

The Impact of Strategic Planning on the Performance of Public Organizations: The Mediating Role of Entrepreneurship

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<p>Article history Submitted: 21 October, 2020 Revised: 3, 9 December, 2020 Accepted: 27 December, 2020</p>	<p>Abstract Strategic planning is critical for an organization to create a competitive advantage. However, few studies were conducted to investigate the effect of strategic planning and entrepreneurship on the organizational performance of public organizations. The purpose of this paper is to examine the effect of strategic planning on the organizational performance of public organizations. The study also aims to examine the mediating role of entrepreneurship between strategic planning and organizational performance. The population of this study is the employees of the department of economic development in the United Arab Emirates (UAE). Using the partial least square, the study found that strategic planning affected positively entrepreneurship and organizational performance. In addition, entrepreneurship mediated the effect of strategic planning on organizational performance. Improving strategic planning will have a positive impact on entrepreneurship and the organizational performance of organizations.</p>
<p>Keywords: <i>Strategic Planning, Organizational Performance Entrepreneurship</i></p>	

1. Introduction

Strategic planning is one of the most important administrative entrances that help all institutions to succeed and continue, and facing the risks in the environment of work. Strategic planning has been widely used in organizations of all kinds and activities, and its serious application has become an urgent necessity to increase the competitiveness of institutions and improving and developing their performance to reach the required performance in the long run, to ensure its survival and continuity [1]–[5].

Entrepreneurship is a vital element in the process of economic development, as it can be applied to government agencies and public organizations in the state. The use of the concept of entrepreneurship by institutions has expanded and the trends that interpret it have expanded, as it is a vital element that should refer to the various dimensions associated with it, and the development of the use of entrepreneurship to include strategic management, that in the context of entrepreneurship and the orientation towards creating luxury strategy and entrepreneurial activity by integrating strategic management in various innovation and creativity works that enhance the competitiveness of the institution [2], [6].

The current environment is turbulent and the uncertainty is increasing for business organization and public sector organizations [7], [8]. For this reason, organization are facing continuous challenges and the need for strategic planning is vital to meet these challenges. Strategic planning helps organization to understand its environment and put plans to face the unpredicted changes that might affect the business in the short as well as the long run [9] [10]. The entrepreneurship behavior of organization is important to manage the risk and act in a speed manner to respond to the market changes [11].

The failure to provide a legislative, legal or regulatory mechanism in economic governmental organizations is one of the most important obstacles facing the activation of the entrepreneurship system, as organizations lose confidence in their capabilities, and do not give full confidence to the initiators and investors [12]–[15]. Therefore, the purpose of this study is to examine the effect of strategic planning on the organizational performance of department of economic development in United Arab Emirates (UAE). It also aims to examine the mediating role of entrepreneurship between strategic planning and organizational performance. The remaining of this paper discusses the literature review, research methodology, findings, and discussion as well as the conclusion.

2. Literature Reviews

2.1 Strategic Planning

Strategic planning is the set of activities or procedures that the organization is expected to carry out, taking into account the set of external opportunities and threats facing organizations at the same time. It occupies a prominent position in the administrative process and determines the course of the administrative process. Strategic planning enables the strategy of any organization revises its policy and uses all dimensions to create a successful strategy. In order to achieve the goals of the organization [12]–[15].

Strategic planning also represents an essential stage of the management process, as it represents a way of thinking and bargaining between working methods, to choose the best suitable alternatives with the available capabilities on the one hand, and improve efficiency and increase its effectiveness in the development process on the other hand [16].

Focusing on strategic planning is one of the safest and most successful methods, as well as its effectiveness in identifying the capabilities of the organization, which may be provided through various programs, plans and projects, in order to obtain the best performance commensurate with it and the nature of its work and the work of its employees [17]–[19]. The issue of the sustainability of organizations was recently discussed among researchers, managers, environmental organizations and all sectors of companies [20], [21]. Strategic planning provides the employees of the organization with the opportunity to participate in decision-making and take it, which makes them feel a sense of satisfaction as a result of their ability to influence leadership [22], [23].

The importance of strategic planning lies in the benefits that accrue to organizations, such as the fruitful orientation of efforts and resources, and better investment. The implementing strategic planning needs highly qualified personnel and long experience in the field of strategic planning [24]–[29].

