

The Role of Organization's Continuous Commitment in Mediating Relationship between Strategic Evaluation and Organizational Performance in Libya's Industrial Sector'

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Abstract

Libya offers a unique place for the study of strategic management because it is still a developing nation. The problem exists on the issue and challenges faced by manufacturing industrial companies operating in Libya where business practices remain severely underdeveloped. However, due to lack of right strategic management practices, industries can achieve only 50% of the total production capacity in Libya. This suggests further investigations are needed for the advancement of the industrial sector in Libya. This research aims to establish and verify the hypothesized relationship between strategic evaluation and organizational success and the mediating role of organization's continuous commitment in Libya's industrial sectors. A self-administered questionnaire was used to collect data from the 223 respondents through disproportionate stratified random sampling of employees working at the different industries in Libya. Structural equation modeling (SEM) was used to test the hypotheses. The results indicate that organization's continuous commitment fully mediates the relationship between strategic evaluation and organizational success in the Libyan industry context. For proper implementation of strategic moves for Libyan industrial sector needs to confirm the proper practices and support from the senior managers towards implementation. This means significant companies should remember that strategic evaluation is extremely essential and should not be ignored.

Keywords

Strategic Management, Structural Equation Modelling, Libya, production

1. Introduction

Today, organizations of all types and sizes continually face changing situations (Juan, 2010). These changes may be minor or insignificant, but there is an urgent need to cope with changes. Being able to cope effectively with these uncertainties in external and internal environment and achieve expected levels of performance are real challenges. By systematically following strategic management process, strategic decision makers examine all important aspects in order to determine the most appropriate decisions and actions (David, 2009), The deliberate structure of the strategic management process forces organizational employees to examine relevant variables in deciding what to do and how to do it (Coulter, 1998).

The practice of strategic management is important to evaluate why firms succeed or fail, and why do firms have varying levels of performance. It seems that organizations that use strategic management concepts and techniques do have higher levels of performance (Abu Bakar, 2011). If it impacts the organization's performance, then it is important to know something about strategic management.

Currently, strategic management is one of the most prominent and relevant areas in the management field. It constitutes a set of management actions that enables company managers to keep aligned with its environment and on the correct path of development; Strategy evaluation is essential to ensure that stated objectives are being achieved (David, 2009). The final stage in strategic management is strategic evaluation and control. All strategies are subjects to future modification because internal and external factors are constantly changing. In the strategic evaluation and control process, managers determine whether the chosen strategy is achieving the organization's

objectives. The fundamental strategic evaluation and control activities are: reviewing internal and external factors that serves as the basis for current strategies, measuring performance, and taking corrective actions.

Studies on the strategic decision process suggest that the way a strategy is develops can give a difference to performance. For example, Mungai's, (2007) study on strategic decision makers found that those who collect information and use analytical techniques make more effective strategic decisions than those who do not. He further noted that strategic management provides overall direction to organization (Mungai, 2007). Thus, strategic management analyses situation and proceeds to develop and implement appropriate strategies, taking into consideration all facts available, suggests opportunities that exist in order to improve the manufacturing sectors in Libya (Hokoma et al., 2008).

Therefore, Libya offers a unique place for the study of strategic management implementation> this is because there exists problem on the issues and challenges faced by industrial companies operating in Libya where business practices remain severely underdeveloped. As such, this study focuses on Libyan companies operating within its boundaries and the actors involve in business operations. As the private sectors of the country is known to be less productive (Alghadafi & Latif, 2010), the parameters that can encourage workers of the sector in Libya to work with increased efficiency and productivity through employing strategic management will be outlined. Therefore, this study focuses on the mediating role of organizations' continuous commitment for business success on the relationship between strategic implementation and organizational performance in the context of Libya's industrial sector.

Similar to other nations, developing a business strategy is essential for the success of any organization in Libya (Abdullah Hokoma et al., 2010). Bureaucratic delays and red tape are major stumbling blocks for entrepreneurs, who have to operate and make decisions in real-time to stay competitive (Hokoma et al., 2006). Sadly, there still exist in Libya within the government and public sectors where the "sense of urgency" is lacking (Hokoma, 2010). Moreover, according to (Anon, 2008), some industrial companies and plants within Libya are operating below their potential, achieving only 50% of their full production capacity. The current

