STRATEGIC PLANNING AND MEDIUM SIZED ENTERPRISES PERFORMANCE: MEDIATING EFFECT OF INNOVATIVENESS IN IMPLEMENTING STRATEGIES AND MODERATING EFFECT OF ENVIRONMENTAL UNCERTAINTY IN ACEH, INDONESIA

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ABSTRACT

The main objective of this study was to investigate the relationship between strategic planning and medium-sized enterprises‘ (MEs) performance in Aceh, Indonesia. This study also investigated the mediating effect of innovativeness in implementing strategies and the moderating effect of environmental uncertainty on the relationship between strategic planning and MEs‘ performance. The motivation for conducting this study was due to the inconsistent findings in the literature concerning the relationship between strategic planning and performance. This study was underpinned by the contingency theory and the system theory in order to explain the proposed conceptual framework. Questionnaires were randomly distributed to 127 owners or managers of MEs, and 91 questionnaires were used for the analysis. The Pearson correlation analysis was used to analyze the direct relationship between formality, tools of strategic planning, employee participation, time horizon and control, and MEs‘ performance. To examine the mediating effect of innovativeness in implementing strategies on the relationship between strategic planning and MEs‘ performance, hierarchical regression analysis, Medgraph, the Sobel test, and the Kock Mediation test were used. Meanwhile, hierarchical regression analysis was used in order to investigate the moderating effect of environmental uncertainty on the relationship between strategic planning and MEs‘ performance. The results of this study revealed that formality, tools of strategic planning, employee participation, time horizon and control have positive and significant relationships with MEs‘ performance. In addition, by incorporating all the mentioned dimensions of strategic planning, strategic planning itself has a positive and significant relationship with MEs performance. More importantly, the result of this study confirmed the mediating effect of innovativeness in implementing strategies on the relationship between strategic planning and MEs‘ performance. Furthermore, this study showed that environmental uncertainty did not moderate the relationship between strategic planning and MEs‘ performance. Finally, this study discussed the implications of the findings, limitations, and directions for future research.

Keywords: strategic planning, innovativeness, environmental uncertainty, organizational performance, medium-sized enterprises

ABSTRAK

Objektif utama kajian ini adalah untuk mengkaji hubungan antara perancangan strategik dan prestasi organisasi perusahaan bersaiz sederhana di Aceh, Indonesia. Kajian ini juga menyelidik kesan pengantara inovasi dalam melaksanakan strategi dan mengkaji kesan penyederhanaan ketidakpastian alam sekitar terhadap hubungan antara perancangan strategik dan prestasi perusahaan bersaiz sederhana. Motivasi untuk menjalankan kajian ini adalah disebabkan oleh hasil penemuan yang tidak konsisten dalam literatur tentang hubungan antara perancangan strategik dan prestasi organisasi. Kajian ini disokong oleh teori kontingensi dan teori sistem untuk menerangkan tentang kerangka konsep kajian ini. Borang soal selidik telah diedarkan secara rawak kepada 127 pemilik atau pengurus perusahaan bersaiz sederhana di Aceh dan 91 soal selidik telah digunakan dalam proses menganalisis data. Analisis korelasi Pearson digunakan untuk menganalisis hubungan langsung antara formaliti, alatan perancangan strategik (*tools of strategic planning)*, penglibatan pekerja, tempoh masa dan kawalan serta prestasi perusahaan bersaiz sederhana. Walau bagaimanapun, untuk mengkaji kesan pengantara bagi inovasi dalam melaksanakan strategi ke atas hubungan antara perancangan strategik dan prestasi perusahaan bersaiz sederhana, analisis regresi berganda bertingkat, *Medgraph*, *Sobel test*, dan ujian *Kock Mediation* telah digunakan. Sementara itu, analisis regresi berganda berhierarki pula digunakan untuk mengkaji kesan penyederhana persekitaran yang tidak menentu ke atas hubungan antara perancangan strategik dan prestasi perusahaan bersaiz sederhana. Keputusan kajian ini menunjukkan bahawa formaliti, alatan perancangan strategik (*tools of strategic planning)*, penglibatan pekerja, tempoh masa dan kawalan mempunyai hubungan yang positif dan signifikan dengan prestasi perusahaan bersaiz sederhana. Di samping itu, dengan menggabungkan semua dimensi perancangan strategik (yang telah disebut), perancangan strategik itu sendiri mempunyai hubungan yang positif dan signifikan dengan prestasi perusahaan bersaiz sederhana. Hasil daripada kajian ini mengesahkan kesan pengantara bagi inovasi dalam melaksanakan strategi ke atas hubungan antara perancangan strategik dan prestasi perusahaan bersaiz sederhana. Tambahan pula, hasil kajian menunjukkan bahawa ketidakpastian alam sekitar tidak berperanan sebagai pemboleh ubah penyederhana ke atas hubungan antara perancangan strategik dan prestasi perusahaan bersaiz sederhana. Akhir sekali, kajian ini turut membincangkan implikasi dapatan kajian, batasan kajian serta cadangan bagi kajian pada masa hadapan.

