

Do stakeholders matter? Stakeholders as moderators in the relationship between formal strategic planning and organizational performance

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ABSTRACT

In this globalized world, every company is struggling to sustain and improve its performance. This study investigated the role of formal strategic planning on organizational performance. Moreover, this relation is explored further with the moderation of stakeholders' involvement. The empirical data were collected from 220 chief executives or general managers of manufacturing companies using a questionnaire survey. AMOS software was used to analyze the collected data. Structural equation modeling (SEM) was conducted to test the hypothesis, and moderation was investigated using a slop test. The results of the study revealed that formal strategic planning could enhance the performance of the organization. Furthermore, the results highlighted that stakeholder's involvement could strengthen the relationship between formal strategic planning and organizational performance. Previous studies have highlighted the importance of overall strategic management in enhancing an organization's performance. The research also revealed that performance was affected mainly by formal strategic planning and stakeholder involvement. The study used manufacturing companies in Jordan. Moreover, the data was collected from 220 respondents. Therefore, future studies should be conducted from any other country's perspective and use a larger sample size. This study has used moderation of stakeholder's involvement to get more specific results. Future studies should use organizational culture as a moderating variable.

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1. Introduction

Improving organizational performance by conducting formal strategic planning is not an easy job for corporate executives (George *et al.*, 2019). Further, numerous issues are tackled by the organizations on monotonous bases due to organizational barriers and lack of adequate preparation (Rodríguez *et al.*, 2017), which are the actual reasons that affect organizational performance (Shanker *et al.*, 2017). This performance is the difference between material results and envisioned results (Miner & O'Toole, 2020). Strategic planning is considered an essential element in increasing and controlling organizational performance (Holmes, 2005). An efficient planning procedure is known as formal strategic planning (Sudore *et al.*, 2018). The previous literature defined strategic planning as a tool to enhance organizational performance (Lee *et al.*, 2019; Veliyath, & Shortell, 1993). Researchers have recently given attention to the following aspects: SM practices, organizational performance, and strategic planning (Ali, 2018; Alosani *et al.*, 2019). The concept of SM indicates the need for managing organizations and the importance of stakeholder involvement a prerequisite for long-run growth. Many studies have examined strategic planning and organizational performance, but the result of those investigations was blended and controverting (Ramos-Villagrasa *et al.*, 2019; Kiwia *et al.*, 2019); few of the previous studies claimed that there is a positive relationship between strategic plan-

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ning and organizational performance. Other studies highlighted the opposing or negative relationship between strategic planning and organizational performance (Pollanen *et al.*, 2017). Lindsay and Rue (1980) found that this variance in results could be due to the degree of disparity in the planning and planning approach. Thus, Elbanna *et al.* (2016) recommended that stakeholders' involvement must be considered the topmost priority for better strategic planning because stakeholders are the organization's eventual beneficiaries. Therefore, with the above theoretical and empirical descriptions by the preceding studies as a guide, this study aimed at examining the role of formal strategic planning on organizational performance by incorporating stakeholder involvement (Johnsen, 2018; Alosani *et al.*, 2019). Moreover, this research aimed to classify a distinction in strategic planning and organizational performance at the organizational level (Al Chalabi & Turan, 2017).

The importance of stakeholder's role in the development and implementation of strategic planning and enhancing organizational performance is not a new debate (Wamsler, 2017). What is often omitted is that stakeholders are the individuals who most prominently retain organization sustainability. The involvement of stakeholders between strategic planning and organizational performance is rarely explored (Bryson *et al.*, 2018). Therefore, this study extends the literature's academic lens by adding the stakeholder's role as a moderator (Santoro *et al.*, 2018). Conclusively, the role of stakeholder's involvement between strategic planning and organizational performance is rarely tested due to inconsistent theoretical shreds of evidence in previous literature and the paradoxical nature of this variable compared to formal organizational performance and formal strategic planning (Heward *et al.*, 2017). Thus, we examined this study to claim that there is a need for more evidence-based study on the role of prescribed strategic planning on organizational performance with the moderating role of stakeholder involvement (George *et al.*, 2019) as the main objective of this study. This study has contributed to numerous aspects of strategic management. Numerous studies are conducted on strategic planning and organizational performance (Fawcett *et al.*, 2019; Federo & Saz-Carranza, 2017; Wolf & Floyd, 2017). Notably, stakeholder involvement moderates between formal strategic planning and performance of an organization that has not been examined yet. Thus, this study has contributed to organizational practices by revealing these relations and added the latest insight into strategic management literature. This is the first theoretical contribution from the perspective of stakeholder's involvement. Similarly, significant theoretical verdicts are required on formal strategic planning, stakeholder involvement, and organizational performance. The conceptual model (See Fig. 1) has been developed by an in-depth investigation of literature to study them. The study model is tested to guide the supplementary modeling in the scope of strategic management that may advance the subjective knowledge. This is the second theoretical contribution of our study. Testing the moderating role and measuring a moderating inference of stakeholder involvement between formal strategic planning and organizational performance is another empirical study's empirical contribution.

