

Towards a Better Understanding of the Relationship between Strategy Formulation (Vision, Mission, and Goals) and Organizational Performance

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Abstract

Organizations around the world focus more on performance, in particular with their stakeholders and customers' expectations regard. Even though one of the significant determinants of organizational performance is strategy formulation, numerous researches debate for the nonappearance of research into the factors which affect the successful formulation of strategy. The main objective of this research is to examine the impact of strategy formulation on the organizational performance in the context Abu-Dhabi police department in the UAE. The present study adopts quantitative research design in its quest to achieve a credible study. As such, questionnaire was developed and used to elicit the respondents' opinion on the effects of strategy formulation on the UAE public sector performance. 423 usable responses were analysed using Statistical Package for Social Sciences and Partial Least Squares Structural Equation Modelling-Variance Based was employed to assess the research model. Non-probability sampling technique was adopted to gather the required quantitative data. Based on the findings in relation to this objective, the study concluded that the results indicated that strategy formulation (vision, mission, and goals) has a significant and positive impact on organizational performance. Results would give insights for Abu-Dhabi police department and public sector in the UAE to improve the organizational performance focusing in strategy formulation.

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I. INTRODUCTION

Organizations around the world focus more on performance, especially their stakeholders and customers' expectations [1]. Most of the establishments function as departmental networks that cannot be separated, and are interrelated. The decisions taken by them has an effect on the activities of other network areas, which highlights the performance and the growing need for transparency [2].

Even though one of the significant determinant of organizational performance is strategy formulation, numerous researches debate for the nonappearance of research into the factors which affect the successful

formulation of strategy, i.e. Andrews, Boyne, & Walker (2011) [3] claim that authors in the field of strategy have admitted that there is a lack of empirical studies to link the process of formulation of strategy to performance of organization. Likewise, scarce researches in the Arab Middle East of strategic planning have been done [4, 5].

Moreover, The UAE government institution effectiveness ranks 19 in the world, and that shows how effective is the public sector in the UAE comparing to the MENA countries [6]. The UAE public sector effectiveness is also competing among the western countries. This is all corresponds to the government plans.

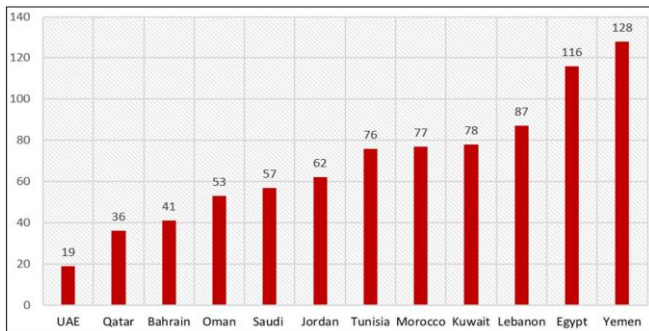


Fig. 1. Effectiveness of government institutions: UAE vs. Arab countries (Rank among 143 countries) [6]

This is also a concern of the UAE public sector, as there is a space for improvement in term of performance in the public sector, and therefore affecting the full achievement of its expected vision, mission and goals. The current research work has the following objectives, i.e. examining the: (1) impact of strategy formulation (vision) on organizational performance (OP); (2) strategy formulation (mission and goals) impact on OP.

II. LITERATURE REVIEW

A. Strategy Formulation (SF)

SF states assessment of the external and internal environment and integration of the results into goals and strategies [7, 8]. SF has been widely examined and studied by numerous researchers and found that results differ from one organization to another and be faced with quite a lot of challenges [9]. For instance, Julian (2013) [10] has presented approaches for the formulation strategy to improve the performance of organisations in Kenya. The experimental findings suggested that the strategy of formulation has directly played a role in the organisational performance of the government units and associated institutions involved in the research. The research also discovered that there is a distinction between the outcomes and methodologies for measurement of the effectiveness of formulation strategy and performance of the organisation, which substantiates the case that selection of the suitable methodology for measuring correlation between adoption strategy and performance of the organisation, must be carried out with prudence. This agree with numerous studies that found that strategy formulation has a positive relationship with strategy formulation and impacts organizational performance [7, 11-13]. Consequently, the following hypotheses are proposed:

H1: Strategy formulation (vision) has a positive effect on organizations performance.

