
REVISITING ROBINSON AND PEARCE ON FORMALIZED STRATEGIC PLANNING: NEW INSIGHT, MODEL AND CONSTRUCT FROM THE THIRD ECONOMY ORGANIZATION

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ABSTRACT

The study try to look for possible application of the Robinson and Pearce construct on formal strategic planning. Analyzing two fold of questions: (1) the extent to which third sector economy view the need to devise a formal plan and (2) what should be future direction for strategic planning process concepts, the study is attempting to gather experts' opinion regarding the topics, developing firmly model and providing construct for future research. Using a combination of Delphi techniques and validity-reliability test, the study succeeds to address (1) leadership, (2) internal commitment and (3) organizational culture as antecedents for formal strategic planning. Combining the three dimensions together, the study proposes a model and a high reliability construct for future research agenda in the third economy organization.

Keywords: formal planning, strategic planning, process, third economy organization

1. INTRODUCTION

For more than 32 years after Robinson JR and Pearce II published the manuscript which highlighted misfire of formal strategic planning in helping the organization to achieve better performance, scholars are trying to find the most appropriate model. Uniquely, in practice, formal strategic planning yet is still used in every organization (Dibrell et al., 2014; Schwenk and Shrader, 1993; Powell, 1992; Pearce et al., 1987). Nevertheless, most strategic management literatures still impose the importance of having formal planning (David, 2016; Simons, 2013).

Furthermore, some researchers highlighted the positive affect of having formal strategic planning on organization's competitive advantage (Wolf and Flyod, 2013; Wooldridge et al., 2008).

Those who believed that formal strategic planning is needed, posits that a negative opinion happened because of the human factor. Inability of the staff to perform the stated plan will have negative effect to the overall performance. On contrary, those who believed that formal strategic planning is not needed anymore, posits that fast-changing business environment requires fast decision. In this opinion, formal process tends to be the major constraint. Therefore, scholars are still querying the relevancy of formal planning process (Vaara et al., 2010; Vila and Canales, 2008; Veliyath and Shortell, 1993).

Of the many studies that have been done in exploring the essence of formal strategic planning, only few of them used third sector economic organization (Ruebottom, 2013). By aiming to provide clear evidence from the third sector economy, this study raised two research questions: (1) the extent to which third sector economy view the need to devise a formal plan and (2) what should be future direction for strategic planning process concepts.

In addition to former research done by Robinson and Pearce (1983), our study try to escalate the construct by considering the leadership factor, individual experience and capability in the model. Using Structural Equation Modelling to perform the empirical test, we believe that the findings can share important contribution to the current theory. Following this section, comprehensive literature review will be performed to address the positive and negative impact of having formal strategic planning process. Moreover, section three will discuss the research method used in the study, including the steps to develop the construct for the proposed new dimensions. Meanwhile section four will provide findings and discussion, followed by implications and conclusion.

2. LITEERATURE REVIEW

2.1 Formal strategic planning

Millennial scholar is conceiving formal strategic planning as firmly procedures in creating annual or long-term strategy. This is triggered by massive logical explanation posed in most current literatures. To date, it has been hypothesized that formal planning is always needed, not only at the beginning of the year but also every time when changes are needed. Through formal strategic planning, it is believed that every decision maker will give their commitment to carry-on the plan (Falshaw et al., 2006; Mintzberg, 1994; Langley, 1988).

The problem arises when the environment is changing very rapidly. Imposing a formal strategic plan is believed to require time, money and energy which depriving the dynamic capabilities of the organization (Elbanna et al., 2016; Albrechts, 2013). If this is true, then it is most likely

required a shifting perspective in research methodology which relates the planning process and organization's outcome (Batra and Sharma, 2016).

Referring to some previous studies, there are five important elements in the formal strategic planning such as: (1) practices (Whittington and Vaara, 2012; Johnson et al., 2003), (2) experience (Whittington, 2006), (3) praxis (Whittington, 2007), (4) the actor in strategic planning and (5) contingencies (Andersen, 2004; Stone and Brush, 1996). Each element shares different contribution to strategic development process.

From the first element, planning process must be seen as practice session. The idea stems from the understanding that plan and reality oftentimes sharing wide gap, even though they already provide three possible scenarios (optimism, moderate and pessimism). Retrieving from Yasai-Adekani and Haug (1997), the important part of formal strategic planning is how every decision maker must learned from past experience, including when the experience happened in other organization. This can further be acknowledged as a tacit knowledge.

