategic planning literature has shifted to strategic planning effectiveness. Many empirical studies have approved the supporting role of strategic planning in creating better long term competitive positions and better organizational performance of the companies. What is in common for the studies in the strategic planning and performance literature is their focus primarily on industrialized countries including the USA, UK, Canada, Australia and Japan, producing frameworks and models that are not necessarily applicable for developing or emerging countries (Al-Shammari and Hussein, 2008). These authors in their other study (Al-Shammari and Hussein, 2007) note that little research is available that investigates the relationship between strategic planning and firm performance in other contexts and developing and emergent markets. Therefore, bringing new data sets from these markets will provide valuable information to answer the question of whether a similar pattern of this relationship prevails across various contexts. Regarding the differences in strategic planning in different countries Greenley (1994) highlights "Although the principles of strategic planning should, of course, have universal application, there may be national differences in strategic planning, country dependent influences from business culture, and influences from different national trading conditions". Therefore, it seems as necessary, new series of studies and research to be conducted in emerging and developing market companies in order to verify the need of implementing the strategic planning process and to investigate the appropriate concept, which has to be created and implemented in the companies of these markets. Also, in common for the studies, those conducted in developed, as well as in emerging and developing economies, is the examination of several strategic planning dimensions and aspects that influence the organizational performance or the lack of examination of the important strategic planning dimensions. Phillips and Moutinho (2000, p.370) stress that "despite the improvement in planning scales used by researchers, the tendency is still to treat planning in terms of a unidimensional perspective." They added that some studies have measured strategic planning solely in terms of formality, (e.g., McKiernan and Morris 1995), comprehensiveness, (e.g., Fredrickson and Mitchell 1984), sophistication (e.g., Robinson and Pearce 1988), and length of planning horizon (e.g., Rhyne 1986). So, after three decades of conducting many empirical studies it is easier for a multidimensional and appropriate model of investigating the strategic planning effectiveness for the purpose of emerging and developing economies

to be conceptualized. Another common characteristic of studies in the field of strategic planning effectiveness is too narrowly focused approaches to measuring strategic planning effectiveness. The problem lies in the fact that there is a lack or absence of using qualitative, non-financial criteria for measuring strategic planning effectiveness. The new approaches to assessment of organizational results and overall performance have arisen in the last few decades. These approaches, besides the traditional financial criteria for assessment of the organizational performance, add and many other non-financial, qualitative criteria associated with core business process, customers, employees, organizational learning and innovation and other core areas in the companies important for the overall organizational performance.

In consideration of the above, the purpose of this study is to investigate the relationship between strategic planning and the organizational effectiveness with the examination of a wider list of strategic planning dimensions and different approaches and measures to assess the strategic planning effectiveness, as well as to conduct comparative analysis of the strategic planning effectiveness in different emerging and developing countries. Thus, this study is designed to contribute to all past studies and research referring to this subject in the private sector in emerging and developing countries, with emphasis on the case of the Republic of Macedonia, with all of the specific characteristics of its business climate, similar to the business climate of many emerging and developing countries whose primary purpose are the Euro - integration processes (or were before they became EU members) or processes of creating modern and competitive economies. The value of the study for the literature and theoretical knowledge lies in verifying the planning and performance relationship as well as, supporting the existing literature knowledge in this area by evaluating several dimensions of strategic planning, simultaneously, with two different approaches to measuring the strategic planning effectiveness. Practical implications refer to setting up the different dimensions of the strategic planning practice in a way that will enhance the strategic planning effectiveness and give useful suggestions to managers by focusing their efforts on the effective strategic planning practice.

## LITERATURE REVIEW

Having in mind the purpose of this study, in this section is made review of other research conducted in the field of strategic planning effectiveness which investigate a different list of strategic planning dimensions and different approaches and measures to assess the strategic planning effectiveness, both in developed as well as in other emerging and developing economies.

International organizations approach construction of economy development taxonomies very differently. One explanation for this diversity is that economic theory provides little guidance. Another explanation is that the institutions have different mandates and therefore may approach the issue with different perspectives both operationally and analytically. At the same time, a casual inspection suggests that currently the classification

systems are quite similar in terms of designating countries as being either ‘developed’ or ‘developing’ (Nielsen, 2011, p.18). For the purpose of this study the IMF (International Monetary Fund) country classification system has been taken for selecting countries which have been included in the comparative analysis with the case of the Republic of Macedonia. According to this system there are two main categories of countries: (1) Developed and (2) Emerging and developing countries (with two subcategories in the second category: (2a) Emerging and other developing countries and (2b) Low-income developing countries. The Republic of Macedonia with other countries subject to this study belongs to the emerging and other developing countries

The effectiveness of companies operations is associated with the extent of implementation of aims, objectives, or targets or precisely with the working effects or results and usually is defined as the degree to which the companies achieve the objectives or the ability to produce desired effects or results. The effects or results in one company are expressed through the organizational performance.

Consequently, the effectiveness of strategic planning is associated with achieving formulated objectives, producing better results, or improving the organizational performance as the result of the use of strategic planning process in the companies. According to Barney (2002) there are numerous definitions of organizational performance but relatively little agreement about which definitions are “best”, let alone agreement about criteria against which definitions of performance should be judged. We would add to this that more important than the definition of organizational performance are the approaches and measures according to which organizational performance could be measured. There is a wide variety of techniques for measuring firm performance. According to Barney (2002) there are four major approaches to measuring performance: survival as a measure of firm performance, stakeholder approaches to performance measurement, simple accounting measures of performance, and adjusted accounting measures of performance. Drucker (1986) indicates that five basic measures of performance are necessary and sufficient for the manager: market standing, innovative performance, productivity, liquidity and cash flow, and profitability. Digman (2006) points to new approaches that have arisen to help strategic managers evaluate and control their organizations’ performance as the following approaches: activity-based management, value-based management, the balanced scorecard, benchmarking, customer relationship management and other useful and promising approaches. Although, there are different definitions and approaches of measuring organizational performance, the literature is united in the opinion that none of approaches to measuring organizational performance is without limitations, and it is usually advisable to apply multidimensional approach, or multiple measures of performance when conducting measuring of organizational performance.

Many authors in their definitions of strategic planning refer to objectives and results and thus to effectiveness of strategic planning. Armstrong (1982, p.198) defines strategic planning as an explicit process for determining the firm’s long-range objectives, procedures for generating and evaluating alternative strategies, and a system for monitoring

the results of the plan when implemented. According to Hewlett (1999) in O'Regan and Ghobadian (2002) strategic planning implies an attempt to alter a company's strength relative to that of its competitors, in the most efficient and effective way. Strategic planning focuses on the direction of the organization and actions necessary to improve its performance. Sherman, et al. (2006, p.10) define strategic planning as a process that any organization engages in to critically analyze its external and internal environment; formulate a plan of action based on creating the best fit between the firm's resources and environment opportunities; establish acceptable methods of reducing its own weaknesses and mitigating external threats; identify appropriate tactics for implementing the plan; and then establish methods of measurement that the organization will apply over time to see whether or not the tenets of the strategic plan are leading to the desired results. Strategic planning consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance (Tapinos et al., 2005). Griffin (2006) states that strategic planning involves resource allocation, priorities, and actions needed to reach strategic goals. Regarding the relationship between strategic planning and firm performance, Barney (2002) points out that firm performance is central in the study and practice of strategy. He explains that firms that gain a competitive advantage outperform firms that gain only competitive parity or a competitive advantage. According to Meilich and Marcus, (2007, pp.441-442) the strategic planning improves the organizational performance in two ways: the first way, by reducing the uncertainty of companies operation; and the second way, by improving coordination, communication and control activities in the companies.