1.1. Background of study and Research Problems

Managers and organizations should be aware of the complex planning changes in the strategic environment (Kanki, 2019); further, managers and organizations should be aware of the changing organizational attitudes towards stakeholder management (Pedrini & Ferri, 2019). Therefore, in order to manage corporate performance effectively, organizations need to make sustained efforts and plan long-term strategies (Iqbal *et al.*, 2019). These practices are referred to as strategic management (SM) practices, which is known as making sure that these organizations manage their role by giving importance to the performance, planning, and key stakeholders (Fitri *et al.*, 2019; Amir *et al.*, 2016). Furthermore, SM's concept was established after gaining wide acceptance as a new management practice because of its diverse application and remained an open-ended debate (Land and Hannafin, 1996). According to previous studies, strategic planning contributes to significant outcomes necessary for accomplishing the organization's aims (Podsakoff *et al.*, 2014). An organization's performance is the major research topic for a recent study that measured strategic performance and stakeholder involvement. In many studies, researchers discovered that employees' performance significantly influences effective work delivery and performance in the banking industry (Murphy *et al.*, 2018). In reality, there is an inconsistency between working conditions, incentives, and salaries that banks pay their employees in both the private and public sectors (Guest, 2017). Therefore, there is a need to investigate how strategic planning can maximize and sustain organizational performance (Posch & Garaus, 2019). Effective execution of organizational formal strategic management planning depends on corporate executive members, executive committees, governance boards, and syndicate (Elbanna *et al.*, 2016). These are part of corporate governance (CG) and/or corporate governance board (CGB). Thus, when CG/CGB delivers strategic planning in a supportive way, it can boost organizational performance (Duran *et al.*, 2017). A positive difference in organizational performance occurs when stakeholders are involved in the process, and this relation is strengthened by strategic planning (Ali, 2018). The stakeholders are always a point of concern for an organization. CGB should highly consider involving stakeholders in formal planning that is designed by the CGB. However, a variation in the extent of stakeholder involvement is seen as an important reason behind the decrease in organizational performance (Kroll *et al.*, 2019).

2. Literature Review

2.1 Formal Strategic Planning (FSP)

Formal strategic planning describes organizational consideration towards the strategic factors and positioning that an organization should systematically pursue and manipulate to attain competitive advantage (Eppler & Platts, 2009). Furthermore, it involves the long-term establishment of an organization's goals and the strategic process of attaining the goals. Therefore, it is thus instrumental in sustainable long-term business performance (Poister, 2010). According to Mallon (2019), systematic

formal strategic planning helps streamline an organization's resources and decisions towards the desired strategic goals. Formal strategic planning supports more stakeholder involvement at every step of an organization's decision-making (George *et al.*, 2019). The process begins with conceptualizing the long-range corporate goals, followed by the determination of strategies and allocating accountability and activities to different organizational stakeholders (Bryson *et al.*, 2018). Therefore, explicit, systematic plans and procedures are implemented to promote greater stakeholder involvement and commitment to formal strategic planning goals. Consultation on the company's strategic planning should take a lot of time to address financial limits. Jalal and Murray (2019) suggested regular meetings and surveys for perfect strategic planning. They explained that meetings become unproductive when the guidelines cease to be a specific agenda with decisions required to be made at the end (Trindade *et al.*, 2019). The authors criticize the redundancy of traditional meetings, which discuss the same issues several times with no recourse for changing practice or culture. To make them useful, meetings should target a single subject matter and establish ways to address it as soon as possible (Kolpondinos & Glinz, 2019). The messages that the company propagates should be steady and must reflect the company's values and priorities (Hechavarria *et al.*, 2017). Managers should always make an effort to show employees and other stakeholders how the messages they disseminate fit within the broader organizational goals (Behmer and Jochem, 2019). It may be necessary to describe each member or group of members' contributions vis-à-vis the impact of their choices on the company as a whole (Elbanna, 2016). For commercial entities, managers should also take the primary role of notifying their stakeholders with the results they have achieved and their relevance to the organization's ability to achieve its targets (Cadorin *et al.*, 2019).

2.2 Stakeholder Involvement

People who feel that they have a significant role in their organizations often express a sense of ownership towards it (Wamsler, 2017). Additionally, research suggests that more people's involvement in a project typically produces better results than fewer participants (Leroy *et al.*, 2017). George *et al.* (2019) argued that when stakeholders are involved, the organization produces better outcomes and a high degree of ownership among such members. Afandi *et al.* (2018) posit that strategic planning is a critical aspect of project administration and should be the first to be carried out. To achieve success, a company must implement the strategic plan effectively. From this premise arises the importance of managers and stakeholders (Hatipoglu *et al.*, 2016). During the process of steering the strategic plan towards success, stakeholders' involvement also mediates planning on implementation (Cappanera *et al.*, 2019). Afandi *et al.* (2018) argue that stakeholders participating in strategy formulation find satisfaction in their involvement and express a greater willingness to ensure the plan's success. Members of the public and other interested parties (e.g., business investors) appreciate being part of decision-making (Syberg *et al.*, 2018). In establishing and implementing the program, different parties interact in different formats and occasions, which gives them a sense of satisfaction and ownership (Tham, 2018). However, having more stakeholders' involvement is not an indication of better results, and the emphasis should always be on the quality rather than the number of stakeholders (Pollock *et al.*, 2018). Nonetheless, the number of people at the executive level, and those involved should be enough to fulfill the organization's decision-making needs for the stakeholders' benefit (Scott *et al.*, 2018). It matters little whether these stakeholders are external or internal. Their participation or association of any degree is crucial in achieving organizational strategic plans (Pichon-Riviere *et al.*, 2018). Masud *et al.* (2019) argued that a firm's financial status weakened when its strategic planning is highly flexible. The most successful organizations consider information sharing as a priority. According to Donkor *et al.* (2018), stakeholders need to be fully aware of the company's primary purpose. This matter is even more vital for external stakeholders, who may need access to tacit knowledge on what the company is about and the values it adopts. Internal stakeholders may also need to know more about the organization to determine whether its plans align with their own goals and aspirations (Carlana *et al.*, 2018). In contrast, external stakeholders are not aware of internal company policies and cannot efficiently participate in policy development for strategy formation (Harrison & John, 1996).