Kata Kunci: perancangan strategik, inovasi, ketidakpastian alam sekitar, prestasi organisasi, perusahaan bersaiz sederhana

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LIST OF ABBREVIATIONS

EP	Employee Particiption
KMO	Kaiser Meyer Olkin
MEs	Medium Enterprises
SMEs	Small Medium Enterprises
SP	Strategic Planning
SPSS	Statistical Package for Social Science
TH	Time Horizon
VIF	Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Small and medium sized enterprises (SMEs) provide a significant contribution to economic development have well documented in economic development, either in the developed or developing countries. SMEs significantly contribute to the economy, through their products and services (Tambunan, 2008). Furthermore Pandya (2012) added that in developing countries, the role of SMEs become more important as they have the potential for enhancement of income distribution, employment creation, poverty alleviation and growth in exports. It also leads to the development of entrepreneurship, industry and the rural economy. SMEs in Indonesia accounts for 99 percent from the total businesses, which enables them to provide job opportunities for more than 90 percent of the workforce (Iqbal & Rahman, 2015). Most of the SMEs are also considered as significant sector in the rural areas since they can be seen as primary or secondary source of income for many rural poor households (Tambunan, 2008).

The role of SMEs is not deniable. However, SMEs face some difficulties, such as insufficiency of knowledge, inadequate of financial resources and a lack of business expertise (Mbonyane & Ladzani, 2011). In addition, Chaston (1992) noted that the lack of awareness in understanding the importance of business plans among start-up SMEs is believed as one of the problems they face. Further study, which was done by

Tushabomwe-Kazooba (2006) who studied about factors causing failure of SMEs in Uganda, claimed that lack of planning is one of the factors leading failure of SMEs in the country. Moreover, Clayton (1996) showed that the dearth of a strategic planning will lead to obsolete management practices.

Media Indonesia (2012) as cited in SME Indonesia (2012) illustrated that SMEs in Indonesia has a susceptibility to failure, up to 85% in the first year of its setting-up. Furthermore, the Deputy of MSME, Cooperative and Creative Industries Sector of the Chamber of Commerce and Industry (KADIN) Indonesia, Budyarto Linggowiyono, pointed out that the first five years of the establishment of SMEs are the critical period, and just 50% of them can survive. There are many factors causing the failure of SMEs, one of them is poor planning (SME Indonesia, 2012).

Strategic planning is favorable to the SMEs (Brockmann & Lacho, 2010) as it assists the owners or managers of SMEs to control the susceptibility by assisting them to keep away from missteps (Aram & Cowen, 1990). This conclusion is also supported by Perry (2001), who found that firms which perform more planning is more successful than firms that do not. The study by Lussier and Halabi (2010) come up with the similar findings that firms without developing any planning have more chance for failure rather than firms which make specific planning. Their study proves that planning plays an important factor which distinguish between successful and failure business in Chile.