There is a wide variety of techniques, approaches and measures for measuring firm performance. None of them are without limitation, so it is advisable to apply multiple measures of performance when measuring the organizational effectiveness. Phillips and Moutinho (2000), constructing the strategic planning index, as a tool for measuring strategic planning effectiveness note that studies on corporate performance have tended to use a variety of different measures of success, which can be classified into one of two groups: financial and nonfinancial. Therefore they use eighteen attributes critical to the measurement of strategic planning effectiveness, 12 were strategic planning design parameters (e.g. seeking commitment to the long-range planning, setting explicit goals, assigning implementation responsibilities to specified individuals/groups and etc.), and 6 were business performance attributes (efficiency and effectiveness in the past and next years). By far the most popular way of measuring a firm's performance is through the use of accounting measures. Barney, 2002 notes that for these reasons, most early teaching and research in strategy and strategic management focused on the impact of strategy on firm's accounting performance. Elbanna (2008, p.785) in his research explains that an exclusive emphasis on financial performance is conceptually unsound and is undefended as being narrowly focused. Hence, a broader concept of strategic planning effectiveness is needed, based on multiple criteria for assessing the effectiveness of the strategic planning. These criteria examine whether the strategic planning:(1) increased effectiveness in achieving the organizations objectives;(2) leads to developing a sustainable competitive position;(3) leads to building commitment to action among line managers;(4) leads to developing a shared vision for the organization;(5) leads to a good fit between the external

environment and the internal capabilities; and (6) assists managers in considering the future implications of the current decisions.

In consideration of the above, it is reasonable for organizational effectiveness to be measured in two ways. First, by using accounting or financial measures, primarily due to these measures of performance they are the most popular in the research of organizational effectiveness, and secondary these measures are publicly available for many firms. But due to many critiques of these measures, that they are too narrowly focused, they have to be supplemented with non-financial measures as: a level of customer satisfaction, customer loyalty, a level of employee satisfaction with their jobs, shareholder satisfaction with the results etc. This statement has been confirmed in the research of O'Regan and Ghobadian (2002), where authors stress that the balance has moved on from efficiency based measures to a greater emphasis on meeting customer needs and ensuring customer satisfaction. Second, by using criteria for assessing the strategic planning effectiveness, having in mind that the purpose of this research is measuring strategic planning effectiveness in developing and emerging economies and that this kind of research already has been conducted in Egypt by Elbana (2008), so it would be productive for comparing the strategic planning effectiveness in the case of Republic of Macedonia and Egypt as developing and emerging economies if we use Elbanna's criteria for strategic planning effectiveness.

Many different dimensions and aspects of strategic planning have been investigated regarding their association with the different approaches of measuring organizational performance. Veliyath (1992) investigates the anticipatory and hindsight orientations effect on the firm's short-run performance and long term prospects through strategic planning. Kraus et al. (2006) investigate the contribution of strategic planning formalization, time horizon, strategic instruments and control to the organizational performance, measured by growth of the firm. Meers and Robertson (2007) investigate the strategic planning practices, measured by using strategic planning tools in the profitable small firms, where financial profit was the measure of performance. Baker and Leidecker (2001) examined the relationship between the use of strategic planning, the use of individual strategic planning tools and the use of strategic planning process and financial performance, measured as the average annual pretax return on assets (ROA) over the last 3 years for the respondent's business unit. Rudd et al. (2008) investigate the mediating effects of four types of flexibility (operational, financial, structural and technological) on the strategic planning and financial performance (profit growth, sales growth, market share) and non-financial performance (employee satisfaction and employee retention) relationship. An integrative model of relationships among managerial, environmental, and organizational factors, strategic planning intensity, and financial performance was developed and tested by Hopkins and Hopkins (1997). Risseuw and Masurel (1994) investigate the influence of firm size, firm's age, specialization rate, portfolio-like activities and planning intensity on the organizational performance, expressed in terms of labor productivity, defined as the ratio of total sales and total employment. O'Regan and Ghobadian (2002) investigate the impact of the barriers to the strategic planning implementation on the organizational performance, by examining the extent to which the barriers are experi-

enced by high and low performing firms. High and low performing firms were selected by separating the firms that perceived that their market share was increasing from those that perceived that their market share was decreasing.

Studies in this area in the emerging and developing countries have been conducted in Turkey, Egypt, Jordan, Saud Arabia, United Arab Emirates, Bahrain, South Africa etc. In his research in Egypt, Elbanna (2008) examines the influence of the strategic planning practice, expressed through the extent to which the enterprise uses strategic planning tools and management participation in the strategic planning, on the strategic planning effectiveness, using criteria for strategic planning effectiveness explained above. Glaister et al. (2008) in their research in Turkey argue that formal strategic planning practices and their impact on the firm's performance should be viewed in relation to organizational variables, hence in their research they investigated the influence of environmental turbulence, organization structure and firm size as major determinants of the strategic planning and the organizational performance relationship, measured by performance of examined business over the last three years relative to their major competitors on each of the following financial performance criteria: growth in profits, growth in sales volume, growth in market share, after tax returns on total sales. In the research conducted in Jordan, Al-Shammari and Hussein (2007) examine the relationship between formal strategic planning (organizations where surveyed according to the extent of formalization of strategic planning and were divided into three classes: non-strategic planners, incomplete strategic planners and strategic planners) and firms performance (two indicators for assessing the firm financial performance: return of assets and growth in revenues); and four indicators for assessing behavioral performance (firm adaptability, job satisfaction, attractiveness and retention ability).

Having in mind all of the mentioned above, three problems or dilemmas arise as the subject for this research: first, the focus of the literature and research from this field is primarily on industrialized countries and the little research that investigates the relationship between strategic planning and firm performance in other contexts in developing, emerging and developing economies and markets; second, examination of several strategic planning dimensions and aspects that influence the organizational performance or the lack of examination of the important strategic planning dimensions in both, the conducted research in developed and developing, emerging, developing economies; and third, the dilemma whether the strategic planning contributes to better organizational performance, or with other words inconsistency of results gained from many different studies. A possible reason for the third problem, inconclusive findings, may be that previous studies used differing definitions of strategic planning or tested only one of the dimensions of strategic planning. In support of this view, Boyd and Reuning-Elliott (1998) argue that inadequate measurement of the planning variable has been a major limitation in conducting empirical research on strategic planning. Specifically, they claim that the use of inconsistent terminology, the lack of agreement on the scope of strategic planning, and measurement problems have substantially limited researchers' ability to integrate empirical work and obtain consistent results because they have not consistently defined and measured the key operational variable.

## Development of hypotheses

In consideration of all above mentioned dimensions and aspects of strategic planning and the organizational effectiveness, the aim of this study is to investigate the relationship between strategic planning and the organizational effectiveness with the examination of a wider list of strategic planning dimensions (the formality of strategic planning, the use of strategic planning techniques, the management participation in strategic planning, the employee participation in strategic planning, and the barriers to the strategic planning implementation) and different approaches and measures to assess the strategic planning effectiveness (manager perception of strategic planning effectiveness and organizational performance) in the case of the Republic of Macedonia. The case of the Republic of Macedonia in this research is constructed on data gathered from Macedonian companies, which were included in the investigated sample.

### Formality of strategic planning

Many guidelines for implementing effective strategic planning suggest that the planning process should be comprehensive, flexible, adaptable, efficient, realistically, focused to the objective, and maybe the most important, it should be formalized in written form. Besides many definitions of strategic planning (some of them cited in the previous section) the formality of strategic planning process involves “explicit systematic procedures used to gain the involvement and commitment of those principal stakeholders affected by the plan. The process includes detailed formats, quantification of all inputs and rigid calendar of events.”(Pearce, Freeman and Robinson, 1987, p.658). Also, according to Mintzberg (1994) the formality of the planning process is connected with procedures, so he defines formality as using a formalized procedure to produce articulated result, in the form of an integrated system of decisions. In their research, O'Regan and Ghobadian (2002, p.419) conducted a short review on the formality of strategic planning and organizational performance and they found that previous empirical studies proved a mixed picture in relation to the value of formal strategic planning: that the formal strategic planning process has some benefits; or that there was no relationship between a formal strategy and the financial performance, or the strategic planning process in small and medium sized firms often fails to provide a holistic view of the firm. A possible reason for inconsistent findings may be that previous studies used different definitions of formal strategic planning and thus different approaches to operationalization of this independent variable, which determines the strategic planning effectiveness or may be that previous research used different measures of organizational performance. Still, the prescriptive strategic management literature implies that there is a positive directional causality from strategic planning to performance (Greenley, 1994).