Organizations need to have specific and open communication channels like email, text messaging, and regular meetings when consultation is required. Communication should also involve pasting messages in many areas that remind stakeholders of the firm's vision and mission and the strategy being employed to achieve them (Park & Johnston, 2018). In one-way communications, posters and newsletters should suffice. Communication may provide feedback to employees, who are critical stakeholders, about the position of their ideas in the broader strategic plan (Suh *et al.*, 2018). Top executives and organizational decision-makers should regularly meet with the employees to explain to them the impact of their previous actions and their expected roles in future assignments (Smith *et al.*, 2018). It suffices to understand the motivation of employees and align them with the company goals. Using this method, these employees will inevitably gravitate towards the company's purpose and objectives if they consider the purpose mutually beneficial. Whenever stakeholders are involved in the planning process, they become more connected with the organization. Members of the organization also grow more comfortable with engaging in the company's plans if they understand the strategic plan fully. Failing to ensure this situation leads employees in the wrong direction. Overall, having a strategic plan is the equivalent of a roadmap, without which the organization may drift with insufficient knowledge of the direction it is heading. The roadmap determines the specific targets towards which departments or individuals should work. The goals are achieved through singular tasks, which form part of the day-to-day routine of employees within a company. The roadmap also provides stakeholders with the options at the company's disposal regarding specific decisions that they must make. Buying into and executing the plan becomes very straightforward for the stakeholders if they have been involved in the planning. It is also difficult for people to be committed to a cause about which they have insufficient knowledge. Therefore, consulting with stakeholders about strategic plans helps to source commitment from them.

Thus, each employee and external stakeholder should have sufficient experience with the strategic plan, a course of action to which managers and employees alike should commit. The organizations focusing on strategic management literature can efficiently and respond effectively to changes in the wider business environment. This focus gives direction to involve stakeholders effectively (Ansoff, 1991). Donaldson and Preston (1995) argued that the best performing organizations are those that consider the interests of all stakeholders in the planning process, while Carnall (2007) attributed under-performing organizations to their lack of stakeholder involvement. The literature (e.g., Barringer & Bluedorn, 1999; Johnson *et al.*, 2004) defines *involvement* in the strategic planning process as stakeholders' level of participation in the planning, decision-making, and implementation process. Given the specificity of its goals and timeline, a strategic plan is an organizationally unique strategy. Strategic planning demands to undertake different internal and external operational changes to align the organization to the strategic plan that the organization seeks to achieve (González and González, 2015). Therefore, it is reasonable to expect stakeholders to play a moderating role in creating a formal strategic plan and attaining the organization's goals. In other words, it can be expected that when stakeholders play an active role in the strategic planning process, opportunities for strategic planning to be transformed into performance improvements are enhanced (Markovic & Bagherzadeh, 2018). However, there is a shortage of literature that has explicitly addressed this point. Consequently, this study seeks to broaden strategic management knowledge by examining stakeholders' role as a moderating variable in the relationship between formal strategic planning and organizational performance (Santoro *et al.*, 2018).

2.3 Organizational Performance, Strategic Planning, Stakeholders Involvement

In an organization, formal strategic planning generates the best fitting association and enhances the organizational performance based on person-organization fit. As far as HR practices are concerned, Ahmad and Schroeder (2003) have developed conceptualization and measurement tools by designing this dimension orientation package. Later on, Cable and Judge (1996) have used such indicators for measuring SM practices and have resulted in significant findings with performance maximization and organizational entry. Bowen and Ostroff (2004) extended the findings of the previous study and concluded that strategic planning is a sociological phenomenon that depends upon the intensity of organizational protocol that has a great deal of significance with organizational performance and stakeholder involvement (Konrad & Linnehan, 1995). Thus, this strategic climate has extended the organizational performance and high potency of stakeholder involvement among the workers and co-workers with a uniform organization that enhances the ability to enhance employees' performance (Lewig & Dollard, 2003). Moreover, such a fitting mechanism among both institutions and individuals working will lead to organizational citizenship behavior, which is another facet of organizational performance and is generated based on formal planning (Afsar and Badir, 2016). However, organizational performance is originated from formal planning and stakeholder involvement. Strategic planning is ranked among the five most popular managerial techniques worldwide, and business schools continue to promote it as crucial to driving future business performance (Wolf & Floyd 2017). However, there is a lack of harmony in the existing literature to know whether strategic planning drives improved performance. A recent meta-analysis of 87 correlations from 31 empirical studies indicated a positive relationship between strategic planning and organizational performance (George *et al.*, 2019). Shrader *et al.* (1989), while investigating the relationship between strategic planning and small firms' performance, found a negative relationship. The study of Falshaw *et al.* (2006) established no relationship between strategic planning and organizational performance. To address these inconsistencies in the literature, George *et al.* (2019) and Ouakouak and Ouedraogo (2013) called for research that can test whether the presence of some moderating variable impacts the nature of the relationship between strategic planning and organizational performance. This paper represents an initial attempt to respond to that call and thereby address the literature gap.