Strategic planning can be viewed as a series of planning processes carried out by firms in order to develop strategies which may contribute to accomplish performance

of firms (Tapinos, Dyson & Meadows, 2005). Subsequently, Wang, Walker and Redmond (2007) noted in their article that in connection with the performance, SMEs which conduct strategic planning, generally have better performance. Some previous research found similar findings in the works on the linkage between strategic planning and organizational performance in the context of SMEs. While, Schwenk and Shrader (1993) for instance, who carried out a meta-analysis, showed that planning significantly contributes to the SMEs performance. In line with them, Yusuf and Saffu (2005) revealed by the result that strategic planning and SMEs performance have a relationship in the transition countries.

Even though the fact that planning contributes to the business positively (Schwenk & Shrader, 1993) and it also leads them to perform with better competitiveness, more profitable, and even more successful (Berman, Gordon, & Sussman, 1997). Even a long time ago, Steiner (1967) argued that there is no reason for firms, whether small or big, to neglect to do so, because the strategic planning allows them to take advantage of the opportunities that lie ahead. Still, the strategic planning process in enterprises and its relationship with the performance is still conflicting in the result (O'Neill, Saunders, & Hoffman, 1987).

Many researches have been conducted in term of linkage between strategic planning and performance of the organization, whether in the small enterprises (Kraus, Harms, & Schwarz, 2006); SMEs (Schwenk & Shrader, 1993 and Yusuf & Saffu, 2005); large firm (Athiyaman & Robertson, 1995; Falshaw, Glaister & Tatoglu, 2006) or incorporate SMEs and large companies (Suklev & Debarlieve, 2012). However, there is a lack of investigation, which focus on the medium sized companies the literature.

Some studies have effort to focus on medium sized companies in their study, such as: Brooksbank, Kirby and Wright (1992); Storey (2002) and Vora, Vora and Polley (2012). However, none of the works above have been done on the relationship between strategic planning and organizational performance.

There are only few studies which focusing on medium sized enterprises as argued by Hooley and Brooksbank (1986) that in the most studies, medium sized companies were ignoring (as cite in Brooksbank et al., 1992). Hence, this study tried to focus only on this scale of companies. This effort is also in regard to the study by Minai, Udin and Ibrahim (2014) which argued that the theory that apply in the big companies might not be relevant in the small company‘s context. However, this current study assumes that the theory that applied in large companies can be employed in the medium sized companies. Therefore, this study was conducted in manufacturing medium sized companies.

The manufacturing sector has an important contribution to the economy which over the worldwide is well documented in the literature. In the research by Szirmai and Verspagen (2015) it is argued that the manufacturing sector become an important sector that contribute to the growth in the developing countries. In Indonesia, Deputy Minister of Finance II, Bambang P.S. Brodjonegoro (Ministry of Finance Republic of Indonesia, 2014) said that the manufacturing sector is considered as the most potential role in order to enhance the economic growth rate. He added that manufacturing sector should be developed and government needs to employ strategic approaches to be able to revitalize this sector. In terms of contribution manufacturing sector to the gross domestic product (GDP), for example, it is hoped to increase up to 40% in the

coming years (Ministry of Industry Republic of Indonesia, 2013). In terms of workforce contribution of manufacturing sector in the 104 countries, big companies which have employees more than 99 workers contributed 54.6% to the total employment and followed by medium companies which contribute 27% (20-99 workers) and 16.5% contributed by small companies which have less than 20 workers (Ayyagari, Kunt, & Maksiomiv, 2011).

Considering the important role of the manufacturing sector to the economy, there is little evidence from the literature review about the relationship between strategic planning and performance, particularly in the medium sized enterprises (MEs) in developing countries context. Thus, this research tries to investigate the linkage between these two variables, strategic planning and MEs performance in manufacturing sector by considering innovativeness in implementing strategies as mediating variable and the environmental uncertainty as a moderating variable in Indonesia, especially in Aceh province.