***Hypothesis 1a:** Conducting formal strategic planning process leads to improving strategic planning effectiveness.*

***Hypothesis 1b:** Conducting formal strategic planning process leads to better organizational performance.*



## The use of strategic planning techniques

Since the firms from different countries in the world, regardless of their level of economic development, are facing with dynamic and complex environments, due to globalization, technology development, deregulation, emerging new markets, the need for more sophisticated and contemporary strategic planning has become an essential condition for their surviving and growth. Hence, the usage of new and improved planning tools and techniques presents a primary component of the new planning process. There are many studies in the field of strategic planning, where strategic planning tools and techniques are used as evidence of the practice of strategic planning (Elbanna, 2008), or furthermore the usage of strategic planning techniques are considered as one of the key indicators for formal strategic planning. Glaister et al., (2008, p.374) cited Mintzberg and Lampel, (1999, p. 22) and commented that several commentators have observed that the deciding characteristic of a “formal” strategic planning process is “that the process is not just cerebral but formal, decomposable into distinct steps, delineated by checklists, and supported by techniques”.

Hence, an issue which arises is whether the formality and the use of strategic planning techniques presented the same issues as one independent variable for investigation. Regarding the use of strategic planning tools as evidence of strategic planning practice is questionable, having in mind that (Elbanna, 2008) argues that some firms may utilize some strategic planning tools through they do not have written strategic plans, which practically present the final product and evidence of conducting the formal strategic planning process in a company. Still more, about the use of strategic planning tools as indicator for formal strategic planning, the investigation of Kraus (2006) shows that a significant positive relationship to performance could only be identified for the degree of formalization, but that is not in the case of the time horizon, frequency of control and strategic instruments. This supports the claim that formality of strategic planning and the use of strategic planning techniques might be two different dimensions of strategic planning effectiveness, which should be investigated separately.

In the literature, there is theoretical support that planning tools and techniques help to increase the planning efficiency and effectiveness. Also, most of the previous empirical evidence supports a positive and significant relationship between the use of planning instruments in terms of sophistication of the planning process and organizational performance or that the firms with high level of performance are more likely to place a higher degree of emphasis on the use of strategic planning tools than firms with weak performance (Ramanujam et al., 1986; Rue and Ibrahim, 1998; Baker and Leidecker, 2001). There are some studies which didn't succeed in confirming the benefit from the usage of strategic planning tools (Kraus et al., 2006)), or they have only confirmed the positive influence of individual strategic planning tools (Baker and Leidecker, 2001). Again, the results for this type of research depend on the selected list of investigated strategic planning tools, the methodology of measuring the effectiveness in the investigated companies or some contingency factors which have not been taken in consideration, which could be the reason for different or inconsistent results and conclusions.

**Hypothesis 2a:** *The use of strategic planning techniques leads to improving strategic planning effectiveness.*

**Hypothesis 2b:** *The use of strategic planning techniques leads to better organizational performance.*

### **Management participation in strategic planning**

According to many contemporary management concepts and participative planning modes, management participation in the strategic process is not anymore limited just to the top management level in companies, as the most responsible for determining the future strategic direction and strategic positioning of the companies, but it also includes all other managers at the different levels of the management hierarchy, with specific roles in the overall strategic planning process. According to Gerbing et al. (1994) management involvement (participation) in strategic planning can be defined relative to the role of the management in formulating, understanding, and communicating the firm's strategic plan and the extent to which managers believe their ideas and suggestions make a difference in the firm's strategic choices.

There is empirical evidence of the management participation importance in the strategic planning process and effectiveness, as well as wide theoretical support. Elbanna (2008) found that the strategic planning practice, and not the management participation, is significantly associated with the strategic planning effectiveness, but both the strategic planning practice and management participation jointly enhance the effectiveness of strategic planning. Van de Ven (1980) found that participation increased the effectiveness of strategy implementation. Regarding the middle management participation, moderate support for a positive association between the middle management involvement in strategy formulation and the subjective measures of the firms' financial performance has been found in a study by Wooldridge and Floyd (1990).

Regarding theoretical support of management participation there are many authors, who in their theoretical concepts emphasized different benefits that arise from management participation in the strategic planning process. Al-Shammari and Hussein (2008), in their research, investigated three different dimensions of management participation: first, the recognition of the importance of strategic planning; second, the management's commitment to strategic planning through several forms of management participation in different phases or elements of the strategic planning process; and third the participants and the extent of their participation in the strategic planning process. Each of these three dimensions is of great importance for the ultimate effectiveness of the strategic planning process. Fiegner (2005, p.627) investigated this subject and regarding the top management participations i.e. board of directors' participation he stated that "board of directors can affect the strategy of their firms in two general ways: indirectly through 'decision control' activities and directly through 'decision management' activities". Wooldridge and Floyd (1990, p. 232) indicate two

theoretical grounds for a relationship between middle management involvement in strategy and organization performance. First, middle management involvement in strategy improves performance by improving the quality of strategic decisions. Cumulatively, these decisions result in superior organizational strategy. Second, middle management involvement improves performance by increasing the level of consensus about strategy

Although the empirical evidence is not conclusive, still the theory of strategic planning and strategic management identifies many benefits of management participation for strategic planning effectiveness. Hence, it sounds reasonable to expect a positive relationship investigating these two variables.

**Hypothesis 3a:** *The management participation in the strategic planning processes leads to improving strategic planning effectiveness.*

**Hypothesis 3b:** *The management participation in the strategic planning processes leads to better organizational performance.*

### **Employee participation in strategic planning**

There are many management concepts in the theory, where employees have a strong decision making role and where managers actively seek a strong cooperative relationship with their employees such as participative management, total quality management and management by objectives. The advantages of these concepts include increased productivity, improved quality, reduced cost and improved overall effectiveness. In the literature, there are not many studies with empirical evidence which threat this subject. Phillips and Moutinho (2000) have designed a model for calculating the strategic planning effectiveness index, where these authors included several attributes concerned with employee participation and they have seen them as very important for the strategic planning effectiveness. One of the reasons for improving the strategic planning effectiveness through the employee participation in the planning process is the increased extent of motivation among the employees. The employees believe more in the objectives when they participate in the formulating phase and when they know what is expected from them in the implementation phase. Second, by the participation in the planning process the employees strengthen their capabilities and skills and thus they are more productive for their companies. Finally, the participation in the planning process for the employees means greater authority in the planning and implementation process but in the same time greater accountability for the results achievement. Also, it is reasonable for many benefits which are mentioned in the previous hypothesis, which arise from participation of different management levels in strategic planning process, to be applicable in the case of employee participation in the strategic planning process.