3. Theoretical Support and Hypothesis Development

3.1. Stakeholder Theory (ST)

In an organizational context, the term stakeholders describe the actors who can influence or be influenced by an organization, its employees, or the environment within the proximity of the organization's assets (Elbanna *et al.*, 2016). Stakeholders are affected by organizational policies and actions and play an instrumental role in the organizational decision-making process. Stakeholder theory is typically used as the main theoretical framework to understand and define different organizational stakeholders (Hodgkinson *et al.*, 2006). Freeman (1984, p. 46) defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Freeman's theory of organizational stakeholders ties an organization's success to the said company or business's ability to satisfy its stakeholders. This focus extends the concept of stakeholders beyond those that are directly benefited from the business profit and stock. Many researchers have used this theory as theoretical support in the context of sustainable competitive advantage (Jones *et al.*, 2018), relational building (Harison *et al.*, 2019), business growth cases (Schaltegger *et al.*, 2019), stakeholder involvement (Freudenreich *et al.*, 2019), strategic planning (George *et al.*, 2019) and organizational performance (Waheed & Yang, 2019). However, ST is considered as an underlying theory in the foundation of a recent study for its theoretical support.

3.2. Formal Strategic Planning and Organizational Performance

According to some studies and theory such as the Harvard policy model, synoptic planning theory, and goal-setting theory, there is a direct link between formal strategic planning and an organization's success (George *et al.*, 2019). An organization implementing a project needs to estimate the required resources such as personnel, equipment, and material, which are crucial

in the project's effectiveness. This involves using formal strategic planning to ensure that the resources are streamlined with the organization's processes and goals (Bryson *et al.*, 2018). A work breakdown structure (WBS) helps organizations create schedules and factors in the required resources to prevent wastages and support business positive performance (Newton & Elliott, 2016; Bryson *et al.*, 2018). Stakeholder theory suggests that when stakeholders are included in companies' planning and decision-making processes, the organization will be more successful over time (Dumitrescu & Simionescu, 2016). The broader literature also implied that stakeholder involvement could drive organizational performance. For instance, in a study of Chinese enterprises, He *et al.* (2011) found that firms' orientations towards their most important stakeholders - customers, employees, shareholders, suppliers, and competitors - enhances organizational performance. Some researchers suggest that the more stakeholders are included in the planning process, the better the organization is to achieve superior performance (Greenley & Foxall 1998). These arguments are consistent with Deshpande and Farley's (1999) work, which suggested that organizations with a higher level of stakeholder orientation should perform better. This leads to the following hypothesis:

H1: Formal strategic planning is positively associated with organizational performance

3.3. The moderating role of Stakeholder Involvement

When the strategic direction and definition of the organization's situation are being set, it is foremost important to include the organization's stakeholders (Smith *et al.*, 2017). Keeping an organization's stakeholders involved and actively plays an instrumental role in increasing their overall commitment to the organization's goals. An organization's stakeholders are directly involved in decision-making, generation of resources, planning how the resources will be used, implementation of the organization's activities, and ensuring the business is compliant with existing rules and regulations within a particular industry (Newton & Elliott, 2016). Therefore, the stakeholders play an important moderating role in the realization of a business's formal strategic plan and goals (Elbanna *et al.*, 2016). Without stakeholder involvement, the organization is poised to fail its mandate or attainment of the pre-planned organization goals (Newton & Elliott, 2016). For instance, the Chief Administrative Officer is responsible for the development of an ideal organizational strategic plan, whereas other firm's managers are involved in the plan's creation and implementation. This explains why stakeholder involvement in formal strategic planning is associated with a greater return on assets, return on sales, growth in market share, and growth of sales (Elbanna *et al.*, 2016).

Stakeholders are charged with the responsibility for articulating and achieving strategic plans. Therefore, managers need to listen to the pieces of advice and contribution that a stakeholder provides because their job description is to oversee the successful implementation of the strategic plan and the resulting financial benefits (Afandi *et al.*, 2018). The manager is primarily accountable for ensuring that the strategic plan's goals are met, but the indispensable nature of other interested stakeholders makes it necessary for the former to conduct widespread consultations with the latter. Stakeholders form the overarching body that supervises the progress of an organization, irrespective of its size. Sen and Cowley's (2013) study of SMEs finds that management merely follows the directives that stakeholders issue. In matching organizational performance with strategic planning, it suffices to understand stakeholder powers. Typically, the power of the stakeholders determines the organization's priorities. The stakeholder ensures that these priorities align with the company's strategic plan, which the manager then follows. Stakeholders also constitute part of the organization's social capital, which indicates the recognition people have for the company and the closeness they feel towards it. Sen & Cowley (2013) argued that mutual acquaintance and recognition form the basis for social capital, which is highly beneficial to the stakeholders in pursuing the strategic plan and affecting their moderating role. Thus, we hypothesized that;

H2: Stakeholder involvement moderates the relationship between formal strategic planning and organizational performance in such a way that organizational performance will be higher when there is high stakeholders' involvement.