2.2 Organizational performance

The performance is defined as a reflection of how the institution uses financial and human resources and uses them efficiently and effectively in a way that makes it able to analyze its goals [30]. Organization performance is the output of value that the system produces in the form of goods and services, and it also expresses the efficiency and effectiveness achieved by the organization [31]. Performance occupied great importance in strategic literature, being a central axis for measuring the success and failure of organizations in their strategic decisions and plans [8], [32], [33].

Performance occupied great importance in strategic literature as it is a central axis for measuring the success and failure of organizations in their strategic decisions and plans [34]. Also, performance in organizations is given great attention for the sake of running institutions on the grounds that it represents the main motivation for the survival of any institution, and it is considered the factor most contributing to achieving its main goal, which is survival and continuity [35]–[38].

Kayali and Alaaraj [39] confirm that the improvement of performance is a measure at the beginning of the job, starting from the employee at the lower levels to the managers at the higher levels, and it must be achieved at those levels the ideal performance required to be reflected in the end on improving the performance of the organization as a whole.

2.3 Entrepreneurship

In light of the tremendous development in information technology and the magnification of the interactions of economic globalization and its multiple repercussions and impacts, the leadership of organizations has become the primary concern of managers, leaders and those with a relationship to opinion and responsibility, as well as developing appropriate strategies to achieve success and continuity [40].

Any organization aspires to reach leadership in its field of business, and when it reaches to the level of entrepreneurship, it will be able to stand before the organizations without competitors because it is unique in its innovative products and services in the market, so it is an important goal for business organizations to meet its ambition to obtain differentiation in its field of work to attract the largest market share [41]. Entrepreneurship is the investment of an individual who does not have the skills and abilities to enable him to start, manage and continue developing private business projects [6], [42].

Entrepreneurship is the process of creating a new organization or developing existing organizations, which is specifically the creation of new businesses or responding to new opportunities in general. Entrepreneurship is realizing the opportunity in the environment, moving resources to exploit it, providing products and services to the final consumer, and achieving profit as a reward for risk [44], [43].

Strategic planning plays a fundamental and influential role in performance. The formal strategic planning processes and the flexibility of strategic planning are positively correlated with corporate performance, and each has a positive relationship with innovation and competitive advantage. In addition, innovation perfectly mediates the relationship between corporate performance and the formal strategic planning process and planning flexibility [45]–[47].

2.4 Proposed Model

This study proposes that the strategic planning and its components i.e., financial resource, management skills, and information systems will have a direct effect on the organizational performance. In addition, the study proposes the entrepreneurship will play a mediating role between the strategic planning and the organizational performance. Figure 1 shows the proposed model of this study.

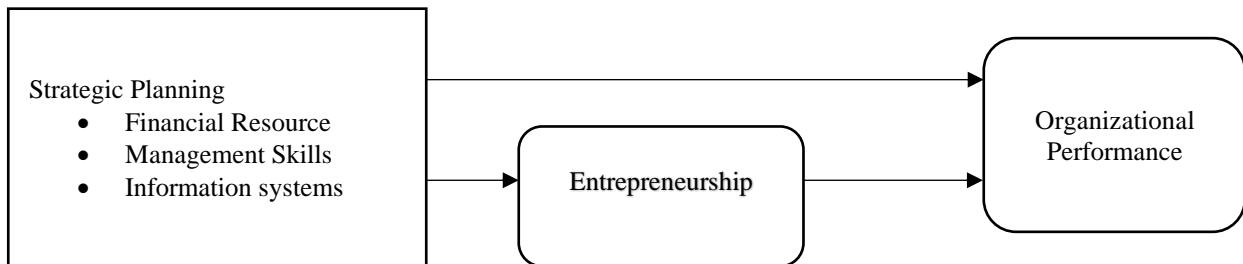


Figure 1: Proposed Model

Based on the proposed model, four hypotheses were developed. The hypotheses are as follows:

- H1: Strategic planning has a positive effect on organizational performance.
- H2: Strategic planning has a positive effect on entrepreneurship.
- H3: Entrepreneurship has a positive effect on organizational performance.
- H4: Entrepreneurship mediates the effect of strategic planning on organizational performance.

3. Methodology

The descriptive and analytical approach was relied upon in this study. The population is the employees in Department of Economic Development. Accordingly, the number of the population is 84,282. This study investigates Strategic planning fields (finance resource, management skills, and Information systems) and organizational performance with Entrepreneurships as a mediating variable. Thus, the simple random sample was selected. Accordingly, the sample size was 307 respondents. However, the questionnaire is the best option for collecting data, and previous studies have been relied upon to put their questions. A total of 279 respondents answer the questionnaire. Data will be analyzed and arriving at results using SPSS and modular structuring software such as Partial Least Square (Smart PLS).the analysis shows that no missing data, but a total of 12 respondents were deleted due to outliers. This becomes the final number of respondents 267, representing an 87% response rate.