**Hypothesis 4a:** *Employee participation in the strategic planning processes leads to improving strategic planning effectiveness.*

**Hypothesis 4b:** *Employee participation in the strategic planning processes leads to better organizational performance.*

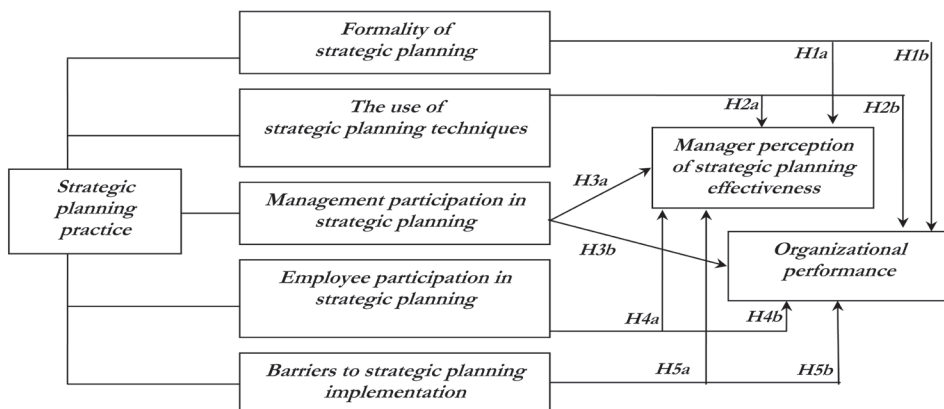
## Barriers to strategic planning implementation

Between the ideal of strategic planning and the reality of implementation lie many difficulties i.e. barriers to the effective implementation of strategic planning. Beer and Eisenstat (2000) stated that “leaders must engage in an honest conversation about the barriers and their underlying causes” O’Regan and Ghobadian (2002, p.417), quoting several authors in the literature, noted that effective implementation is vital for success of any strategic plan. These authors indicate in their research that all the implementation barriers were experienced to a greater extent by low performing firms. Kargar and Blumenthal (1994, p.11) analyzing the research of Lawless et al. (1989) cited that “firm performance is not so much a result of a company’s strategy, but of its capacity to implement that strategy effectively.” In their research, Lawless’s et al. (1989) revealed that performance differences within strategic groups are positively correlated with the capability for strategic implementation differences within strategic groups. Deloitte and Touche (1992) in their report determined that 8 of 10 companies are not successful in effective implementation of their strategies. The barriers to strategic planning effectiveness in the Macedonian context could be treating as influential factor for the organizational effectiveness having in mind the complexity and dynamics of business environment. Namely, in the previous 20 years the Macedonian business climate has been accompanied with frequent political crises, legal inconsistency and economic uncertainty. In the internal context the sources of barriers to strategic planning implementation lies in inadequate management capabilities of the Macedonian managers and absence of suitable management education and trainings for improvement of their knowledge for strategic planning effectiveness. Above mentioned comments about theoretical support and empirical evidence lead to a decision that barriers to strategic planning implementation should be taken in consideration in this research and the relationship with strategic planning effectiveness should be formulated in the following manner:

**Hypothesis 5a:** *The barriers to strategic planning implementation lead to decline of strategic planning effectiveness.*

**Hypothesis 5b:** *The barriers to strategic planning implementation lead to worse organizational performance.*

Figure 1 Model of hypotheses



## METHODOLOGY

### Data collection method

After the questionnaire was constructed, 10 managers on different management levels with some experience in this type of research carried out the first review of the pilot questionnaire form. They were asked to give some suggestions in order to improve the questionnaire and to make it closer to the terminology. After the modification of some parts and questions, the questionnaire was distributed, by random choice, to respondents in the entire territory of the Republic of Macedonia in two ways: personally or by post in printed form and by e-mail in digital form. The questionnaire was strictly distributed to middle and top level managers and to enterprise owners (mostly in the case of small businesses).

### Sampling issues

A total of 212 questionnaires have been collected in one month, which represent 60% of all distributed questionnaires to enterprises with different size, age, industry type and ownership form. Of the sampled enterprises, 14% are large enterprises, 33% are medium enterprises and 53% are small enterprises, i.e. 86 % are enterprises from the SME (small and medium enterprises) sector. The organizations in the sample represent a variety of industries: trade and services (57%), production (35%) and construction (8%). The final demographic statistics of the sample refer to 79% domestic enterprises and 21% foreign enterprises. After the initial processing of the total number of received questionnaires, 113 questionnaires proceeded to the next phase of processing, because 113 enterprises were found to be strategic planners. The criterion for selecting strategic planners was designed by using three levels of conducting the planning process in the examined companies: structured strategic planning, structured operational planning, and unstructured planning, each of them described in the questionnaire with corresponding definition. Only, companies with structured strategic planning were assessed as strategic planners. Since, this research was preceded by the research of demographic, management and environmental factors, which influence the extent of strategic planning practice in the companies (Debarliev and Trpkova, 2011) there are some characteristics which create a profile of a strategic planning company in the case of Republic of Macedonia: the most of the strategic planners operate in the sector of services; in the group of foreign companies there is much higher percentage of strategic planners than those in domestic companies; strategic planners are companies with moderate to low level of specialization rate; they have moderate to higher intention to change operations (building new production capacities, developing new line of products, entering new markets etc.); they have average level of financing their strategic activities using external financial funds; they are companies with high degree of flexibility in their operations; they are companies with characteristics of both, mechanistic and organic organizational structure; and they operate in the external environment with moderate degree of dynamicity and complexity.

*Item non – response bias.* The differentiation between flagrant non – response and sporadic non – response was made as recommended by Churchill and Iacobucci (2002). Four questionnaires that had too many unanswered questions were deleted from the analysis and considered unusable (flagrant non – response). Questionnaires that had few questions unanswered were left in the analysis (sporadic non – response). Series means were used for replacement of the missing values for each variable.

Diagnostic of influential cases. Two regression models were performed, and for each model only one case (out of 109) had standardized residual less than -3. Both models have Cook's distance below 1 (Cook and Weisberg, 1982), so we can conclude that the models are appropriate.

## **Operational measures**

### ***Manager perception of strategic planning effectiveness***

The effectiveness of strategic planning can be expressed in many different ways. Following Elbanna (2008, p.785), we utilized the following indicators to assess the strategic planning effectiveness by using a five-point Likert scale: 1) strategic planning increased effectiveness in achieving the organization's objectives, 2) leads to developing a sustainable competitive position, 3) leads to building commitment to action among line managers, 4) leads to a good fit between the external environment and the internal capabilities, and 5) assists managers in considering the future implications of the current decisions. To achieve unidimensionality, factor analysis was performed for all five stated items. One factor emerged, which confirmed the unidimensionality of the construct. For this construct, reliability analysis was performed, and the Cronbach's alpha of 0,899 indicated appropriate reliability and internal consistency. The saved factor scores are dependent continuous variables in the first regression model.

### ***Organizational performance***

Besides the previous approach, a second approach was used for assessment of the strategic planning effectiveness in order to test whether any difference in measuring strategic planning effectiveness will be identified. Commonly, different financial and non-financial performance measures are used for assessment of the strategic planning effectiveness. For this research the respondents were asked to assess each of ten different financial and non-financial performances by using a five-point Likert scale for: 1) overall profit achieved, 2) sales volume achieved, 3) market share achieved, 4) return on investment 5) levels of customer satisfaction achieved, 6) levels of customer loyalty achieved, 7), levels of employee satisfaction with their jobs 8) ability of the organization to attract and employ qualified employees, 9) levels of employee retention and 10) shareholder satisfaction with the achieved organizational performance. Factor analysis for eight items was performed, since two items out of ten (levels of customer loyalty

achieved and ability of the organization to attract and employ qualified employees) were deleted since they do not correlate with others (Field, 2005). It converged to one construct with Cronbach's alpha of 0,887, indicating again, acceptable reliability and internal consistency. The saved factor scores are used as dependent continuous variables in the second regression model.