H2: Strategy formulation (mission) has a positive effect on organizations performance.

H3: Strategy formulation (goals) has a positive effect on organizations performance.

B. Organizations Performance (PER)

Organizational performance factor is one of the most significant parameters in the research related to management and perhaps the most significant guide to the overall performance of the organization [14]. The performance of the organisation is a benchmark or an indicator for efficiency, effectiveness, and environmental obligation like productivity, time of cycle, reduction of waste, and compliance of rules [15]. The large amount of definitions serve to view the performance of the organisations as a tool for achieving objectives [16]. In short, the performance of the organisation is the most significant factor in evaluation of organisations, their activities, and the environments in which they work. This significance is represented by the continual use of performance of the organisation as a dependent parameter in earlier research [17]. According to Abu-Qouod (2006) [18], performance of the organisation (consists factors like finance, internal functioning, clients, learning and growth). The efficient performance and success of the organisation is usually ascribed to exceptional strategy and excellent resources. On the basis of the theory of contingency, there is no best way or method to run organisations [14].

III. RESEARCH METHOD

A. Overview of the Proposed Conceptual Framework

This study proposes a research model based on Resource-Based View Theory and strategic management models postulated in the literature that evaluates the relationship between formulation strategy consist of (vision, mission, goals) and OP (consists aspects of financial, clients, internal operational processes, Growth and Learning) (Fig. 2).

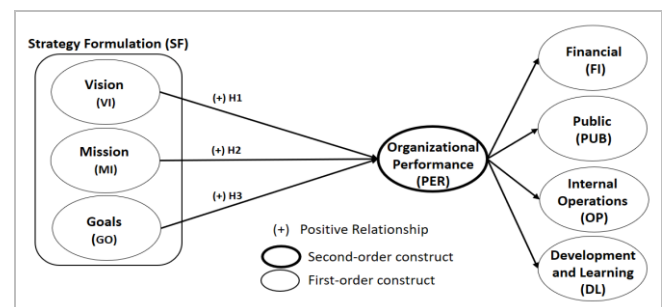


Fig. 2. The proposed conceptual framework

B. Development of Instrument and Data collection

The present study adopts quantitative research design in its quest to achieve a credible study. As such, questionnaire was developed and used to elicit the

respondents' opinion on the effects of strategy formulation on the UAE public sector performance. 423 usable responses were analysed using Statistical Package for Social Sciences (SPSS) and PLS (Partial Least Squares) SEM-VB (Structural Equation Modelling-Variance Based) was employed to assess the research model. Non-probability sampling technique was adopted to gather the required quantitative data in which selection procedure which is used for choosing settings or groups that are professional on a specific area of study. Variables were measured using a Likert Scale which recommended in the previous studies [19, 20].

IV. DATA ANALYSIS AND RESULTS

PLS SEM-VB was employed to assess the research model by utilising the software SmartPLS 3.0 [21]. A two-phase analytical technique [22, 23] consisting of (i) measurement model analysis (reliability and validity) and (ii) structural model analysis (examining the conceptualised relationships) was employed after performing the descriptive assessment. This two-phase analytical technique consisting of a structural and a measurement model assessment is better than a single phase assessment. While the model of measurement explains each parameter's measurement, the structural model describes the correlation between the parameters in this model [23].

A. Descriptive analysis

Table 1 presents the mean and SD for every variable. The respondents indicated their opinion in relation strategy formulation and OP based on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Public score the highest with mean 3.688 out of 5.0, with a standard deviation of 0.847.

B. Measurement Model Assessment

Construct reliability as well as validity (comprising discriminant and convergent validity) were used to examine the measurement model. The particular alpha coefficients of Cronbach were tested to determine the reliability of every core parameter in the measurement model (construct reliability). The quantities of all the unique alpha coefficients of Cronbach in this research ranged from 0.791 to 0.967, which went beyond the proposed value of 0.7 [24]. Moreover, for inspecting construct reliability, all the CR (composite reality) values ranged from 0.865 to 0.976, which went beyond 0.7 [25]. Thus, as Table 1 shows, construct reliability has been fulfilled as Cronbach's CR and alpha were rather error-free for all the parameters.