Based on the above discussion, the following model is designed for the study:

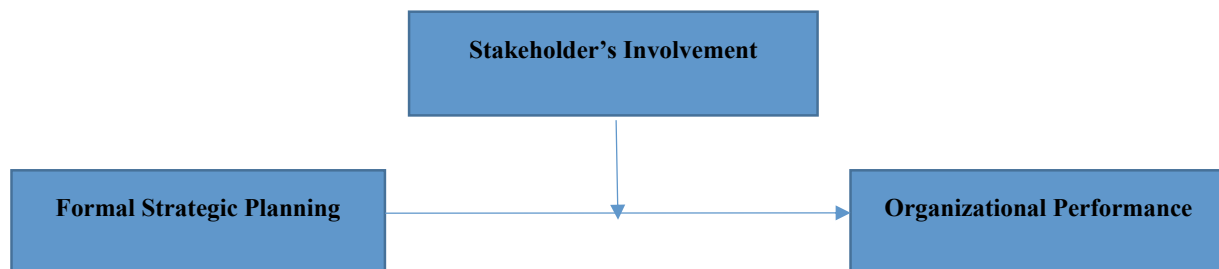


Fig. 1. Conceptual Model

Our hypothesized research model includes three latent variables, formal strategic planning is a predictor of organizational performance, and stakeholders' involvement is incorporated in the model as a moderating variable. Moreover, all the relationships are hypothesized based on an extensive literature review. The model's quality and fitness are further investigated through the analysis of collected data concerning the study's variables.

4. Methods

4.1. Instrument and Measures

The data were collected using a structured questionnaire having 17 items/questions related to three study constructs; strategic planning, stakeholder involvement, and organizational performance. 7-items scale was adopted from the study of Elbanna (2016) to measure the construct of strategic planning. Respondents were asked to respond on a five-point Likert scale (where 1 = 'minimal emphasis', 5 = 'great emphasis'). The construct of stakeholder involvement is measured by a 6-items scale that was adopted from the study of Johnsen (2017). Respondents were asked to respond on a five-point Likert scale (where 1 = 'strongly disagree', 5 = 'strongly agree'). The third and final construct of organizational performance is measured using their return on assets, return on sales, market share growth, and sales growth. As the majority of the sampled organizations were not publicly reporting their performance ratios, it was impossible to use secondary financial data to create accurate and objective measures of organizational performance. Therefore, the respondents' subjective measures of organizational performance were employed, as per some previous valid studies (Bart, 2001; Dibrell et al., 2014). Respondents were asked to indicate their organizational performance (1 = "bottom 20%" to 5 = "Top 20%") compared with that of their major competitors on four financial ratios: return on assets, return on sales, market share growth, and sales growth (Dibrell et al., 2014).

4.2. Participants and Data Collection

The current study's target population was 400 hundred manufacturing companies identified from the website of Amman stock exchange and the Ministry of Industry Trade & Supply. Questionnaires were sent to the chief executive or general manager of each company since it was believed that this would be the most appropriate person to provide a valid response to questions related to strategy (Bart, 2001; Dibrell et al., 2014). Another reason for selecting chief executives and general managers is that this study intends to investigate the influence of strategic planning on organizational performance, and these people are mostly part of BOD where the strategic decisions and planning are made. Chief executives and general managers are much aware of strategic planning of the company rather than the other stakeholders like lower to middle management employees or shareholders; hence the researcher decided to collect data from these individuals to fulfill the study objectives. The main reason for conducting this empirical study and data collection from Jordan was limited research studies overall on strategic planning, and more specifically, in the context of manufacturing companies. Because of little academic research in Jordan, there is limited knowledge about the significance of strategic planning and enhancement of organizational performance through companies' stakeholders' proper involvement. Moreover, the manufacturing sector is the second biggest industrial sector in Jordan with contribution of 18.17% to the GDP in 2016. Data collection took place over the period of a month. During this period, the researcher administered and collected questionnaires by hand with the three professional research assistants' support. Questionnaires were floated to 325 Jordanian manufacturing firms, from which 220 accurate responses were received; hence, a 68% success response rate was achieved. As for respondent's profiles are concerned, the vast majority of the sample respondents were male, which reflects that male managers dominate the top management in the manufacturing sector in Jordan. 78% of the study participants were aged above 35 years; the remaining 22% of the research sample were less than 35 years old.

4.3. Data Analysis

The data reliability, validity, and correlations were examined using AMOS version 24. Structural equation modeling (SEM) was conducted to examine the relationship between variables. Moreover, the slop test developed by Preacher & Hayes (2008) was used to test the moderation effect.

5. Results

5.1. Model Validity and Reliability

To check the model quality, we have tested discriminant and divergent validity, and results are shown in Table 01. Results show that composite reliability (CR) is greater than 0.60, average variance extracted (AVE) is greater than 0.50, maximum share variance (MSV) is less than AVE, and the square root of AVE is less than the correlation values, which conform both discriminant and divergent validity (Henseler *et al.*, 2015; Fornell & Larcker, 1981).

Table 1
Descriptive Statistics, Reliability, Validity, and Correlation Analysis

Variables	Mean	SD	CR	AVE	MSV	1	2	3
1. Strategic Planning	3.50	0.87	0.88	0.51	0.120	0.717		
2. Stakeholder's Involvement	3.06	0.94	0.94	0.72	0.004	0.059	0.850	
3. Org. Performance	3.39	0.90	0.95	0.84	0.120	0.347***	0.011	0.916

N = 220; Significance of Correlations: † $p < 0.100$; * $p < 0.050$; ** $p < 0.010$; *** $p < 0.001$; MSV = Maximum Shared Variance; Diagonal elements (in bold) are the square root of the AVE.