### *Formality of strategic planning*

In order to assess the overall formality of strategic planning, following Glaister et al., (2008, p.390) but with some added measures, respondents in this research were asked to indicate the following on a five-point bipolar phrase: 1) strategic plans are prepared only at the corporate level (value 1) or strategic plans and prepared at the functional level and other lower management levels (value 5), 2) decision makers only (value 1) or numerous observers (value 5), 3) flexible planning procedures (value 1) or uniform planning procedures (value 5), 4) results emphasized (value 1) or process emphasized (value 5), 5) ten pages plans or less (value 1) or massive paperwork (value 5), 6) time horizon less than 3 years (value 1) or time horizon more than 3 years (value 5) and 7) random progress review (value 1) or regular progress review (value 5). To ensure unidimensionality, five items were factor analyzed. Two items were deleted since in the preliminary factor analysis they did not correlate with the other items: the level of preparing strategic plans and the level of centralization of involvement in planning activities. The results converged to one construct. The reliability coefficient Cronbach's alpha was 0,816 which indicated good reliability. The saved factor scores are used as one explanatory continuous variable in both regression models.

### *The use of strategic planning techniques*

Regarding the second investigated dimension of strategic planning effectiveness, the final factor analysis differentiated three types of techniques. Since, each of these three groups include different techniques, for external and internal analysis, qualitative and quantitative techniques, for all phases in the strategic planning process (strategic analysis, strategy formulation and strategy assessment and control) there cannot be found a common criterion for their defining, so the analysis was conducted for each of these three groups of techniques, in order to find out if there is any relationship with strategic planning effectiveness. Therefore, the first construct is named strategic planning techniques 1(Value chain analysis, Experience curve analysis, SPACE analysis, Cognitive map, Product life cycle analysis, PIMS analysis, PEST analysis, Porter's five forces analysis, Critical success factor analysis and BCG matrix), with acceptable Cronbach's alpha of 0,883. The second construct is named strategic planning techniques 2(PEST analysis, Scenario planning, "What if" analysis, Critical success factor analysis, Benchmarking, Gap analysis) with Cronbach's alpha 0,852.The third construct is named strategic planning techniques 3(Cognitive map, PIMS analysis, Benchmarking, Balanced Scorecard, BCG matrix and Gap analysis), and has reliability coefficient of 0,844. Three series of

continuous factor scores are saved and used as three explanatory continuous variables in both regression models.

### ***Management participation***

In order to assess the management participation, respondents were asked to identify those who participate in the strategic planning process (executive board/board of directors and other top management committees, middle level - sectors and division managers and lower levels - department managers) and the extent of their participation. Using factor analysis to achieve unidimensionality, the results converged to one construct with reliability coefficient alpha of 0,606 which was considered acceptable. The continuous factor scores were used as explanatory variables in both regression models.

### ***Employee participation***

Following the Phillips and Moutinho's (2000) lists of attributes that are important in calculating the strategic planning index, we utilized the following indicators to assess the employee participation by using a five-point Likert scale: 1) use of knowledge and experience from different functions within the enterprise, 2) assigning implementation responsibilities to specified individuals/groups, 3) use of a variety of motivational factors to encourage good planning, and 4) seeking commitment to the long-term plan. The first item did not correlate well with other items and it was removed from the analysis. Using the remaining three items, factor analysis was performed. The results converged to one construct with Cronbach's alpha of 0,781). The factor scores were used as explanatory variables in both regressions.

### ***Barriers to the strategic planning implementation***

Based on O'Regan and Ghobadian (2002) and Khoung's (2002) research, for this research the respondents were asked to assess each of following barriers to strategic planning implementation by using a five-point Likert scale: 1) crises distracted attention from implementation, 2) inadequate leadership and direction by departmental managers, 3) overall strategic goals were not well enough understood by the staff, 4) insufficient employee training and instruction, 5) employees with not appropriate skills 6) implementation much longer than anticipated, 7) inadequate communication, 8) coordination of implementation not effective enough and 9) inadequate information systems for control activities. Again, factor analysis was used where all items converged to one construct (Cronbach's alpha 0,868). Factor scores were used as one explanatory variable in both regressions.



## Controls

### *Company size*

Companies of different sizes are used in the analysis, so it is clear that strategic planning is not going to be the same in small, medium and large companies. Many studies have argued that organizational size can influence the strategic planning practice. Thus, control variable was introduced to the analysis, where it was measured as logarithmical transformation of the number of employees.

### Checking the assumptions in the regression analysis

Following assumptions must be true if conclusions can be drawn about the population on the basis of the regression analysis done on sampled data (Field, 2000): all variables are continuous, or measured on interval level; regression standardized predicted values were plotted against the regression standardized residuals in order to check the assumptions for homoskedasticity and linearity. The points in this graph were randomly and evenly dispersed for both regressions, indicating that the assumptions have been met; the histogram of residuals and normal probability plot are main indicators in order to check this assumption. Plots in both regressions indicate that the residuals are not perfectly normally distributed, which is a common problem in social science research (Hair et al., 1995). Yet, no serious violations are noticed; in both regression models Variance inflation factor (VIF) indicators are well below 10, which indicate that there is no multicollinearity. Thus, this assumption is also met.; Durbin – Watson statistics is 2,096 in the first regression and 1,975 in the second regression which indicates that there is no serial correlation between errors.

## RESULTS

The first model regresses strategic planning effectiveness on formality of strategic planning, strategic planning techniques 1, 2 and 3, management participation, employee participation, barriers to strategic planning implementation and control variable company size. The data supports Hypothesis 1, Hypothesis 3 and Hypothesis 4. Regression coefficients and p-values for this model are presented in Table 1. The data shows that control variable company size is not significant predictor of strategic planning effectiveness. The adjusted determination coefficient  $R^2$ , or goodness of fit of the fitted regression model is 50.9%. This means that the sample regression line fits the data relatively well. It also states that 50.9% of the total variation in the dependent variable is explained by the explanatory variables. The rest of the variation of 49.1% is explained by other variables that are not included in the model. It has been said that if the sole purpose of regression analysis is prediction, the higher the  $R^2$  the better the prediction. Yet, the main purpose of the analysis was to identify important variables that have influence on the effectiveness of strategic planning.

In the second model the same explanatory variables were used, while the dependent variable was represented as financial and non – financial performance. The data of second model only confirmed the Hypothesis 1 and Hypothesis 4. The adjusted determination coefficient R<sup>2</sup>, or goodness of fit of the fitted second regression model is 38.7%. This regression fits the data relatively well, yet the previous regression has higher coefficient of determination.

Table 1: *Models of regression analyses*

Variables	Model 1	Model 2
	Dependent variable Management perception of strategic planning effectiveness	Dependent variable Organizational performance (financial and non-financial)
Formality of strategic planning	0,394 **	0,241 **
Strategic planning techniques 1	0,024	0,126
Strategic planning techniques 2	0,139	-0,700
Strategic planning techniques 3	0,111	0,074
Management participation	0,229 **	-0,008
Employee participation	0,290 **	0,211 *
Barriers to strategic planning implementation	-0,006	-0,260
Company size	-0,164	-0,150
R <sup>2</sup>	0,546	0,387
Adjusted R <sup>2</sup>	0,509	0,292

Note: \*p is 0,05; p\*\* is 0,01

## COMPARATIVE ANALYSIS WITH OTHER EMERGING AND DEVELOPING COUNTRIES

As, it has been mentioned above, the purpose of this study is to investigate the relationship between strategic planning and the organizational effectiveness with the examination of a wider list of strategic planning dimensions and different approaches and measures to assess the strategic planning effectiveness, as well as to conduct comparative analysis of the strategic planning effectiveness in different emerging and developing countries. Hence, this section should compare result of strategic planning effectiveness in the case of Republic of Macedonia with the research in the other emerging and developing counties, and to indicate the probable reasons for potential differences in strategic planning effectiveness in different counties.