Hereinafter, as the plan being executed, the crucial part would be on its praxis. At this point, scholar seems sharing two directions of thoughts. The first group believes that every change needs another formal process to ensure that the strategy still has its accuracy. By collecting opinions from many groups, scholar believed that it can maintain objectivity of the plan. On contrary, the second group thinks that in order to preserve the dynamic capabilities, formal planning only need to be performed on early stage. Furthermore, spontaneous strategic planning is needed to keep up with external turbulences.

Other important elements are the actors and contingencies matter. In some cases, due to organizational turn over, the one who made the strategic planning may not be the one who is responsible for the execution. At this circumstance, scholar needs to emphasize the role of actors and in what condition the flexibility of a plan must be addressed.

Our comprehensive literature review found the absence of clear criteria regarding contingencies matter (Miller and Judge, 1999). Most former studies only highlighted the internal and external contingencies which demand changes for the previous plan. Meanwhile, in practical terms, many managers view those conditions as a total confusion. Up to this point, scholar must be able to develop firmly criteria which can be benchmark in defining the proper time to revise the previous plans.

2.2 Relating planning and performance

Studies which relate a formal strategic planning with performance has been done tremendously starting from late 70's. Using Google scholar database, we tried to categorize each of them in

terms of (1) unit of analysis, (2) method and (3) conclusion. Details of the findings can be seen on Table 1. We emphasized all related findings from early 2000 to 2016 since several studies had done comprehensive analysis using data from late 70's to 2011 (Wolf and Flyod, 2013; Jarzabkowski and Spee, 2009; Short et al., 2008). Hereinafter, we decided to analyze 20 published manuscripts which divided into two major conclusions: the positive results and the negative results.

Table 1. Categorization of studies (2000-2016)

Authors	Method	Unit of analysis	Conclusion
Positive conclusions			
Grant (2003)	In depth case studies	Oil companies	+
Delmar and Shane (2003)	Empirical test	New ventures	+
O'Regan and Ghobadian (2007)	In depth case studies	SME	+
Aldehayyat and Anchor (2010)	Empirical test	Manufactured	+
Elbanna and Fadol (2016)	Empirical test	Public organizations	+
Neugebauer et al. (2016)	Explanatory	Organization	+
Andersen (2004)	Empirical test	Manufactured	+
Eddleston et al. (2008)	Empirical test	Family firms	+
Ketokivi and Castaner (2004)	Empirical test	Manufactured	+
Dincer et al. (2006)	Empirical test	Manufactured	+
Aldehayyat et al. (2011)	Empirical test	Hotel industry	+
Baker (2001)	Empirical test	Food industry	+
Desai (2000)	Empirical test	Public companies	+
Vila and Canales (2008)	In depth case studies	Organization	+
Negative conclusions			
Mirabeau and Maguire (2013)	In depth case studies	Communication industry	-
Poister and Streib (2005)	In depth case studies	Government sector	-
Ghobadian et al. (2008)	Empirical test	UK's manufacture SME	-
Upton et al. (2001)	Empirical test	Family firms	-
Jennings and Disney (2006)	Empirical test	Organization	-
Stonehouse and Pemberton (2002)	Empirical test	SME	-

Source: author's compilation

Referring to Table 1, from 14 selected papers which shows positive conclusion, we found that there are at least four possible antecedents for formal strategic planning: (1) leadership, (2) internal capability, (3) internal commitment and (4) an environment factor. Organization's leaders who focus more on accountable-administration system tend to motivate all employees in carrying out a formal planning procedure, even in terms of turbulence. On that type, the organization will seek ways to improve its internal capabilities in preparing the strategic plan on a formal way. Furthermore, employee's participation in the official planning process is expected to be the most effective way in developing their commitment. The most crucial antecedent was found to be an environment factor.

Most companies fail in implementing their formal strategic planning because of this factor. Quick economic changes sometimes force manager to behave irrationally. Ironically, this also addressed as the pivotal factors for negative conclusion. Our six selected papers are all appointing the same factor that drives the formal strategic planning into different direction, thus providing huge gap with organization's actual performance.