1.2 Problem Statement

In order to achieve high performance, organizations need to look at the contributing factors that affect performance. There are many factors influencing the performance of the organization and one of them is strategic planning. Planning is very important for every company, whether big companies or small companies (Rue & Ibrahim 1998). Even though studies on the association between strategic planning and organizational performance have been done by some other researchers, more attention is still needed on this association (Elbanna, 2009).

More often than not, a series of the previous studies emphasized on the direct relationship between strategic planning and organizational performance, such as, Suklev and Debarliev (2012); Gica and Negrusa, (2011); Aldehayyat and Twaissi, (2011); O'Regan, Sims and Gallear, (2008). Unfortunately, there is still an inconsistency among the findings. For examples, the researches that were conducted by Suklev and Debarliev (2012); Glaister, Dincer, Tatoglu, Demirbag and Zaim (2008); Aldehayyat and Twaissi (2011); Efendioglu and Karabulut, (2010); Boyd (1991), have shown a positive relationship between strategic planning and performance. On the other hand, other researchers have found negative relationship between strategic planning and performance, such as, Gica and Negrusa (2011); Falshaw, et al., (2006); Ghobadian, O'Regan, Thomas and Liu (2008); Yusuf and Saffu (2005).

To conclude, the result of the previous studies showed the inconsistent findings, and what cause this might be due to the studies that investigate more attention on how formality influence the performance (Kraus et al., 2006 and Lyles, Baird, Orris & Kuratko, 1993). It was in line with the study of Yusuf and Saffu (2005) who believed that the reason why the findings still inconsistent is because of the performance of the firms are more affected by the planning content rather than the formality of the planning itself. While, other researchers (e.g. Simon, 1993; Hahn, 1999, Suklev & Debarliev, 2012) claimed that some studies only emphasized on certain aspects of strategic planning and prior studies overlook on the essential aspects of strategic planning (Hutzschenreuter & Kleindienst, 2006). Even though some prior studies have been exploring the multi-dimensionality of strategic planning (e.g. Kraus, et al., 2006; Kargar & Pranell, 1996; Elbanna, 2010; Phillips & Mountinho; 1999;

Aldehayyat & Khattab, 2013; Koufopoulos et al., 2010; Gica & Balint, 2012; Suclev & Debarliev, 2012), however, there are still ―lack of uniformity among strategic planning variables" (Flores, Catalanello, Rao, Saxena, 2008) and it is becoming an another potential reason why the association between strategic planning and performance is still going debate. For that reason, this study prompts to comprehensively investigate strategic planning and its effect on the performance of the organization. This exertion has been recommended by Aldehayyat and Twaissi (2011) and Suklev and Debarliev (2012) to add others element of strategic planning that might influence the organizational performance for coming research.

The findings of the previous studies presented above have shown inconclusive results, and therefore this study investigates more dimensions of strategic planning which could bridge the gap. This research puts a consideration of research findings of Suclev and Debarliev (2012) in which they examined the relationship between strategic planning and organizational effectiveness. They investigated some elements of strategic planning, the specifically formality of strategic planning, the use of tools or techniques, management participation, employee participation and barriers in strategic planning implementation. According to the findings of their work, although strategic planning can contribute to organizational effectiveness in general, still there are some dimensions that did not have a positive relationship, such as the use of techniques and barriers to strategic planning implementation and the others dimension, such as formality, management participation and employee participation still have a positive relationship. Furthermore Suclev and Debarliev (2012) stated that there might be other dimensions of strategic planning associated with the organizational effectiveness. Thus, this study investigated other dimensions of

strategic planning which consists of formality, the use of tools of planning, employee participation, time horizon and control which have not been investigated in a single study in the previous research.

Firstly, Kraus et al., (2006) suggested that the formality is one of the key dimensions of strategic planning. However, O'Regan and Ghobadian (2002), in their research found that previous research has demonstrated a diversity of result, some of them showed that there was an association between the formality of strategic planning and organizational performance and the others did not have such an association. Similarly, Falshaw et al., (2006) in their study on the UK companies showed that formality of strategic planning and organizational performance have no relationship. While, Kraus et al., (2006) showed that formality of strategic planning and performance of small businesses has a positive relationship. While, other research which was conducted by Suclev and Debarliev (2012) also suggested the positive and significant relationship between between formality and performance (financial and non-financial performance). Thus, this research is reasonable to conduct further study for wider understanding on the formality of strategic planning and MEs performance.