Unfortunately, strategic planning effectiveness is an issue that is quite little investigated in emerging and developing counties, so there are not many counties that can be used for the purpose of comparative analysis. As has been mentioned above, what is in common for the studies in the strategic planning and performance literature is their focusing

primarily on developed (industrialized) countries including the USA, UK, Canada, Australia and Japan, producing frameworks and models that are not necessarily applicable for developing or emerging countries. Studies in this area in the emerging and developing countries have been conducted in Turkey, Jordan, Egypt, Saud Arabia, United Arab Emirates, Bahrain, South Africa, etc. To the best of the author's knowledge, it is very interesting, that in the different on-line archives with many academic journals, there are no topics that treat the strategic planning effectiveness in emerging and developing countries in Eastern, Central or especially South-Eastern Europe, countries which viewed from historical, geographical, sociological and institutional perspectives are the most similar with the case of Republic of Macedonia.

Having in mind the mentioned list of emerging and developing countries where effectiveness of strategic planning has been investigated, still we can conduct good comparative analysis, using the case of Turkey, which in this regard, is an instructive case as it is currently at the center of several debates due to its ongoing membership negotiations with the EU, as the case of Republic of Macedonia. Glaister et al. (2008) in their research conducted in Turkey state: "The characteristics of the Turkish economy and its strategic location as a bridgehead between East and West make it an interesting case to examine the nature and role of the strategic planning process on firm performance. Regarding the case of Arab countries (United Arab Emirates, Bahrain Egypt and Jordan), the conducted studies in these countries are interesting for the comparative analysis from the perspective of emerging and high-income developing countries, with high extent of economic development and growth.

Regarding some contingencies specific for the compared countries, for Turkish firms, in general, it could be said that they have more commonalities to the Arabic cluster in terms of values, norms, behaviors in organizations and business relationships (Kabasakal and Bodur, 2002). For the case of the Republic of Macedonia it is specific that from the cultural perspective Macedonian companies could be more compared with the companies from countries in the SEE region or more precisely, from the countries situated on the Balkan Peninsula. However from institutional perspective, the similarities of the case of the Republic of Macedonia with those of Turkey and Arabic countries lie in their similar institutional environment. In this regard, Glaister et al. (2008) comment that planning practices in emerging countries are affected more by the institutional environment (i.e. government intervention, political instabilities, inflation level, state business relations, incentives or lack thereof) than societal values.

The results from this study show that the formality of strategic planning in Macedonian companies is positively and significantly associated with the strategic planning effectiveness in both ways of measuring the strategic planning effectiveness, by using qualitative criteria of strategic planning effectiveness, as well as by using, financial and non-financial performance. The formality of strategic planning has also been investigated in two other emerging and developing countries, Turkey as emerging country, and Jordan as developing country (according to the IMF country classification system).

In the research conducted in Turkey, a strong and positive relationship was formed between formal strategic planning and firm performance Glaister et al. (2008). In the second research, conducted in Jordan, the results of the analysis indicate that firms that implement formal strategic planning outperform those that do not. Similar patterns of differences were detected in both financial and behavioral indicators of performance. Strategic planners tend to achieve higher return on assets and growth rates in revenue. Also it has been found that strategic planners possess better ability to adapt to their external environment, are more able to attract quality labor force, have higher level of job satisfaction among their employees, and are more able to retain the current human resources (Al-Shammari and Hussein, 2007).

Al-Shaikh 2005 p.293 for the case of United Arab Emirates states: "Prevalence of strategic planning in the Emirates is low. It is true that some companies have reported that they make use of strategic planning, but this practice often falls short of documentation or quantified objectives. Added to that, some respondents believe that planning will not improve the company's performance. There have been many studies of formal strategic planning conducted in developed countries, and although there is a small reservation regarding the effectiveness of the formalization of strategic planning, still the above mentioned results from emerging and developing countries tend to confirm most of the empirical evidence and arguments of the prescriptive strategic management literature about the positive relationship between formal strategic planning and organizational effectiveness.

Regarding the control and mediating variables, or factors which have indirect influence and that are specific for effectiveness of formal strategic planning, the results from the analysis conducted in Turkey verify the moderating roles of environmental turbulence, organization structure and firm size on the strategic planning-performance link Glaister et al. (2008). Although in the case of the Republic of Macedonia, except the company size, which has been shown that is not significant predictor of strategic planning effectiveness, other contingency factors have not been taken in consideration in the investigation of effectiveness of formal strategic planning, but have been subject of investigation of other research in the Republic of Macedonia. This research shows that business size, business control, intention to change the operations and business flexibility are very important factors in the enterprises that have a significant correlation with the strategic planning incidence (Debarliev and Trpkova, 2011).

The similar results with regard to formality of strategic planning and effectiveness in the case of the Republic of Macedonia, Turkey and Jordan, although there are differences in the used methodology for investigation of this dimension of strategic planning, as has been mentioned above, lie in similarities in the institutional environment. The Republic of Macedonia and Turkey are candidates for membership in EU, so the companies in these two countries, in order to improve the competitiveness of their products and services at the domestic and especially at the EU markets, must take strategic planning as an important factor for accomplishing their business objective. This means that the companies from these two countries cannot afford improvisation and ad-hock planning

process in order to try to increase their competitiveness, but through formal and precise strategic planning process, systematically and continually to work on building their strategic resources, skills and competencies an ultimately on their competitive advantages. The need of formal strategic planning for the companies in the Republic of Macedonia and Jordan, comes from the same reasons for competitiveness, but also for adapting their business operation to the modern capitalistic countries. The Republic of Macedonia as an ex-communist country, and Jordan as an ex colonial country.

Although, the strategic planning techniques according to factor analysis were divided into three groups of techniques, no relationship was found between any of the three groups of techniques with the strategic planning effectiveness, in both regression models. The strategic planning techniques and strategic planning effectiveness also have been subject of investigation of studies conducted in the companies in Egypt and Jordan.

According to Elbanna (2008) in the Egyptian companies there is a positive relationship between the practice of strategic planning and strategic planning effectiveness. It is interesting that in this study the strategic planning tools are employed as an objective indicator of the extent to which the sampled organizations practice strategic planning. Further, this study indicates that strategic planning practice with one more investigated dimensions of strategic planning, management participation jointly enhance the effectiveness of strategic planning.

Aldehayyat and Twaissi (2011) identify strategic planning system characteristics in small Jordanian industrial publicly quoted firms and examine their relationship with corporate performance. Regarding the strategic planning tools, the findings show that there is relatively little focus on the use of strategy techniques as the mean is less than 3. The research finding also shows all strategic planning dimensions, including the use of strategic planning tools and overall strategic planning had a significant relationship with corporate performance.

Comparative analysis with other countries, where the extent or frequency of using strategic planning tools have been investigated, can be made with the study conducted in Turkey and Saud Arabia. The results from the case of the Republic of Macedonia show that the average usage of the investigated 23 techniques (most cited in this kind of research) is 2,56 on the scale from 1 to 5, whereas the average usage of 10 most used techniques in Macedonian companies is 3.30, on the same scale from 1-5, which indicates moderate to considerable extent of usage. Dincer et al., (2006) in the conducted analysis in Turkish state-owned, local-private and foreign-owned firms, regarding the extent of use of tools and techniques of strategic analysis by investigated firms ranked by regularity of use, for the full sample of firms, indicate that all of the items are clearly below the median measure indicating relatively little use of a broad range of tools/techniques of strategic analysis. Al Ghamdi conducted a study about the use of strategic planning tools and techniques in Saudi Arabia. The study utilizes thirteen tools and techniques, where the results show that out of the 72 Saudi organizations investigated, only 10% of the planners reported using these techniques regularly with an additional 17% saying they only

use them frequently. Almost half of the respondents reported that they do not use these strategic tools in their planning activities.