2.3 Relating the findings into the third sector economy

The four identified antecedents were plausibly to be hypothesized in the third sector economy (Chapman et al., 2007; Mason et al., 2007; Kraus et al., 2006). On deeper analysis, a cultural factor believed to be the next antecedents. Relating to Rauch et al. (2000), traditional culture as well as organizational beliefs had direct impact to commitment towards formal planning process. This shows the role of bureaucracy, authority and power in the overall behavior (Brinckmann et al., 2010).

Another feasible antecedent would be a strategic orientation among decision maker (Slater et al. 2006). Organization with strong strategic orientation paradigm tends to use formal planning, even in terms of turbulence. They believe that through official discussion, every decision maker will give their best opinion to solve the problem. By doing this, the positive relations between planning and performance can be achieved.

Up to this point, we already portrayed six possible antecedents as new contribution to existing theory. Next section will test whether the antecedents can be used by the third sector economy.

3. METHODS

3.1 Research approach

This study used two research approaches: (1) Delphi method and (2) empirical test. We refer to Landeta (2006), Okoli and Pawlowski (2004), Dalkey and Helmer (1963) to perform Delphi method. Delphi is known for its accuracy in achieving the common consensus among experts. For this research, Delphi method was used to portray the most considerable antecedents which further will be tested empirically. Though the method is widely used in social sciences, some scholars believe that the method has weaknesses especially upon procedures to achieve the consensus. Therefore, we use three criteria for consensus. First is when 51% responding to the category 'highly important' can be achieved (Hackett and Phillips, 2006). Second is when the interquartile range below 2.5 (Kittell-Limerick, 2005) and third is when the standard deviation below 1.5 (Christie & Barela, 2005).

After assuring the most reliable antecedents, the next steps would be developing construct for each variable. For attitude towards formal strategic planning, we use Robinson and Pierce (1984) as construct. Meanwhile for organizational performance, the study use one scale measurement item derived from return on equity. Each construct will be tested for its validity and reliability by eliminating those who have low validity and reliability. Having considered that this study had focus more on construct development, we use 0.800 as the cut off rate, based on Churchill (1979).

4. FINDINGS AND DISCUSSION

4.1 Delphi results

In order to maintain the objectivity of the research, we begin the Delphi study through firmly defined the terms 'expert'. Relating to the third social economy organization as unit of analysis, the expert must comply with following criteria: (1) respondent must have appropriate knowledge relating to third social economy, (2) shared experience in dealing with third sector organization, (3) sufficient time for the study and (4) good communication skill specially in representing his/her concern regarding the object.

After developing questionnaires which clearly addressed the antecedents for formal strategic planning in organization, we ask each respondent to give opinion for every statement using 10 scale Likert, ranging from 0 (extremely not considered) to 9 (extremely considered). From 30 invitations to join the expert session, 22 of them agreed to participate in the study. All of the respondents share more than 8 years of experience in more than 2 types of third sector organization. 4 of them are researchers in the related field of knowledge, 8 are coming from cooperatives top management, 6 from top management of non-profit organization and 4 from social entrepreneurs. The results for the first round can be seen on Table 2.

Table 2. Delphi result for round-one

Variables	Experts																						Median	Q1	Q3	Q=Q3-Q1	Mode	Average	% for score 8-10	STD		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22										
Leadership	9	8	9	9	7	9	9	8	8	7	8	9	8	9	8	8	7	9	8	8	8	8	8	8	8	8	9	1.00	8	8.227273	0.86	0.69
Internal capability	2	3	4	3	4	7	3	4	6	5	4	5	3	4	3	4	4	4	2	3	4	5	4	3	4	1.25	4	3.909091	0.00	1.19		
Internal commitment	8	7	8	8	8	8	8	8	8	8	8	8	7	8	8	8	9	8	8	8	8	7	8	8	8	1.00	8	7.909091	0.86	0.43		
Environmental factors	2	2	4	3	8	8	3	4	3	3	4	4	3	4	5	3	4	4	2	3	4	4	4	4	3	4	1.00	4	3.818182	0.09	1.56	
Organizational cultures	8	7	8	8	8	3	3	6	3	8	4	8	8	9	8	8	8	9	8	9	9	7	8	7	8	1.00	8	7.136364	0.73	2.01		
Individual paradigm	2	7	8	4	3	3	8	8	8	7	8	4	7	8	7	8	8	8	6	9	3	7	5	8	3.50	8	6.409091	0.45	2.15			

Source: author’s data

From the first round Delphi, the study found leadership and internal commitment are the most prominent antecedents for attitude towards formal strategic planning. Our attention then turned to environmental factors and organization cultures as another possible antecedent. This consideration is based on the three criteria used in the study. For environmental factors, the standard deviation is pretty close to the criteria, but not with interquartile score and majority of ‘extremely agree’ score. Moreover, for organizational cultures, the problem is only happened in the score of standard deviation while they passed the first two criteria. Therefore, we decided to carry on the second round of Delphi techniques.