5.2. Model Fitness

Confirmatory factor analysis (CFA) was conducted to test the measurement model fitness, where “Tucker Lewis Index (TLI), Incremental Fit Index (IFI), Comparative Fit Index (CFI) and Root Mean Square Error of Approximation (RMSEA), and CMIN/DF (χ^2/df)” were used as measurement fit indices. Our base-line three-factor hypothesized model shows excellent model fit, as all the values of fit indices ($\chi^2/df = 1.92$, RMSEA = .06, IFI= 0.96, TLI= 0.96, CFI = 0.96) are within the range of recommended cut-off values by Hu & Bentler, (1999). Measurement model fitness results are shown in Table 2. Moreover, all items' loadings are ranged from 0.66 to 0.94 and are well above the recommended value of 0.40 (Hair *et al.*, 2010). The measurement model is shown in Fig. 1.

Table 2

Measurement Model							
Measurement Model	χ^2	df	χ^2/df	RMSEA	IFI	TLI	CFI
3-Factor Measurement Model	222.99	116	1.92	.06	.96	.96	.96
Recommended Cut-off Criteria (Hu & Bentler,1999)			< 3.0	< .08	≥ .95	≥ .95	≥ .95

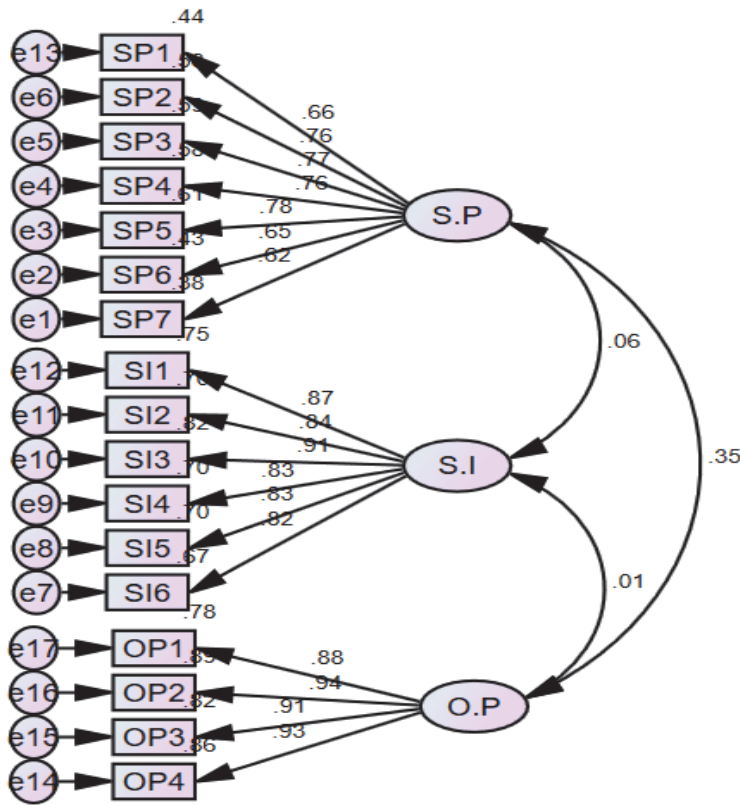


Fig. 2. Measurement Model

As recommended by Anderson and Gerbing (1988), the fitness of measurement model should be tested prior to testing hypotheses. The measurement model has three latent variables strategic planning, stakeholders' involvement, and organizational performance. The results reveal an excellent fit as shown in Table 2; hence, we have further proceeded for hypotheses testing.

5.3. Test of Hypothesis

SEM was conducted to test the direct effect of strategic planning on organizational performance. The results of direct effect are shown in Table 3, which confirms significant direct impact ($\beta = .305$, $P < .001$). Therefore, hypothesis H1 is accepted.

Table 3

Test of Hypothesis Direct Effect		
Relationships	Path coefficients	P-Value
Strategic Planning → Organizational Performance	0.305	***

Note: *p < .05, **p < .01, ***p < .001.

5.4. Moderation Effect

The results of the moderating effect of stakeholder involvement are shown in Table 4 and Fig. 3. The conditional effect results show that the relationship between strategic planning and organizational performance is positive and significant in the presence of stakeholder's involvement ($\beta = .310, P < .001$). As shown in the slop, the relationship between strategic planning and organizational performance became weaker and became insignificant when there was low stakeholder involvement ($\beta = .150, P = 0.15$). Moreover, the relationship between strategic planning and organizational performance gets stronger with the increase of stakeholder's involvement ($\beta = .470, P < .001$). Condition interaction of strategic planning and stakeholder's involvement shows a significant effect on organizational performance ($\beta = .171, P < .05$). Moreover, the test of the highest order unconditional interaction also shows significant R^2 change. All the results confirm that stakeholders' involvement significantly moderates the relationship between strategic planning and organizational performance, and this relationship gets stronger in the presence of high stakeholder involvement.