Analysis of indicator reliability was conducted by utilising factor loadings. When the related indicators are very similar, this is reflected in the construct and signified by the construct's high loadings [23]. As per Hair et al. (2010) [26], the exceeding of values beyond 0.70 suggests substantial factor loadings. Table 1 displays that all items in this research had factor loadings greater than the suggested value except for items MI5, FI3, FI5, FI7, PUB3, PUB4, OP1, DL1, DL6, and DL7, because of the low loading the items were omitted.

AVE (average variance extracted) was employed in this study to analyse convergent validity, which represents the degree to which a measure is correlated positively with the same construct's other measures. All the AVE values ranged from 0.615 and 0.910, which went beyond the proposed value of 0.50 [26]. Thus, all constructs have complied with the convergent validity acceptably, as shown in Table 1.

Table-I: Measurement assessment results

Constructs	Item	Loading (> 0.7)	M	SD	α (> 0.7)	CR (> 0.7)	AVE (> 0.5)
Vision (VI)	VI1	0.771	3.616	0.805	0.791	0.865	0.616
	VI2	0.795					
	VI3	0.738					
	VI4	0.832					
Mission (MI)	MI1	0.855	3.261	0.727	0.816	0.879	0.645
	MI2	0.786					
	MI3	0.800					
	MI4	0.767					
	MI5	Deleted					
Goals (GO)	GO1	0.764	3.402	0.867	0.844	0.888	0.615
	GO2	0.797					
	GO3	0.756					
	GO4	0.776					
	GO5	0.824					
Financial (FI)	FI1	0.947	3.513	0.675	0.949	0.964	0.869
	FI2	0.923					
	FI3	Deleted					

	FI4	0.900						
	FI5	Deleted						
	FI6	0.957						
	FI7	Deleted						
Public (PUB)	PUB1	0.956	3.688	0.847	0.967	0.976	0.910	
	PUB2	0.936						
	PUB3	Deleted						
	PUB4	Deleted						
	PUB5	0.955						
	PUB6	0.969						
Internal Operations (OP)	OP1	Deleted	3.416	0.935	0.949	0.964	0.872	
	OP2	0.814						
	OP3	0.970						
	OP4	0.967						
	OP5	0.973						
Development and Learning (DL)	DL1	Deleted	3.359	0.631	0.792	0.865	0.616	
	DL2	0.763						
	DL3	0.737						
	DL4	0.859						
	DL5	0.776						
	DL6	Deleted						
	DL7	Deleted						

Note: M=Mean; SD=Standard Deviation, α = Cronbach's alpha; CR = Composite Reliability, AVE = Average Variance Extracted.

Key: VI: vision, MI: mission, GO: goals, FI: financial, PUB: public, OP: internal operations, DL: development and learning.

The degree to which the articles distinguish among concepts or measure different constructs is demonstrated by discriminant validity. Fornell-Larcker was employed to analyse the measurement model's discriminant validity. Table 2 shows the outcomes for discriminant validity by employing the Fornell-Larcker condition. It was discovered that the AVEs' square root on the diagonals (displayed in bold) is bigger than the correlations among constructs (corresponding row as

well as column values), suggesting a strong association between the concepts and their respective markers in comparison to the other concepts in the model [27, 28]. According to Hair et al. (2017) [23], this indicates good discriminant validity. Furthermore, the exogenous constructs have a correlation of less than 0.85 [29]. Therefore, all constructs had their discriminant validity fulfilled satisfactorily.

Table-II: Results of discriminant validity by Fornell-Larcker criterion

	DL	FI	GO	MI	OP	PER	PUB	VI
DL	0.785							
FI	0.389	0.932						
GO	0.408	0.365	0.784					
MI	0.404	0.317	0.332	0.803				
OP	0.369	0.315	0.413	0.437	0.934			
PER	0.683	0.742	0.513	0.469	0.713	0.647		
PUB	0.333	0.369	0.290	0.200	0.318	0.717	0.954	
VI	0.445	0.420	0.509	0.397	0.365	0.507	0.239	0.785

Note: Diagonals represent the square root of the average variance extracted while the other entries represent the correlations.