Secondly, according to the previous research, some of the studies on tools of strategic planning did not see the relationship between tools of strategic planning and performance (Elbanna, 2007; Gunn & Williams, 2007; Aldehayyat & Anchor, 2008; Al Ghamdi, 2005). Some scholars have been trying to examine its relationship and most of researches demonstrated that the use of strategic planning tools and organizational performance have a positive and significant association (Rue & Ibrahim, 1998; Ramanujam, Venkatraman, & Camillus, 1986). Though, other

researchers did not find the positive association between strategic planning and organizational performance (e.g. Aldehayyat & Al Khattab, 2013; Kraus et al., 2006). While the research by Suclev and Debarlieve (2012) which conducted a comparative study found that the results are not conclusive which Macedonian context did not prove the relationship, whereas positive relationship have been found in Jordan and Egypt countries. Still, previous research suggested to investigate the use of strategic planning tools (Efendioglu & Karabulut, 2010; Clark, 1997), since there is still lack of studies have been conducted on the usage of strategic planning tools and its relation with the performance, especially in the MEs context.

Thirdly, Collier, Fishwick, and Floyd (2004) stated that involving personnel and understanding strategy and intensifying personnel commitment to strategic planning will heighten the efficiency of the implementation of the strategy. In addition, Phillips and Moutinho (1999) found that staff planning support have contributed to the successfulness of strategic planning in UK hotels. In terms of the influence of participation of employee on the effectiveness of the strategic plan, Suklev and Debarliev (2012) demonstrated a moderate relationship between employee participation and strategic planning effectiveness. Meanwhile, Al-Shammari and Hussen (2008) suggested involvement of employee in the strategic planning activities is important to the organization‘s success. However, in MEs field, the influence of employee participation in the strategic planning activities and its relation with the performance is still lack of study. So, it is relevant to study employee participation in the strategic planning process in order to get the wider understanding.

Fourthly, another aspect of key strategic planning is time horizon (Kraus et al., 2006). According to Judge and Speitzfadem (in Aldehayyat, 2011) even though time horizon is a crucial factor, it is neglected in the area of research in the strategic management literature. In addition, the findings of previous research are still inconclusive. For example, Smith (1998) and Mitchelmore and Rowley (2013) identified a positive relationship between the time horizon of strategic planning and performance. In contrast, Kraus et al., (2006) in their research, found no relationship between time span and performance. Hence, this study attempts to bridge the gap by examining the relationship between the time horizon of strategic planning and MEs performance.

Lastly, even though control is one of the important aspects of strategic planning (Kraus et al., 2006) and already generally known that in order to achieve the maximum result, the effectiveness of control is still needed. But in fact, concern on the relationship between control of strategic planning and organizational performance has not been given much attention by researchers (Wijewardena, Zoysa, Fonseka & Perera, 2004). Some works examined the relationship between control of strategic planning and organizational performance (e.g. Abdalkrim, 2013; Kraus et al., 2006; Wijewardena et al., 2004). However, the results of the studies are still inconclusive. Abdalkrim (2013) and Wijewadena et al,. (2004) showed a positive relationship between control and performance; while, Kraus et al,. (2006) proved no relationship exist between the two. Hence, this study examines the relationship between control and performance of MEs in order to confirm its relationship.

On the other hand, most of the previous studies only give more attention on the direct relationship between strategic planning and organizational performance. Earlier

studies suggested that the possibility of the relationship between strategic planning and performance might be moderated or mediated by other factors (Hutzschenreuter & Kleindienst, 2006 and Schwenk & Shrader, 1993). An effort to identify what variable will be able to moderate the linkage between strategy and organizational performance has been suggested by Shrader, Taylor and Dalton (1984).