Table 4

Organizational Performance Predicted from Strategic Planning and Stakeholder's Involvement (Moderation Effect)

DV: Organizational Performance	β	p	95% CI	
SP	-0.213	0.41	-0.724	0.297
SI*	-0.586	< .05	-1.141	-0.033
SP \times SI*	0.171	< .05	0.012	0.330

Test(s) of highest order unconditional interaction: (X*W)

R^2 -chng = .019*

F Statistics = 4.48

Conditional Effects of the focal predictor (SP) at values of the moderator (SI)

	β	p	95% CI	
One SD below mean	0.150	0.15	-0.054	0.353
At the mean	0.310	< .001	0.178	0.442
One SD above mean	0.470	< .001	0.276	0.664

*** $p < .001$, ** $p < .01$, * $p < .05$

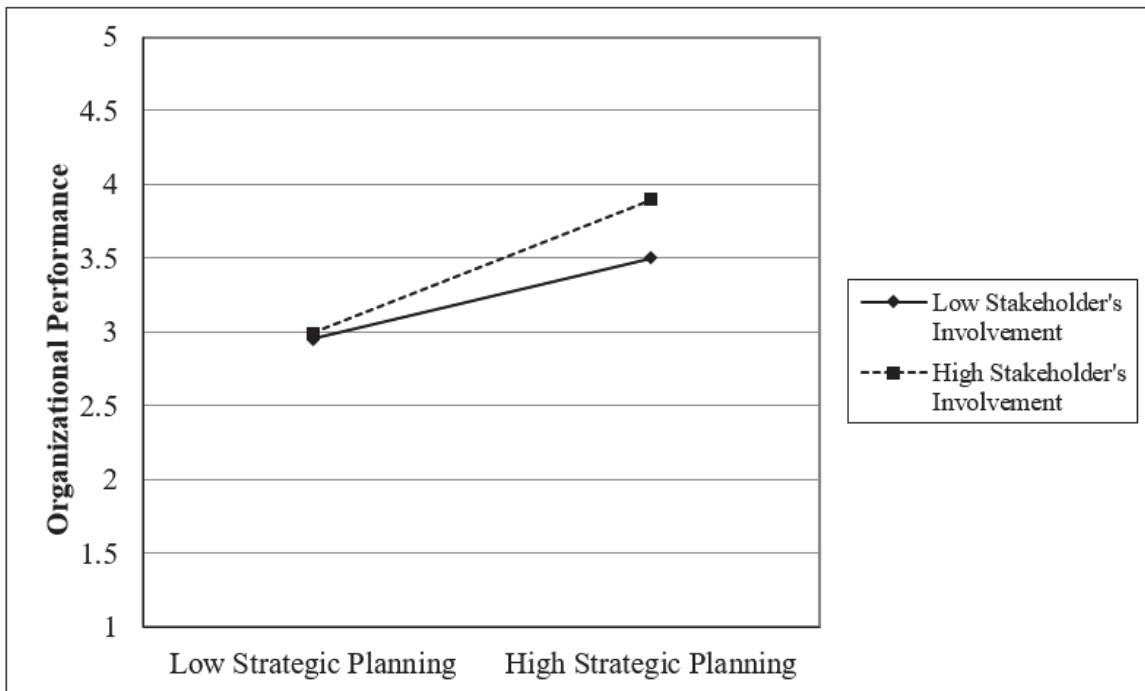


Fig. 3. Slope Test Mod Graph

6. Discussion

Numerous strategic management studies concentrated on strategic planning outcomes, and between them, the most noticeable is organizational performance (George *et al.*, 2019; Pollanen *et al.*, 2017; 2008; Shrader *et al.*, 1984). Correspondingly, this study examined the effect of formal strategic planning on organizational performance. Furthermore, this relationship was investigated by using stakeholder involvement as a moderating variable. The results have confirmed the significance of studying formal strategic planning from the viewpoint of the manufacturing sector. Likewise, in several ways, the results drawn-out and qualified the existing works on relationships among formal strategic planning and organizational performance and moderating stakeholder involvement (George *et al.*, 2019; Bryson *et al.*, 2018). The first hypothesis of study H1 anticipated that formal strategic planning is certainly associated with organizational performance. The positive and significant relation between formal strategic planning and organizational performance highlights that implication or use of formal strategic planning can increase organizational performance. This is in line with the study of Elliot *et al.* (2019), which explained that formal strategic planning has a significant effect on organizational performance. Formal strategic planning implementation is dependent on the high commitment of an organization's employees to establish the right goals and set of activities that influence the overall organizational performance and sustainability (Bryson *et al.*, 2018). Posch and Garas (2019) concluded that there is a need for formal planning at a strategic level to ensure the performance of an organization. Therefore, the results of H1 confirm that this formal strategic planning is actually organizational performance. Like other strategic management studies (e.g. Papke-Shields, and Boyer-Wright, 2017), the result of H1 has acknowledged the significance of organizational performance towards the organization. The nature of formal and strategic planning is inherent, which attracts managers to work more actively in a way to grow organizational performance. These attractions ultimately increase the quality of formal strategic planning, which leads to a high level of planning (Bryson *et al.*, 2018).