Before asking the respondent to give their opinion, we declare all results from the first finding to be their consideration. They have the option to remain in the original score or change it to the new one. Details of results from the second round can be seen on Table 3.

Table 3. Delphi results for round two

Variables	Experts																						Median	Q1	Q3	Q=Q3-Q1	Mode	Average	% for score 8-10	STD		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22										
Leadership	9	8	9	9	8	9	9	8	8	7	8	9	8	9	8	8	9	9	8	8	8	8	8	8	8	8	9	1.00	8	8.363636	0.95	0.58
Internal capability	2	3	4	3	4	7	3	4	4	5	4	5	3	4	3	4	4	4	2	3	4	5	4	3	4	1.00	4	3.818182	0.00	1.10		
Internal commitment	8	7	8	8	8	9	9	8	8	8	8	8	7	8	8	8	9	8	8	8	7	8	8	8	1.00	8	8.000000	0.86	0.53			
Environmental factors	3	3	4	3	8	8	3	4	3	6	4	4	3	4	7	3	4	4	2	3	4	4	4	3	4	1.00	4	4.136364	0.09	1.64		
Organizational cultures	8	7	8	8	8	5	7	6	6	8	4	8	8	9	8	8	8	9	8	9	9	7	8	7	8	1.00	8	7.545455	0.68	1.30		
Individual paradigm	2	7	8	4	3	3	8	8	8	7	8	4	7	8	7	8	8	8	6	9	3	7	5	8	3.50	8	6.409091	0.45	2.15			

Source: author’s data

After carrying out the second round, the study found that the most prominent antecedents for formal strategic planning are (1) leadership, (2) internal commitment and (3) organizational cultures. These results then communicated to the respondent to obtain their final insight regarding each identified antecedents. 21 experts (95.45%) highlighted the importance of leadership style and commitment to apply formal strategic planning in terms of execution. Of their observations, proper leadership will be able to develop internal commitment. Under such conditions, formal strategic planning will not be seen as mandatory, but rather as the best way to design the strategy.

The last antecedent is organizational culture. Experts argue that organizational culture is crucial to employee’s mindset in looking at a strategic plan. Organizational culture that fully respects a rigid bureaucracy will see formal strategic planning as a means to develop collective decision and commitment to implement the strategy. To the opinion, 19 experts (86.36%) revealed similar opinion.

One unique finding is that the experts state the possibility to have inter-relationship among each antecedent. A leadership factor must have positive relation to internal commitment and organizational culture in terms of attitude toward formal strategic plan. Without strong leadership, organizational attitude will not firmly develop.

By proposing the idea, this research tried to promote the model for a formal strategic planning framework as seen on Figure 1. Using the model as future guideline, the study proposed several propositions as follows:

Proposition 1: leadership is positively related to attitude towards formal strategic planning.

Proposition 2: the relation between leadership and attitude towards formal strategic planning is mediating by internal commitment.

Proposition 3: the relation between leadership and attitude towards formal strategic planning is mediating by organizational culture.

Proposition 4: the attitude towards formal strategic planning is positively related to third social economy organization’s performance.