Regarding to the issues of inconsistency in the findings of the earlier studies, Rudd, Greenley, Beatson and Lings (2008) argued that it happened due to only few studies have been addressed mediating variable. This issue also have been emphasized by Powell (1992) and Dibrell, Craig and Neubaum (2014) who claimed that the absence of the intervening variable on the association between strategic planning and organizational performance become a possible reason of the conflicting result in the strategic planning literatures.

This study considers innovativeness as mediating variable. The role of innovativeness as mediator between formal strategic planning and performance have been investigated in the prior research by Dibrell et al., (2014) and the result of its study has confirmed that innovation fully mediates the relationship between strategic planning and performance. However, their research only focusing on one dimension of strategic planning namely formality. Other studies which examined the role of innovativeness as mediation, especially in term of relationship between strategy and performance have been conducted by Droge, Calantoe, and Harmancioglu (2008) and Lee, Choi and Kwak (2014). Droge et al., (2008) showed that strategic orientation is mediated by innovativeness in order to achieve performance. Additionally, Lee et al., (2014) found that innovativeness have mediated the relationship between the four

dimensions of strategic orientation and performance. As discussed before, since there is lack of study, which investigate intervening variables in the previous researches on the linkage between the two variables, strategic planning and organizational performance, this study considers the mediating effect of innovativeness, particularly, innovativeness in implementing strategies in particular is yet to be investigated. It is as suggested by Rajasekar (2014) and Markiewiez (2011) which claimed that innovativeness is needed in order to implement strategies successfully.

An effort to identify what variable can moderate the relationship between strategic and performance has been suggested by Shrader, et al., (1984). In this regard, Brew and Purohit (2007) claimed that the environment has long been suggested as a moderator of planning. As there is inconsistency among the findings in past studies examining the linkage between strategic planning and organizational performance, it is appropriate to add a moderating and mediating variable as suggested by Baron and Kenny (1986). In this study, Innovativeness in implementing strategies will be considered as mediating variable with an assumption it can to mediate the relationship between strategic planning and MEs performance and environmental uncertainty will be considered as a moderating variable, which is assumed to be able to moderate the relationship between strategic planning and MEs performance, as suggested by Suklev and Debarliev (2012) who consider environmental uncertainty as a moderator variable for the coming research.

Although each element of strategic planning has been tested in previous research, there has been little discussion about dimensions of strategic planning in one frame. This study attempts to conduct a comprehensive study and fill the gap to which

previous study did not give sufficient attention. Within this research, each dimension of strategic planning (the formality of strategic planning, use of strategic tools, participation of employee, time horizon, and control) was examined individually with the MEs performance and all the dimensions of strategic planning are combined in order to measure the strategic planning. As aforementioned, the previous studies suggested that the results are still inconsistent. Hence, this study investigated the mediating effect of innovativeness in implementing strategies and the moderating effects of environmental uncertainty in the relationship between strategic planning and MEs performance in Aceh province, Indonesia.

1.3 Research Questions

The research questions of this study are:

(i) Is there a relationship between formality of strategic planning and MEs performance?

(ii) Is there a relationship between tools of strategic planning and MEs performance?

(iii) Is there a relationship between employee participation in strategic planning and MEs performance?

(iv) Is there a relationship between time horizon of strategic planning and MEs performance?

(v) Is there a relationship between control of strategic planning and MEs performance?

(vi) Is there an effect of strategic planning dimensions on MEs performance?

(vii) Does innovativeness in implementing strategies mediate the relationship between strategic planning and MEs performance?

(viii) Does environmental uncertainty moderate the relationship between strategic planning and MEs performance?

1.4 Research Objective

In general, the main aim of this research is to examine the relationship between strategic planning and MEs performance, which is mediated by innovativeness in implementing strategies and moderated by environmental uncertainty. Specifically, this research tries to reach the following objectives:

(i) To examine the relationship between formality of strategic planning and MEs performance

(ii) To examine the relationship between tools of strategic planning and MEs performance

(iii) To examine the relationship between employee participation in strategic planning and MEs performance

(iv) To examine the relationship between time horizon of strategic planning and MEs performance

(v) To examine the relationship between control of strategic planning and MEs performance.