The second hypothesis of study H2 predicted that there is a positive moderating relation of stakeholder involvement between formal strategic planning and organizational performance. This positive relation highlights the value of stakeholder involvement, particularly when examined from the organizational managers' perspective. It shows that stakeholder involvement is an important antecedent and strengthens the relationship of organizational performance with formal strategic planning. As predicted in H2, stakeholder involvement is positively moderating organizational performance. The role of stakeholders justifies this positive relationship. The moderating effect results are in line with previous studies of Santoro *et al.* (2018) that show a significant moderating role of stakeholders' engagement in the relationship between entrepreneurial resilience and success. The study of Wijethilake and Lama (2019) also shows a significant moderating role of stakeholders' pressure in the relationship between sustainability core values and sustainability risk management. However, this study investigates the relationship between strategic planning and organizational performance through stakeholder involvement, which is not previously explored, and this the original contribution of this study. The formal strategic planning of any organization is instrumental towards creating greater stakeholder involvement through the strategic and systematic engagement of the stakeholders in line with organizational goals (Conner, 2017). Among organizational performance and strategic planning, the positive moderating relationship of stakeholder involvement demonstrates the significance of stakeholder aspects considered for planning and are a prerequisite to enhance the organizational level performance. The result of H1 and H2 both is in line with Santoro *et al.*'s (2018) study, but this research only focuses on stakeholder involvement, as shown in H2.

Testing of H2 found a critical role in stakeholder involvement in examining the moderating role between formal planning and organizational performance. The studies of Waligo *et al.* (2013) and Hubbard (2009) claimed that the positive moderating role of stakeholder involvement affects organizational performance. The result of H2 extends this conceptual claim. Thus, stakeholder involvement was found to fully moderate the effect of formal strategic planning on organizational performance. One explanation for this result could be a change in the dependent variable is caused and moderated due to only one component of stakeholder theory (i.e., stakeholder involvement). However, strategically using the corporate planning function seems to take away organizational failure for growth concerns, thereby promoting stakeholder(s) involvement in organizational strategic planning is considerate towards organizational performance. According to recent study findings, the positive relationship of formal strategic planning on organizational performance has become more evident when considering the role of stakeholder involvement is inferred. This indicated from over sample of study that stakeholder involvement hinders and/or moderates the role of organizational planning on performance. Thus, our findings are sampled specific instead of company-specific.

7. Conclusion

In order to survive in this competitive environment, every company is making efforts at the strategic level. These efforts include improvement in formal strategic planning. The successful formal strategic planning contributes a lot to organizational performance. Well-developed strategic management practices can contribute a lot to the overall performance of the company. Similarly, there is a great importance of formal strategic planning in enhancing organizational performance.

While the literature emphasizes the practice of strategic planning as a necessary component in the organizational strategy, the research of the strategic planning process used by manufacturing companies in both developed and developing economies contexts received very low attention. The literature (e. g. Akinyele & Fasogbon, 2010; George *et al.*, 2019; Innocent & Levi, 2017; Njoroge, 2018; Shrouf, *et al.*, 2020) advocates that an investigation of the relationship between the implementation of strategic planning and organizational performance offers significant value to this field of study. Therefore, this study aimed

to identify the effect of formal strategic planning on the performance of manufacturing companies. Moreover, it investigated the moderating effect of stakeholder's involvement in this relationship. The study findings are inconsistent with the past studies of Hubbard (2009), Waligo *et al.* (2013), which found a positive impact of stakeholder involvement on organizational performance. The results revealed that formal strategic planning plays an active role in the organization's overall performance regarding effectiveness. Jordan's companies are constantly focusing on perfect formal strategy planning, but these companies are unaware of the role stakeholders play while developing strategy. Thus, this study also highlighted that stakeholder's involvement strengthens the effect of formal strategic planning on organizational performance.

8. Limitation and Future Recommendations

This study has several limitations, which are an opportunity for future researchers. First of all, the data for the study was collected from national level manufacturing companies. This limitation could be addressed in future studies by gathering data from MNEs. Moreover, a comparative study can be done by gathering data from the manufacturing and service sectors. The data were collected from the chief executive or general manager. These responses may be conditioned to the respondent's intentions to safeguard the company image. In order to amend this potential bias, it would be desirable to use a multi-informant data-collection method. The structured questionnaire denies the opportunity for a more insightful exploration of relevant issues from the respondents. Future studies can integrate qualitative data collection with quantitative to gain new insights.

9. Implications

This study has provided several practical and theoretical implications. In terms of theoretical implications, first of all, this research extended the limited understanding of strategic planning and its relationship with organizational performance. This research has drawn attention toward organizational strategic management, exploring the relationship between the organization's strategic planning and performance. This study departs from earlier studies because they merely focused on the extrinsic effect of organizational performance. Secondly, this study examined the moderating role of stakeholder involvement between the relationship of strategic planning and organizational performance. In terms of practical implications, first of all, this study will help the managers and direct their attention towards understanding the importance of formal strategic planning uses for enhancing the overall performance of an organization. Secondly, the results revealed that formal strategic planning has a significant effect on organizational performance. Therefore, organizations should focus on making effective strategic plans so that they can sustain in this competitive environment. Thirdly, the stakeholder involvement as a moderator is not easy to observe because it is a latent, unobserved variable. The board of directors or managers should involve the stakeholder in making formal strategic plans for the betterment of the organization. Lastly, but most importantly, this study also provides guidelines for how manufacturing firms can handle disruptive crises, such as the recent pandemic of COVID-19, with all major stakeholders' engagement. As projected by the "International Labor Organization (2020)," manufacturing worldwide will be the most severely affected sector. Such situations negatively impact the strategic planning of the companies. This study offers significant implications for managers for how to recover faster from the situation in the short-run and how to become more resilient in the long-run with the involvement of companies' stakeholders in their strategic planning process.

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