4. Findings

4.1 Profile of respondents

Most of the respondents are males and their number reached (190) and their percentage was (71.2%), with Bachelor's degree (87.6%). And those with experience from 8 to 15 years have reached (152), and their percentage of the study sample is (56.6%). Finally, the job title of the respondents, the number of respondents who work as an employee reached 190, and their percentage was (71.2%).

4.2 Measurement Model

In assessing the measurement model, [39], [48], [49] suggested that researchers must examines five criteria that are the factor loading (FL) (>0.70) as well as the reliabilities (Cronbach's Alpha (CA) and Composite reliability (CR) both >0.70). In addition, the validities such as the convergent validity which is achieved if the average variance extracted (AVE) is greater than 0.50 and the discriminant validity which is achieved if the root square of AVE is greater than the cross loading. In Table 1, it can be seen that all the criteria has been achieved indicating that the measurement of this study is reliable as well as valid. Some of the items were removed due to low factor loading.

Table 1: Results of Measurement Model

Variables	CA	CR	AVE
organizational performance	0.982	0.981	0.798
Strategic planning	0.979	0.984	0.874
Entrepreneurship	0.967	0.972	0.794

4.3 Structural Model and hypotheses testing

The result of testing the structural model showed that more than 55% of the variation in organizational performance can be explained by the variables. All the variables have acceptable level of predictive relevance and effect size. The result of path coefficient (β) is determined based on P-value of less than 0.05. Table 2 presents the result of direct effect hypotheses. The table shows the path of the hypothesis, path coefficient (β), standard deviation (STDEV), T-values, and P-values.

Table 2: Result of Direct Hypothesis

Path	β	STDEV	T-Values	P-Values
Strategic Planning -> Organizational Performance	0.245	0.0693	3.570	0.000
Strategic Planning -> Entrepreneurship	0.524	0.050	10.454	0.000
Entrepreneurship -> Organizational Performance	0.277	0.067	4.123	0.000

The first hypothesis assumes the existence of a significant statistical impact relationship between strategic planning and entrepreneurship, and it is evident from Table 2 that there is an important specialist relationship between strategic planning and entrepreneurship, as the path coefficient reached 0.524 at the significance level of 0.000. This confirms that the hypothesis is acceptable and that strategic planning has an important role in entrepreneurship. Businesses in the Department of Economic Development, and it is concluded that the positive relationship between strategic planning and entrepreneurship in the Department of Economic Development. And the second hypothesis suggested the existence of an important statistical effect of strategic planning on the performance of the Department of Economic Development, and the results show in Table (2) that there is a positive and statistically significant relationship between strategic planning and the performance of the Department of Economic Development, as the path coefficient reached 0.245 at a significance level of 0.000. Confirms that the hypothesis is acceptable and statistically significant, and because the relationship is positive, the increase in strategic planning has a positive effect on the performance of the Department of Economic Development. Finally, the third hypothesis it assumes that there is a statistically significant effect between entrepreneurship and the performance of the Department of Economic Development, and the results in Table 2 indicate the existence of a significant statistical impact relationship with a path coefficient of 0.277 and a significance level less than 0.05. This confirms that the hypothesis is acceptable and that entrepreneurship has an important statistical effect on the performance of Department of Economic Development.

Table 3: Moderating Effect of Entrepreneurship

Path	β	STDEV	T-Values	P-Values
Strategic planning -> Entrepreneurship -> organizational performance	0.145	0.038	3.801	0.000

The fourth hypothesis says that there is an intermediary role for entrepreneurship between strategic planning and the performance of the Department of Economic Development, and the results in Table 3 indicate that this hypothesis is acceptable, as the indirect effect was statistically significant with a path coefficient of 0.145 and significance less than 0.05. Thus, the conclusion was concluded that there is a mediating role. Entrepreneurship in the relationship between strategic planning and the performance of the Department of Economic Development.

5 Conclusion

This study has investigated the strategic planning among the Department of Economic Development. The findings of hypotheses testing indicated that strategic planning fields have an effect on the organizational performance. The effects of entrepreneurship as a mediator between strategic planning and organizational performance has been confirmed. The study suggests that the decision makers has to focus on strategic planning to enhance the performance of public organizations.

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