Key: VI: vision, MI: mission, GO: goals, FI: financial, PUB: public, OP: internal operations, DL: development and learning.

C. Structural Model Assessment

The structural model can be tested by computing beta (β), R^2 , and the corresponding t-values via a bootstrapping procedure with a resample of 5,000 [23].

Figure 2 and Table 3 depict the structural model assessment, showing the results of the hypothesis tests.

Vision, mission, and goals positively influence organizational performance. Hence, H1, H2, and H3 are accepted with ($\beta = 0.248$, $t = 5.206$, $p < 0.001$), ($\beta = 0.296$, $t = 6.205$, $p < 0.001$), and ($\beta = 0.272$, $t = 6.252$, $p < 0.001$) respectively. Forty-one percent of the variance in organizational

performance is explained by vision, mission, and goals. The values of R² have an acceptable level of explanatory power, indicating a substantial model [28].

V. DISCUSSION

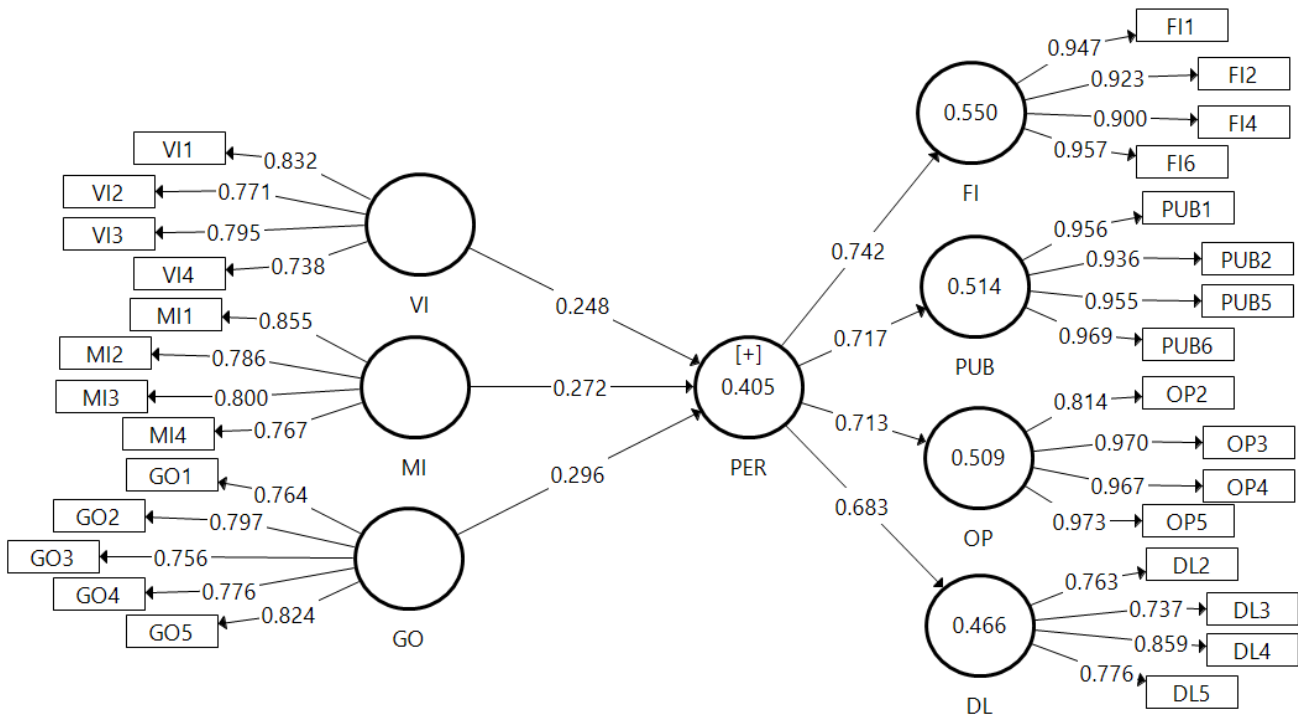
The main objective of the study is to investigate the effect of strategy formulation on organizational performance within government institutions in the UAE represented by Abu-Dhabi police department. This study discusses its findings based on the three main objectives mentioned earlier.