The conclusion from the two comparative analyses of the usage of strategic planning tools and their influence on organizational effectiveness, leads to higher extent of usage of strategic planning tools compared to the usage of strategic planning tools in compared countries, but with no relationship with organizational effectiveness, unlike the results from the case of Egypt and Jordan, where a positive relationship has been found between the usage of strategic planning tools and organizational effectiveness. This could be explained by inappropriate and incorrect usage of strategic planning tools in the Macedonian companies, which is the reason why the companies that use strategic planning tools cannot achieve better results, unlike the companies that do not use these tools. This conclusion, from the other side reveals the need for strengthening the abilities of Macedonian managers, planners and other employees engaged in the planning process for using the strategic planning tools in order to make better strategic analysis, to formulate more competitive strategies and to appropriately assess the strategic implementation progress, ultimately to achieve better organizational effectiveness.

Although not all research has supported the positive impact of management participation in strategic planning, strong theoretical support suggests that participation by the management in the strategy process enhances the attainment of organizational performance. The results from the case of Republic of Macedonia indicate the acceptance of Hypothesis 3 that the management participation in the strategic planning processes leads to improving the strategic planning effectiveness, but only in the first regression model, where organizational effectiveness is measured by using manager perception of planning effectiveness. This means, when managers from different management levels and with different management functions (executive board/board of directors and other top management committees, middle level - sectors and division managers and lower levels - department managers) participate in the strategic planning process with joint efforts, they improve the strategic planning effectiveness in the Macedonian companies.

This time comparative analysis with the case of Egypt reveals invert results. Namely, this dimension in Egyptian companies has been shown that is no determinant of strategic planning effectiveness. Practically, the results show that there is no significant relationship between management participation and strategic planning effectiveness. But in this research the joint effect of the strategic planning practice and management participation has been investigated and was found that strategic planning practice and management participation jointly enhance strategic planning effectiveness.

In the research conducted in Jordan, by Al-Shammari and Hussein (2008), with respect to the availability of infrastructure necessary for the success of implementing strategic planning, results provide several interesting insights. Managers show strong and positive attitude toward the importance and necessity of strategic planning, but this strong attitude has not been translated to real commitment toward its implementation. A moderate

to low level of top management commitment has been found in this study. It is also found that strategic planners enjoy better performance on these dimensions. A high level of centralization in the strategic planning process was found in Jordanian companies. The primary participants in this process are the CEOs and board of directors and a special committee formed specifically for this purpose and headed by the top management team in these organizations. The authors point out that these findings are not uncommon in Jordan, where traditional Arab management styles prevail. These management styles are characterized by a high level of authority concentration in the hands of top management and a low level of empowerment and involvement of employees at lower managerial levels.

Why management participation works in the case of the Republic of Macedonia and influences the strategic planning effectiveness and why it does not work in Egypt and Jordan could be explained by using the Power Distance Index (PDI). This index is one of the five intercultural dimensions developed by Hofstede. In short this cultural dimension looks at how much a culture does or does not value hierarchical relationships and respect for authority. Examples of cultures with high PDI scores (the power-distance index figure is lower in countries or organizations in which authority figures work closely with those not in authority, and is higher in countries or organizations with a more authoritarian hierarchy) include Arabic speaking countries, Russia, India and China. Those with low scores include Japan, Australia and Canada. Concretely, the PDI index for Egypt is 80, for Jordan there is no score, but for the neighborhood of Jordan this index score is 80, while in the Republic of Macedonia, also there is no score, but this index in the neighborhood is about 65. In the research of Al-Shaikh, the United Arab Emirates have been investigated involving strategic planning, although there are no results about the influence of management participation on organizational effectiveness, still this research approved the low level of participation of managers on different levels of management hierarchy. The results indicate that in 43% of companies, the top management team is usually involved in setting strategic plans and that a general manager in a little more than 1/4 of the companies is the person who sets strategic plans. This author highlights that participation of other managers is very important, as it is likely to make the planning process more realistic and ultimately, implementation of plans will be easier as managers will be more committed to the goals.

According to the analysis and results regarding the influence of employee participation on the strategic planning in the Macedonian firms investigated in this research, employee participation in the strategic planning processes leads to improvement of the strategic planning effectiveness. The average extent of employee participation in the strategic planning is 3.70, which according to 1-5 Likert's scale, this score shows moderate to considerable extent of employee participation.

Regarding employee participation in the strategic planning process in Jordanian companies, Al-Shammari and Hussein (2008) argue that involvement of employees at different levels of the organization in planning activities is critical to its success. To what extent Jordanian companies involve their employees in the development of plans represents

one of the core dimensions. To assess this level of involvement, the managers were asked to indicate who participates in the development of plans and their level of participation. Then they were provided with four possible participants and were asked to rate their level of participation: CEOs and board of directors, special committee, external consultants, and all managerial levels. It is very interesting that although, these authors emphasize the involvement of employees, still they offer only managerial levels and positions as possible answers, which is very contradictory. Having in mind that, even in the investigation of involvement of managerial levels and positions, as has been mentioned above, a high level of centralization in the strategic planning process was found in Jordanian companies. The primary participants in this process are the CEOs and board of directors and a special committee formed specifically for this purpose and headed by the top management team in these organizations.

In the research of Al-Shaikh in the United Arab Emirates, besides the involvement of the management in strategic planning, the involvement of employees on different positions and functions (planning department, all main departments, accountants and others.) has been investigated. The results are the same as has been mentioned, that top management team and general managers are the most involved in the strategic planning process. The main reason for higher employee participation in the strategic planning and positive relationship with organizational effectiveness, unlike the results in Arabic countries, again is due to lower score of power distance index in the Republic of Macedonia compared to those of Arabic countries.

The findings from this research do not support the claim that the barriers to strategic planning implementation lead to decline of strategic planning effectiveness. Both regression models reject hypothesis 5. This finding is not in line with most empirical studies, which approve the influential effect of barriers to strategic planning implementation on organizational effectiveness. Also the finding of this research is not correlated with the strategic planning theory about the importance of company capacity to implement that strategy effectively as well as, it is not correlated with the statistical data for high percentage of companies that are not successful in effective implementation of their strategies and ultimately are not successful in accomplishing their formulated objectives. Having in mind all above mentioned evidence, which lead to high expectation that barriers cannot be treated as non-determinants of organizational effectiveness, this result is surprising.

Regarding the methodological issues, factor analysis was used in order to assess the correlation between the barriers included in the questionnaire, where all items converged to one construct (Cronbach's alpha 0.868), so factor scores were used as one explanatory variable in both regressions. Also there is no doubt regarding the measurement of effectiveness, because they have shown expected results in the relationship with the other investigated strategic planning dimensions. Hence, the only doubt lies in the correctly given answers from the respondents. Since, this strategic planning dimension has not been investigated in other emerging and developing countries, a comparative analysis cannot be conducted.



## CONCLUSIONS

The empirical analysis conducted in the Macedonian companies shows that strategic planning can generally contribute to organizational effectiveness. The significant correlation between different strategic planning dimensions and the strategic planning effectiveness, measured by using management perception of strategic planning effectiveness, was found in the relationship between the formality of strategic planning, the management participation in strategic planning and the employee participation in strategic planning. Regarding the second approach to measuring the strategic planning effectiveness, which uses organizational performance (financial and non-financial) a significant correlation was found in the relationship between the formality of strategic planning and the employee participation in strategic planning. Hence, formality of strategic planning effectiveness and employee participation in strategic planning have been shown as the two most influential strategic planning effectiveness according to both ways of measuring strategic planning effectiveness.

This study also shows that there is a small difference between the results from the first and second approach to measuring strategic planning effectiveness, which suggests that these two approaches measure the organizational effectiveness similarly, but still this case shows that selecting the appropriate approach to measuring strategic planning effectiveness must be done with caution.