2. Literature Review

Strategic management is a management process that is utilized specially to increase the performance of an organization's operations and administration. The application of strategic management practice in organizations can help the organizations to enhance their performance through improved effectiveness, (Abu Bakar, 2011). Strategic management is an ongoing process that evaluates and controls the business and the industries in which company is involved where it assesses its competitors and sets goals and strategies to meet all existing and potential competitors. It then reassesses each strategy annually or quarterly [i.e. regularly] to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment." (Lamb, 1984) Strategic evaluation and control information consists of performance data and activity reports. Top management does not have to involve. If however, the processes themselves cause undesired performance, both top managers and operational managers must know about them so that they can develop new implementation programs or procedures. Evaluation and control information must be relevant to what is being monitored. One of the obstacles to effective control is the difficulty in developing appropriate measures of important activities and outputs. Strategy may need to be modified because of shifts in long-term direction. because new objectives have been set or because of changing conditions in the environment(Chaneta, 2011) . Strategic evaluation is the process in which corporate activities and performance results are monitored so that actual performance can be compared with desired performance. Managers at all levels use the resulting information to take corrective action and resolve problems. Although evaluation and control is the final major element of strategic management, it also can pinpoint weaknesses in previously implemented strategic plans and thus stimulate the entire process to begin again. Kiragu,(2005) highlights performance in four perspectives which are financial, customer, internal processes and innovativeness. The financial perspective identifies the key financial drivers of enhancing performance which are profit margin, asset turnover, leverage, cash flow, and working capital (Odhuno, 2010). The customer focus describes performance in terms of brand image, customer satisfaction, and customer retention and customer profitability. Internal processes involve the efficiency of all the systems in the organization while innovativeness is concerned with the ease with which a firm is able to adapt to changing conditions. The last process of the strategic management is evaluation and control during which the corporate performance is compared with its expectations (Miller & Friesen, 1984). During this process, the managers collect information from their subordinates to take prompt and corrective actions to solve problems

([Analoui & Karami, 2003](#)). The strategic evaluation and control are the last stages in the strategic management model. Therefore based on the comparison between result and desired performance, managers should make adjustments to the formulated strategy and/or the implementation([Karami, 2005](#)). In many organizations, strategic evaluation is simply an appraisal of how well an organization has performed. Have the firm's assets increased? Has there been an increase in profitability? Have sales increased? Have productivity levels increased? Have profit margin, return on investment, and earnings-per-share ratios increased? Some firms argue that their strategy must have been correct if the answers to these types of questions are affirmative. The strategy or strategies may have been correct, but this type of reasoning can be misleading because strategic evaluation must have both a long and short-run focuses. Strategies often do not affect short-term operating results until it is too late to make necessary changes. Strategic planning calls for 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. At each of these steps, it is important that a systematic procedure is used to gain commitment of those who will be affected by the plan. Formal planning calls for the generation of alternative strategies. These strategies should be written in enough detail to allow for an explicit evaluation (the next step). Evidence from studies in organizational behavior suggests that the generation of the strategies should be completed before any evaluation begins ([Maier, 1963](#)).

Besides, organizational antecedents of commitment have also been the focus of considerable attention, with various facets of the organizational culture seen as capable of enhancing or detracting from the employee's bond with the organization. This relationship is evident in industrial settings as well, with supportive behaviors from the top management such as feedback, acknowledgement and collaborative problem solving correlated with higher levels of organizational commitment ([Billingsley & Cross, 1992](#)). Here, the real purpose and value of strategy are to come up with an action plan that will successfully attract buyers, produce a sustainable competitive advantage, and boost the firm's performance. Study conducted by Juan and Robert (2010) have found a positive correlations between organization's continuous commitment and firm's performance. Based on the above discussions, the following hypotheses are drawn:

- H1: There is a significant positive relationship between strategic evaluation and organization's continuous commitment.
- H2: There is a significant positive relationship between organization's continuous commitment and organizational success.
- H3: There is a significant positive relationship between strategies evaluation and organizational success.
- H4: There is a significant positive relationship between strategy evaluation and organizational success mediated by organization's continuous commitment.

3. Methodology

A self-administered questionnaire was employed for data collection. Due to lack of proper measuring tool, questions were mostly developed based on the literature review. However, few items in the questionnaire were also adopted from the existing scales. A minimum alpha value of 0.70 was considered during the selection process ([Sekaran & Bougie, 2010](#)). A five point Likert scale in the questionnaire was used for this study ([Gray, 2004](#)). A total 300 questionnaires were distributed randomly among the employees working at the different industries (a total 70 industries were identified for this study) in Libya. After the initial screening, a total of 223 returned questionnaires were found valid for further analysis. All information which was obtained from the individuals were analyzed in an aggregate level and kept strictly confidential. After collecting the data, statistical tests were conducted using the SPSS software. The tests were influenced by the focus of the theoretical framework and research questions, the sample size, and parametric versus non-parametric types of tests based on the measurements. The analyses were planned and performed to ensure that only appropriate analyses were undertaken and redundancies or overlaps are minimized.