The first objective was to examine the effect of strategy formulation (vision) on organizational performance, thus, H1 was formulated and examined. The results indicated that strategy formulation (Vision) has a significant and positive impact on organizational performance. Thus H1 is supported with ($\beta = 0.248, t = 5.206, p < 0.001$). This result is also supported by a research finding of Muchira (2013) [15] which concluded that strategy formulation (vision) influenced organizational performance positively, and studies by Mohamud, Mohamud, & Mohamed (2015) [30] and Aligholi & Gheshlagh (2014) [31] in which they

indicated that strategy formulation has a significant positive impact on organizational performance.

The second objective of this study is to examine the impact of strategy formulation (mission) on organizational performance. Accordingly H2 was formulated and tested in the structural model assessment. Results testing this Hypothesis indicated that there is a positive direct impact on the organization performance with ($\beta = 0.296, t = 6.205, p < 0.001$), thus, H2 is supported. This is consistent with the finding of a study conducted by Owolabi & Makinde (2012) [13] who found a significant positive effect of strategy formulation (mission) on organizational performance; and studies by Muogbo (2013) [32] and Gichunge (2010) [33] which emphasized the positive relationship between strategy formulation and organizational performance.

Finally, H3 was tested and results showed that strategy formulation (goals) have a direct positive impact on the organizational performance with ($\beta = 0.272, t = 6.252, p < 0.001$). Results comes in line with former studies i.e. Muogbo (2013) [32] and Gichunge (2010) [33] which emphasized the positive relationship between strategy formulation (goals) and organizational performance.



Key: VI: vision, MI: mission, GO: goals, PER: organizational performance, FI: financial, PUB: public, OP: internal operations, DL: development and learning

Fig. 3. PLS algorithm results

Table-III: Structural path analysis result

Hypothesis	Relationship	Std Beta	Std Error	t-value	p-value	Decision	R ²
H1	VI → PER	0.248	0.048	5.206	0.000	Supported	0.41
H2	MI → PER	0.296	0.048	6.205	0.000	Supported	
H3	GO → PER	0.272	0.044	6.252	0.000	Supported	

Key: VI: vision, MI: mission, GO: goals, PER: organizational performance

VI. IMPLICATIONS, LIMITATIONS AND FUTURE DIRECTION

The main contribution of this study is the highlighting of strategic management components that contribute significantly to organizational performance in Abu-Dhabi police department. The research contributes critical theoretical value by highlighting those components of strategic management that contribute significantly to organisational performances. It provides evidence from synthesised empirical research, theoretical constructs, and concepts derived from various learning disciplines. This study aims to contribute to current understandings of strategic management, formulation and formulation strategies, and organisational performances, as well as enable a further extension of research in this field. The research has also revalidated the applicability of this theory to government organisations and developing states. It will certainly offer better insights for other researchers, which may be employed as reference material for further investigation. Furthermore, the study may offer more opportunities for other researchers working in this field, and hence several proposals for future study are offered. Among such would be the need for further examination of the association between strategic management and organisational performances, as well as the examination of all moderating effects of leadership in such associations. There may be a requirement for carrying

out wider studies that include staffs from other governmental as well as private institutions. A comparison studies can be conducted to compare among ministries and organizations in the UAE in terms of their current strategic planning practices. The effect of good strategic planning practices on government organizations performance is possible by focusing on performance of employees. An additional research can be done to examine the relationship between performance and organizational culture. Finally, there is a capacity for more studies related to strategic management in the UAE besides separate researches on governmental initiatives and policies in relation to it.