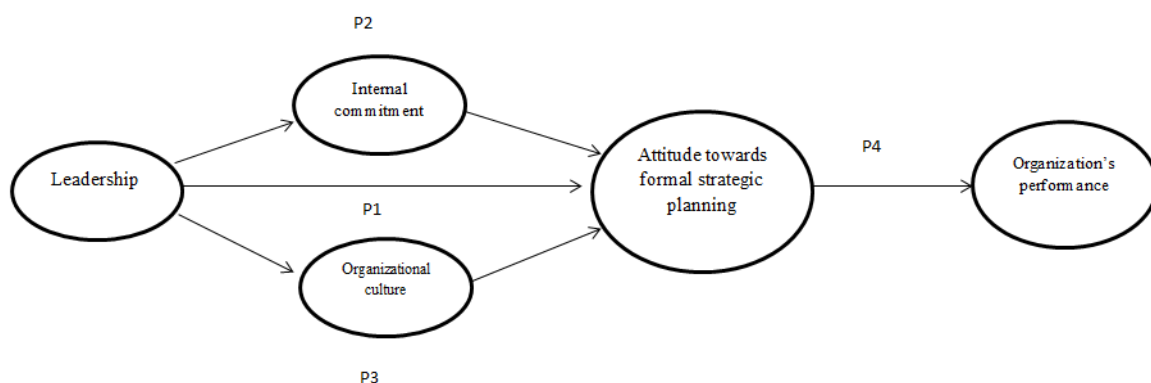


Figure 1. The proposed model

Source: author conceptualization

4.2 Construct development

Referring to the proposed model, there are three unexplored variables: (1) leadership, (2) internal commitment and (3) organizational culture. Meanwhile, for attitude towards formal strategic plan we used Robinson and Pierce construct. To develop an objective construct for each dimension, this study used Chrucill (1979) as guidance. The study used a focus group discussion of 20 experts in co-operatives, social enterprise and non-profit organization. This group then studied every dimension with reference to the results of Arnold et al. (2000), Allen and Meyer (1996), Clark and Clark (1990), Venkatraman (1989). Firstly, we use an open question to derived statement which representing how leadership, internal commitment, and organizational culture share relations to attitude towards formal strategic planning. From this step, we succeed to identify 33 statements from three dimensions. After filtering those with redundancy statement, we end up with 22 measurement items (8 items for leadership towards formal strategic planning, 8 items for internal commitment towards formal strategic planning and 6 items for organizational culture towards strategic planning).

Secondly, we test the validity and reliability of each construct by distributing the questionnaires to 90 respondents who were coming from three socio economy organizations. Afterwards, only 56 complete questionnaires can be collected, representing 62.22% of response rate. Details for each validity and reliability test can be seen on Table 4. Meanwhile for details of the original questionnaire can be seen on Appendix 1.

Table 4. Validity and reliability results

Code	Measurement items	Cronbach's alpha (after deletion)	Factor loadings (after deletion)
Leadership towards formal strategic planning			
As a leader, we need to:			
L1	Have full comprehensive mindset regarding strategic planning process	0.905	0.896
L2	Address the strategic plan as formal document for future implementation		0.904
L5	Accommodate team work suggestion and ideas		0.839
L6	Fully consider my team work objections toward the previous policy		0.89
Internal commitment toward formal strategic planning			
IC3	Formal process is needed to develop commitment from the organization	0.887	0.843
IC7	Contribution in the formal strategic planning meeting is very meaningful		0.919
IC8	It is an honored to be invited into formal strategic planning meetings		0.885
Organization's culture toward formal strategic planning			
My organization is . . .			
OC1	Highly appreciated into formal meeting process	0.888	0.828
OC2	Seeing bureaucracy as an important mechanism to maintain the stability		0.922
OC3	Providing opportunities to give our best idea to a formal strategic planning process		0.735
OC5	Always using formal mechanism to create a decision		0.855
OC6	Believe that formal strategic planning can develop strong commitment to achieve better performance		0.816
Attitude toward formal strategic planning			
A1	The concern of assessing risk through a scan of conditions in the organization's competitive environment	0.897	0.753
A2	The concern for formulating goals and targets to be achieved in the competitive environment		0.889
A3	The concern for determining of authority and influence relationships among organization's subunits		0.787
A4	The concern for the deploying of financial and physical resources to carry out the organization's strategies		0.899
A5	The concern for monitoring and controlling the implementation of organization strategies		0.880

Source: author's data

From Table 4 we can see that this study succeed in portraying 4 measurement items for leadership dimension, 3 items for internal commitment dimension, 5 items for organization's culture. Meanwhile, for Robinson and Pierce's construct all five variables proposed is having good validity and reliability, thus further study may use the original construct.

The best validity and reliability found in the first dimension. The results of this study indicated that leader might share an important role towards attitude to formal strategic planning process. The four measurement items in this dimension show that the formal strategic planning is needed by the leader to provide a higher governance level. By having an adequate administration system, it is believed that the leadership process can be done properly. Furthermore, this might recall the importance of formal procedures.