Besides, this study has also addressed the content and constructs validity ([Hair et al., 2010](#)). The content validity in this study was assessed by thoroughly reviewing the available literature. The content validity of the assertions or items in the questionnaire was verified by the experts in this field. Moreover, factor analysis was carried out to assess the construct validity of the measurements. Finally, SEM was employed to test the hypotheses of the study ([Byrne, 2010](#)).

4. Results And Discussion

This study employed descriptive analysis to discuss the demographic profile of the respondents. The summary is presented in Table 1 below.

Table 1
Demographic Profile

Gender		
	Frequency	Percent
Male	149	66.8
Female	74	33.2
Total	223	100
Age		
	Frequency	Percent
0–25 years	6	2.7
26–35 years	92	41.3
36–45 years	100	44.8
46 and above	25	11.2
Total	223	100
Type of Industry		
	Frequency	Percent
Food and Beverage	120	53.8
Textile, leather and furniture	32	14.3
Chemical or electrical	38	17
Electrical engineering	1	0.4
Cement and building materials	24	10.8
Basic metal industries	8	3.6
Total	223	100
Level of Education		
	Frequency	Percent
Bachelor degree	188	84.3
Master degree	18	8.1
PhD	10	4.5
Others	7	3.1
Total	223	100
Job Position		
	Frequency	Percent
Top Management Level	26	11.7

Middle Management Level	137	61.4
Supervisory Level	60	26.9
Total	223	100
Average Time Spent on Work (Per Day)		
	Frequency	Percent
1 - 6 hours	14	6.3
7 - 10 hours	199	89.2
11 - 12 hours	10	4.5
Total	223	100
Monthly Income (in Libyan Dinner)		
	Frequency	Percent
250 and below	6	2.7
251–500	189	84.8
501–750	18	8.1
750 and above	10	4.5
Total	223	100

Besides, EFA was used to explore the underlying dimensions of Strategic Evaluation (SE), Organization's Continuous Commitment (OCC) and Organizational Success (OS) in the Libyan context. Bartlett's Test of Sphericity was found to be statistically significant [1612.505, $p = .000$], while the KMO that measured the sampling adequacy was achieved at a value of .854, indicating that the inter-correlations were sufficient for PCA (Table 2).

Table 2
KMO and Bartlett's Test of Sphericity

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.854
Bartlett's Test of Sphericity	Approx. Chi-Square	1612.505
	df	171
	Sig.	.000

To identify the reliability of the measurement tool used in this study, Cronbach alpha was determined. The alpha values of 0.823, 0.812 and 0.857 showed high reliability (Table 3) as the values were well above the required value of 0.70 (Hair *et al.*, 2010).

Table 3
Item Dimensions

Items	SE	OCC	OS
I'm willing to accept and implement change	.795		
Our Board of Directors are willing to accept and implement change	.786		

Our human resource is capable to manage and implement a change process or new strategic direction	.772		
Our company follows a high standard of performance measurement	.783		
My association is very effective at evaluating the impact of changes subsequent to initial strategy formulation	.803		
If an incompatibility with the given plan occurs during a routine check-up of the project implementation, we carry out operational changes		.774	
The strategic management model of our association is very relevant and suitable		.757	
Co-ordination among the group members were very effective		.786	
The changes are incorporated into the project when the previous project result analysis shows incompatibility with the original prognosis		.786	
Our Board of Directors are well motivated to maintain and support the implementation of strategic initiatives		.796	
Problems requiring top management involvement were communicated early enough		.791	
All the employees participate in strategy evaluation in our company			.846
Achieved the initial goals of the decision			.829
Achieved the financial results expected			.833
Was carried out within the resources initially budgeted			.840
Key formulators of the strategic decision did play an active role in implementation			.836
Took less time than originally allocated			.843
Major problems surfaced which had not been identified earlier			.841
Overall goals were well understood by employees			.845
Cronbach's Alpha coefficient	.823	.812	.857

Besides, to reconfirm the construct validity, confirmatory factor analysis (CFA) was carried out. For assessing the measurement model for Strategic Evaluation (SE), Organization's Continuous Commitment (OCC) and Organizational Success (OS), confirmatory factor analysis was conducted based on the items extracted through EFA. Finally, through the use of SEM, the hypothesized model was specified.