VII. CONCLUSION

Clear and well-defined strategy formulation policies, which are important corporate governance issues, are needed to help a top management to make the right decision about ways to obtain outstanding performance. This study investigated the relationship between strategy formulation and performance of organization in Abu-Dhabi police department. Based on the findings in relation to this objective, the study concluded that the results indicated that strategy formulation (vision, mission, and goals) has a significant and positive impact on organizational performance. Results would give insights for Abu-Dhabi police department and public sector in the UAE to improve the organizational performance focusing in strategy formulation.

Appendix

Appendix A

Instrument for variables

Variable	Measure	Source
Vision (VI)	VI1: The vision of the AD Police GHQ is stated clearly. VI2: The vision of the AD Police GHQ helps to formulate its strategy. VI3: Strategy is widely known and drives activities. VI4: Strategy is coherent, multi-annual, both actionable & linked to vision and prime goals.	
Mission (MI)	MI1: The mission of the AD Police GHQ is consistent with its philosophy. MI2: The mission of the AD Police GHQ helps to formulate its strategy MI3: The mission of the AD Police GHQ is consistent with strategic planning. MI4: Strategy is used to direct actions & to set priorities.	[34]
Goals (GO)	MI5: AD Police GHQ reviews its mission after analyzing strengths, weaknesses, opportunities, and threats. GO1: The objectives of the AD Police GHQ reflect its strategic direction. GO2: Objectives of the AD Police GHQ are formulated collectively according to the priorities. GO3: Objectives of the AD Police GHQ are consistent with vision and mission. GO4: AD Police GHQ reviews its mission after analyzing strengths, weaknesses, opportunities, and threats. GO5: The vision, mission, and objectives are integrated.	

Financial (FI)	<p>FI1: Represents the financial side in one of the most important priorities of the performance of senior management.</p> <p>FI2: AD Police GHQ's budget is enough to accomplish its strategy.</p> <p>FI3: No problem in financing the work of AD Police GHQ and various programs.</p> <p>FI4: Funding limits the department's ability to provide more services, higher quality</p> <p>FI5: The financial performance of his role in public satisfaction and achieve the strategic objectives of the AD Police GHQ.</p> <p>FI6: The AD Police GHQ was trying to secure international funding for programs (proficiency, enhance productivity, and competitiveness)</p> <p>FI7: To assess the financial side of our programs, have a role in future funding and is reflected in the performance of AD Police GHQ.</p>
Public (PUB)	<p>PUB1: Customer segments vary with the AD Police GHQ economically and socially.</p> <p>PUB2: The provisions of the public on the AD Police GHQ's performance varied due to the varying segments.</p> <p>PUB3: The AD Police GHQ is concerned with the public's opinion of how the performance of its work and considers it a priority.</p> <p>PUB4: AD Police GHQ is focused on fulfilling the quality and speed required by the public.</p> <p>PUB5: AD Police GHQ's reputation in the performance of its business and maintain a positive relationship with the public.</p> <p>PUB6: AD Police GHQ has programs in the social and environmental responsibility to check public satisfaction.</p>
Internal Operations (OP)	<p>OP1: The internal processes of planning, organizing, directing, and controlling had directly impacted the performance of the strategy.</p> <p>OP2: The internal operations focus on transforming internal goals into reality.</p> <p>OP3: Satisfactory performance of the AD Police GHQ is due to top management decisions and their applications.</p> <p>OP4: The internal operating processes focus on the quality of the services provided to the public.</p> <p>OP5: Internal operating processes established the organizational structure and describe AD Police GHQ's functions.</p>
Development and Learning (DL)	<p>DL1: AD Police GHQ seeks to see what is new in the business world and apply it to their work.</p> <p>DL2: Besides growth and education focuses on the department's ability to adapt to changing circumstances.</p> <p>DL3: AD Police GHQ spoke of means and methods to provide services.</p> <p>DL4: The AD Police GHQ is trying to facilitate the use of modern technology to take advantage of its services.</p> <p>DL5: The AD Police GHQ based foundations of scientific research to solve problems.</p> <p>DL6: The AD Police GHQ focuses on human resource development and performance.</p> <p>DL7: Includes the growth side and motivates individuals to assess their performance.</p>

[35]

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