(vi) To examine the effect of strategic planning dimensions on MEs performance.

(vii) To determine whether innovativeness in implementing strategies mediate the strategic planning and MEs performance relationship.

(viii) To determine whether environmental uncertainty moderates the strategic planning and MEs performance relationship.

1.5 Significance of the Study

The result of the current study contributes both to theoretical and practical aspects. Theoretically, this research is expected to contribute from the following aspects:

(i) Even though in the past studies, there are many studies of the strategic planning field and its relationship with performance, only few tried to investigate multi dimensions of strategic planning, especially in MEs context. This study intends to examine multi-dimensions of strategic planning, consisting formality of strategic planning, tools of strategic planning, employee participation, time horizon and control, which some of them did not much examined in the previous studies. It is hoped that it would be able to contribute to the body of knowledge by strengthening the existing theory.

(ii) In addition, among a number of previous studies which examined the direct linkage between strategic planning and organizational performance, only a few of them investigated the effect of moderating or mediating variable on the relationship between strategic planning and performance. Thus, the result of this study is significant, because it does not only examine wider dimensions of strategic planning, but also study indirect relationship between strategic planning and performance which is mediated by innovativeness in implementing strategies and moderated by environment uncertainty. Since this effort is found to be very limited in the prior study. Subsequently, this research is able to bridge the gaps in the literature.

Practically, this research is hoped to be able to contribute to the following aspects:

(i) Research on strategic planning and its relationship with performance is deemed important, especially in MEs context. Though the importance of strategic planning is not deniable, there is still opportunity to study deeper in this field in the Indonesian context. Hence this study is hoped to be able to give knowledge for owners or managers of MEs regarding strategic planning. The results of this study might be able to assist the owners or managers for having an insight how to develop their strategic planning and how strategic planning helps them to make better decisions for the future.

(ii) By considering the importance of strategic planning, the findings of this study would be able to encourage the government to use the findings of this research as materials to develop strategic planning of MEs development, especially in Aceh. In addition, the finding of this study is hoped to encourage related agencies to provide training for MEs owner/managers in order to give them knowledge on how to develop good planning for their businesses, or else the government could be able to provide business consultation regarding strategic planning in MEs.

1.6 Scope and Limitations of the Study

This study will be focusing only on strategic planning dimensions as an independent variable. Formality, tools of strategic planning, employee participation, time horizon and control are the dimensions of strategic planning which consider as independent variables of this study. Hence, the focus of this study is deemed limited on these aspects of strategic planning and will not investigate other dimensions of strategic

planning. Furthermore, the performance of MEs is considered as a dependent variable which refer to sales growth rate, return on investment (ROI), return on assets (ROA), market share, employee satisfaction, customer satisfaction, improvement image. This study only uses subjective measures rather than objective measures. It also includes innovativeness in implementing strategies as a mediating variable and environmental uncertainty as a moderating variable.

The focus of this study is on the MEs in Indonesia and the fieldwork was conducted only in Aceh province. The main reason for this limitation of study is due to the fact that Indonesia is a large country with 33 provinces making it difficult to cover all of the provinces with huge numbers of MEs. The other reason of choosing Aceh province was related to the fact that Aceh was under a conflict period for almost 3 (three) decades. The conflict between the government and the Free Aceh Movement (GAM) have strongly influenced the economic growth and business opportunities of Aceh (World Bank, 2012). Furthermore, after the huge tsunami disaster in 2004, the economic growth of Aceh has recovered significantly (National Development Planning Agency (BAPPENAS), 2012).