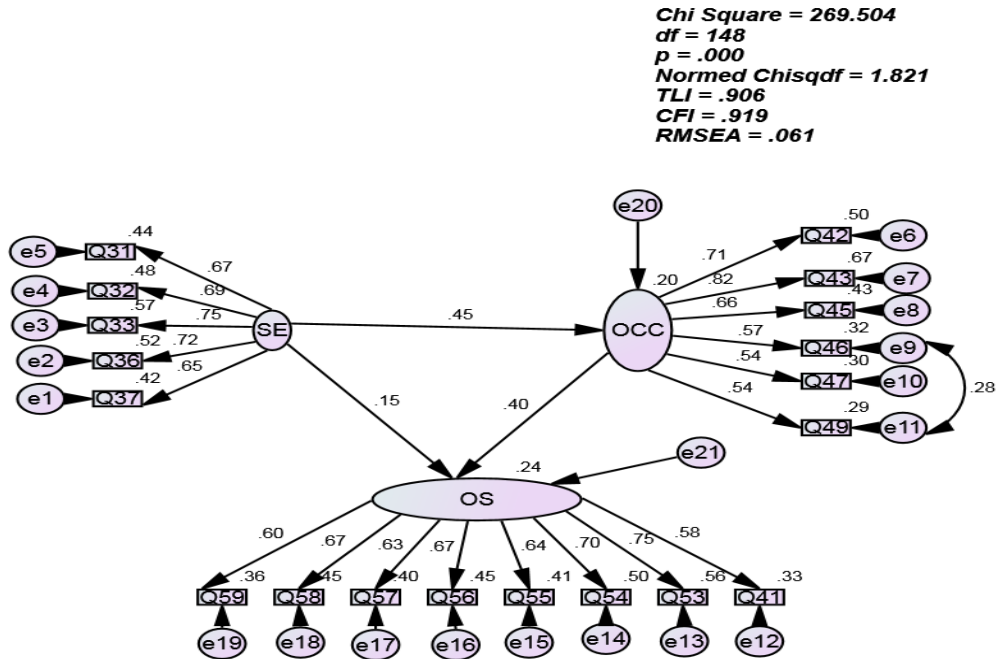


Figure 1
Hypothesized Model

It was hypothesized that there was a significant relationship between Strategic Evaluation (SE) and Organizational Success (OS) mediated by Organization's Continuous Commitment (OCC). From the output presented, it can be seen that the model fits well (TLI = 0.906, CFI = 0.919, Normed ChiSq = 1.821 and RMSEA = 0.061). These are summarized in Figure 1 and Table 4 below:

Table 4
Hypothesis Testing

		Estimate	S.E.	C.R.	P
OCC	<--- SE	.45	.109	4.110	***
OS	<--- OCC	.40	.061	6.607	***
OS	<--- SE	.15	.066	2.288	.091

From Table 4, though, the path coefficient between SE and OCC is statistically significant (path coefficient is 0.45) Therefore, H1 is accepted. However, the relationship between OCC and OS is also statistically significant (path coefficient is 0.40) Therefore, H2 is accepted. However, the relationship between SE and OS is 0.15, the relationship is statistically insignificant ($p \geq 0.05$). H3 is rejected. In this case, this study confirms that full mediation occurred as the direct relationship between IV and Dv is statistically insignificant, but the indirect relationship between IV and Dv through MV is statistically significant. Therefore, H4 is accepted.

5. Conclusion

To examine the dimensionality of Strategic Evaluation (SE) in the Libyan organizational context, it was hypothesized that there is a significant relationship between Strategic Evaluation and Organization's Continuous

Commitment. Both CFA and SEM results support this hypothesis. The indicators of the Strategic Evaluation (SE) construct are confirmed to be statistically significant. Attempt to examine the relationship between strategic evaluation and organizations' continuous commitment shows that strategic evaluation also has a significant influence on Libyan organizations' continuous commitment. This also shows the deliberate structure of the strategic management process that force Libyan employees to examine relevant variables when deciding what to do and how to do it in Libyan organizations.

With their strong statistical magnitude and covariance with all Strategic Evaluation (SE) components (Figure 1), giving much attention to these components in the Libyan organizational context can increase productivity. Thus, the strategic evaluation and control should not be ignored by any companies. The strategic evaluation and control are the last stages in the strategic management model (Andrews, 1971; Anderson & Sohal, 1999; Analoui & Karami, 2003) The results are compared with desired performance, and later on, managers make the required adjustments to the formulated strategy and/or the implementation (Macmillan & Tampoe, 2001; Karami, 2005). Companies should remember that strategic evaluation and control is extremely essential and should not be ignored (Aaker, 2001; Macmillan & Tampoe, 2001; Karami, 2005; Hitt *et al.*, 2012). The findings of this study are also similar to the past researches (e.g. (Andrews, 1971; Miller & Friesen, 1984; Anderson & Sohal, 1999; Aaker, 2001; Analoui & Karami, 2003; David, 2009; Hitt *et al.*, 2012) where the authors proposed that despite the fact that good strategies cannot be implemented effectively, it remains a critical challenge to the strategic leadership and the whole organization (Dudin, 2013; Fibresima & Abdul Rani, 2013). Finally, as the country's private sector is known to be less productive, the parameters established can encourage workers in the Libyan manufacturing sector to work with increased efficiency and productivity through the deployment of proper strategic management techniques for business success.

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