The comparative analysis conducted in this study with the purpose of comparing the case of Republic of Macedonia with the research in the other emerging and developing countries, and indicating the probable reasons for potential differences in strategic planning effectiveness in different countries, refers to several conclusions: the strategic planning effectiveness is an issue that is quite little investigated in emerging and developing countries, so there are not many countries that can be used for the purpose of the comparative analysis; studies in this area in the emerging and developing countries have been conducted in Turkey, Jordan, Egypt, Saud Arabia, United Arab Emirates, Bahrain, South Africa, etc.; to the best of the author's knowledge, it is very interesting, that in the different on-line archives with many academic journals, there are no topics that treat strategic planning effectiveness in emerging and developing countries in Eastern, Central or especially South-Eastern Europe, countries which viewed from historical, geographical, sociological and institutional perspectives are the most similar with the case of the Republic of Macedonia; still good comparative analysis can be conducted, using the case of Turkey, which in this regard, is an instructive case as it is currently at the center of several debates due to its ongoing membership negotiations with the EU, as the case of the Republic of Macedonia as well as its location as a bridgehead between East and West make it an interesting case to examine the nature and role of the strategic planning process on firm performance; regarding the case of Arab countries (United Arab Emirates, Bahrain Egypt and Jordan), the conducted studies in this countries are interesting for the comparative analysis from the perspective of emerging and high-income developing countries, with high extent of economic development and growth, but in the process of adapting their business operation to the modern capitalistic countries, the Republic of Macedonia as

an ex-communist country, and some of the Arabic countries as ex colonial countries; regarding the formality of strategic planning the same results about the positive and significant relationship with the strategic planning were found in both compared countries, Turkey and Jordan; the similar results with regard to formality of strategic planning and effectiveness in the case of Republic of Macedonia, Turkey and Jordan, although there are differences in the methodology used for investigation of this dimension of strategic planning, lie in similarities in the institutional environment. The Republic of Macedonia and Turkey are candidates for membership in EU, and the Republic of Macedonia as an ex-communist country, and Jordan as ex an colonial country with many processes for adapting their institutional environment to the developed countries in the world; regarding the strategic planning tools in the case of Republic of Macedonia no relationship was found with any of the three groups of techniques with the strategic planning effectiveness unlike the cases of Egypt and Jordan, which could be explained by inappropriate and incorrect usage of the strategic planning tools in the Macedonian companies; the management participation in the strategic planning processes leads to improvement of the strategic planning effectiveness in the case of the Republic of Macedonia (but only in the first regression model), unlike the cases of Egypt and Jordan, which is explained with a high level of centralization in the strategic planning process in Arabic countries and lower level of decentralization and higher participation in the case of the Republic of Macedonia; regarding the analysis and results on the influence of employee participation on the strategic planning in the Macedonian firms investigated in this research, the employee participation in the strategic planning processes leads to improving strategic planning effectiveness, unlike the cases of Jordan and United Arab Emirates, which again is due to lower score of power distance index in the Republic of Macedonia compared to those of Arabic countries; barriers to strategic planning implementation have not been subject of analysis in emerging and developing countries, so there cannot be made comparative analysis concerning the results of this strategic planning dimension.

The originality and the value of the study for the literature and theoretical knowledge lies in the attempt for the strategic planning effectiveness to be investigated for the first time on the ground of many emerging and developing countries from the regions of Eastern, Central and especially South-Eastern Europe, as well as for a comparative analysis to be conducted with several non-European emerging and developing countries, with useful conclusions about the strategic planning and its relationship with organizational effectiveness.

This study also supports the existing literature knowledge in this area by evaluating several dimensions of strategic planning, simultaneously, with two different approaches to measuring the strategic planning effectiveness. Since this study is based mainly on western literature and empirical studies, also it offers some important insights to the applicability of Western strategic planning related to the business environment in emerging and developing countries.

Practical implications refer to the setting up of the different dimensions of the strategic planning practice in a way that will enhance strategic planning effectiveness and give useful suggestions to managers by focusing their efforts on the effective strategic plan-

ning practice. This study indicates the following practical suggestions: there is a need for strategic planning to become a more formalized, explicit and ongoing organizational process with uniform planning procedures, emphasized process, with wide-range paperwork, time horizon more than 3 years and regular progress review; to improve the knowledge and skills for using the strategic planning techniques and to design an appropriate set of strategic planning techniques as an important element of the organizational effectiveness; the top management of the companies must increase the awareness among managers on different organizational levels of the importance of strategic planning for the organizational effectiveness, understand their role in the strategic planning process and their role in developing a management and organizational structure that encourages middle managers, managers on lower levels and all other employees in the organization must get involved and participate in the strategic planning process; finally the findings can also be used as an instrument to identify and overcome the barriers to effective strategy implementation, as well as to determine critical issues of organizational effectiveness and activities necessary for the effective implementation of strategic planning, having in mind the following barriers to strategic planning implementation: crises that distracted attention from implementation, inadequate leadership and direction by departmental managers, overall strategic goals and their understanding by the staff, insufficiency of employee training and instruction, implementation much longer than anticipated, inadequate communication, ineffective coordination of implementation, and inadequate information systems for control activities.

### **Limitations and further research**

In order to avoid common method variance (“variance that is attributable to the measurement method rather than to the constructs the measures represent”) (Podsakoff, et al., 2003), further research should consider *ex ante* approaches in research design stage recommended by Podsakoff et al. 2003. One approach is to use other sources of information for some of the key measures. In particular, if possible, the dependent variables should be constructed using information from different sources than the independent variables. The second approach suggests a number of procedural remedies in designing and administering the questionnaire, from mixing the order of the questions to using different scale types, which can reduce the likelihood of common method variance.

Many findings have arisen from this study, but they must be viewed with caution especially in interpreting the associations found between the predictor variables and the response variable. It may be that other factors associated with the predictor variables (different strategic planning dimension) influence the strategic planning effectiveness. Therefore additional insight could be gained into the influence of the industry conditions, environmental dynamics, organizational and management dimensions and other additional relevant moderators on the planning-effectiveness relationship.

Considering that this study has been conducted in the Republic of Macedonia and that the strategic planning practice can be subject to some contingencies i.e. some cultural

and institutional environment influences, much can be done in future research in this direction. This means that different cultural and institutional factors need to be taken into consideration when the planning-effectiveness relationship is investigated.

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## APPENDIX:

Figure 2: *Strategic planning effectiveness*

Not at all	To a small extent	To a moderate extent	To a considerable extent	To a great extent
1	2	3	4	5
Strategic planning increased effectiveness in achieving the organization's objectives				<input type="checkbox"/>
Leads to developing a sustainable competitive position				<input type="checkbox"/>
Leads to building commitment to action among line managers				<input type="checkbox"/>
Leads to developing a shared vision for the organization				<input type="checkbox"/>
Leads to a good fit between the external environment and the internal capabilities				<input type="checkbox"/>
Assisted managers to consider the future implications of the current decisions				<input type="checkbox"/>

Figure 3: *Formality of the strategic planning*

Strategic plans are prepared only at the corporate level	1 2 3 4 5	Strategic plans are prepared at the functional level and other lower management levels
Decision makers only	1 2 3 4 5	Numerous observers
Flexible planning procedures	1 2 3 4 5	Uniform planning procedures
Results emphasized	1 2 3 4 5	Process emphasized
Ten pages plans or less	1 2 3 4 5	Massive paperwork
Time horizon less than 3 years	1 2 3 4 5	Time horizon more than 3 years
Random progress review	1 2 3 4 5	Regular progress review

Figure 4: *Barriers to the strategic planning implementation*

Not at all	To a small extent	To a moderate extent	To a considerable extent	To a great extent
1	2	3	4	5
Crises distracted attention from implementation				<input type="checkbox"/>
Inadequate leadership and direction by departmental managers				<input type="checkbox"/>
The overall strategic goals were not well enough understood by the staff				<input type="checkbox"/>
Insufficient employee training and instruction				<input type="checkbox"/>
Implementation much longer than anticipated				<input type="checkbox"/>
Inadequate communication				<input type="checkbox"/>
Coordination of implementation not effective enough				<input type="checkbox"/>
Inadequate information systems for control activities				<input type="checkbox"/>