For the internal commitment measurement item, this study provides three items in which each of them are representing formal strategic planning process as means to develop organizational commitment. The validity and reliability test confirmed all thoughts found in the previous focus group discussion. In general, experts are posing the logic linking process that employee's

engagement in formal strategic planning should be seen as positive way to appreciate their idea which in turn can develop their commitment towards the agreeable strategy. Therefore, by treating this dimension as mediating variable, relationship between leadership and attitude toward formal strategic planning must be stronger than before.

The same analogy can be applied by organizational culture's dimension. Our results succeed in appointing five measurement items for organizational culture in terms of formal strategic plan. This may imply that as mediating variable, considering the cultural factor is important. In details, our measurement item for this dimension are appointing the type of organization which fully respectful of bureaucracy in creating policies and decisions. Moreover, the presence of organizational culture might strengthen the relationship between leadership and attitude toward formal strategic planning.

5. CONCLUSION

This study proposed two folds of questions: (1) the extent to which third sector economy view the need to devise a formal plan and (2) what should be future direction for strategic planning process concepts. Using two research approaches (Delphi techniques and empirical test), the study found three possible antecedents for formal strategic planning, including (1) leadership, (2) organizational commitment and (3) organization's culture. From validity and reliability test, the study succeed in developing new construct for the three antecedents, yet at the same time refining the original construct proposed by Robinson and Pierce. Using 56 complete and returned questionnaires we affirm that Robinson and Pierce model still can be applied in the third sector organization which consists of co-operatives, non-profit organization and social enterprise.

The finding has strong theoretical contribution especially in relating formal strategic planning and organizational performance. Our insight emphasized on the important to consider the antecedents of the formal strategic process before analyzing its relations to the overall performance. This study proofed that formal strategic process cannot independently contributes to performance. But aligning the first three antecedents together might explain the phenomenon clearly.

Our study has limitation in which we only emphasized on proposing a model and developing a construct for future research. Empirical test for the model is needed to provide better understanding and evidence relating to the current phenomenon.

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Appendix 1.

Details of the original questionnaires

Code	Measurement items	Cronbach's alpha	Factor loadings	Cronbach's alpha (after deletion)	Factor loadings (after deletion)
Leadership towards formal strategic planning					
As a leader, we need to:					
L1	Have full comprehensive mindset regarding strategic planning process	0.883	0.887	0.905	0.896
L2	Address the strategic plan as formal document for future implementation		0.891		0.904
L3	Pose the important to have written formal document as contractual performance with employee		0.672		
L4	Encourages team work to express their ideas		0.128		
L5	Accommodate team work suggestion and ideas		0.714		0.839
L6	Fully consider my team work objections toward the previous policy		0.766		0.89
L7	Motivates organization to be more accountable and transparent through a formal process		0.395		
L8	Give appreciation to those who performs well through formal events		0.215		
Internal commitment toward formal strategic planning					
IC1	It is good to develop strategy through a formal process	0.883	0.189	0.887	
IC2	The objectivity of the plan can be achieved through a formal strategic process		0.204		
IC3	Formal process is needed to develop commitment from the organization		0.775		0.843
IC4	Formal process is representing a noble way of doing business		0.554		
IC5	Loyalty towards organization began with accommodating our idea into formal strategic document		0.615		
IC6	We are very proud to see our idea are being elaborates in the formal written strategic document		0.648		
IC7	Contribution in the formal strategic planning meeting is very meaningful		0.875		0.919
IC8	It is an honored to be invited into formal strategic planning meetings		0.85		0.885
Organization's culture toward formal strategic planning					
My organization is....					
OC1	Highly appreciated into formal meeting process	0.867	0.801	0.888	0.828
OC2	Seeing bureaucracy as an important mechanism to maintain the stability		0.912		0.922
OC3	Providing opportunities to give our best idea to a formal strategic planning process		0.718		0.735
OC4	Using a formal meeting to address every important decision and policies		0.517		
OC5	Always using formal mechanism to create a decision		0.872		0.855
OC6	Believe that formal strategic planning can develop strong commitment to achieve better performance		0.816		0.816
Attitude toward formal strategic planning					
A1	The concern of assessing risk through a scan of conditions in the organization's competitive environment	0.897	0.753	897	0.753
A2	The concern for formulating goals and targets to be achieved in the competitive environment		0.889		0.889
A3	The concern for determining of authority and influence relationships among organization's subunits		0.787		0.787
A4	The concern for the deploying of financial and physical resources to carry out the organization's strategies		0.899		0.899
A5	The concern for monitoring and controlling the implementation of organization strategies		0.88		0.88