Even though there are many sectors of MEs such as trading and services, agriculture, retailing, hospitality and food and beverage, this study was conducted in manufacturing alone. They are selected with consideration that recently manufacturing sector have been concentrated in Java island which approximately make up 75%, while there is only 25% out of Java (Asmara & Rahayu, 2013). In addition, the contribution of this sector is 10% of GDP and it is hoped that it will increase to 50% by 2025 which provide employment opportunities for as many as 9.4

million people when number of business unit reached 4 million units (Hidayat, 2013). Therefore, more studies are needed outside of Java island in order to drive growth of manufacturing sectors. Since this study only focuses on manufacturing sector in Aceh, the findings of this study probably only reflect the strategic planning on the manufacturing sectors alone. In addition, the listing number of MEs, manufacturing sector, was obtained from the Department of Industry, Trade, and Cooperative, Aceh province. The list of MEs from this agency was used as sampling a frame of this study.

1.7 Definitions of Terms

MEs: MEs in this study refers to manufacturing enterprises whose a total of net assets is more than Rp500 million and up to Rp10 billion and/or have employees more than 20 workers.

Performance: performance refers to financial and non-financial performance which are measured subjectively by owners/manager via questionnaire.

Strategic planning: strategic planning is the process of determining the mission, major objectives, implement and control in order to achieve aims of MEs.

Formality: formality refers to the definition by Armstrong (1982) which is defined as an intentional process in deciding the firm‘s long-range goals, procedures for gaining and evaluating alternative strategies, and a system for monitoring the results of the plan when implemented.

Tools of strategic planning: tools of strategic planning in this study refers to what kinds of tools that are used by MEs in order to assist owners/managers in making decisions.

Employee participation: employee participation in this study refers to the involvement of the employees within the process of strategic planning in order to create a feeling of belonging, understanding and ability to work for MEs objectives.

Time horizon: time horizon in this study refers to a temporary boundary to which direction the organization is moving with the period of time and by taking into account what type of business and what kind of decision involved (Harrison, 1995; Das, 1987).

Control: control in this study refers to the definition of Schreyogg and Steinmann (1987) which is declared as the critical evaluation of plans, activities, and result, with the purpose of providing information for future action.

Innovativeness refers to Ruvio, Shoham, Vigoda-Gadot and Schwabsky (2014) who define it as the ability of organization to continually generate ideas and innovative continually over the time.

Innovativeness in implementing strategies: this variable refers to the definition by Ruvio et al., (2014), who define innovativeness in implementing strategies as the ability of organization to generate ideas and innovative continually over the time in order to be able to implement strategies.

Environment: environment within this study refers to the definition by (Daft, 2010) who states that the environment as all factors that prevail within outside the boundary of the organization and possess the potential to affect all or part of the organization.

Environmental uncertainty: environment uncertainty refers to definition by Duncan (1972) which defined as –(1) The lack of information regarding the environmental factors associated with given decision-making situation, (2) not knowing the outcome of a specific decision in terms of how much the organization would lose if the decision were incorrect, and (3) inability to assign probability with any degree of confidence with regard to how environmental factors are going to affect the success or failure of the decision unit in performing its function."

1.8 Organization of Thesis

This thesis is organized into six chapters.

Chapter one: This chapter covers the background of the study, problem statement, research question, research objective, scope and limitation, significance of study, definition of term and the last section is an organization of the thesis.

Chapter two: in the literature review discusses about each variable within this study. It covers some topics, such as the definition of MEs, previous studies on strategic planning based on size of firms, organizational performance, strategic planning and its dimensions, innovativeness, environmental uncertainty.

Chapter three: Theoretical framework, underpinning theory and hypothesis are covered in this chapter.

Chapter four: this chapter discussed on research design, population and sample, data collection, questionnaire design and method of data analysis.

Chapter Five: in this chapter is presented and discussed about the results from analysis of data.

Chapter Six: this chapter in the final part of this study, which covers discussion, conclusion, recommendation, significant and contribution of the study, limitation and direction for future study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the study-related literature which is segregated within eleven sections. Following the introduction, section 2.2 discusses the definition of MEs, Section 2.3 elaborates on organizational performance. Section 2.4 covers factors influencing the organizational performance, while section 2.5 is devoted to the previous research on strategic planning. Section 2.6 presents the previous studies on strategic planning based on the size of the companies. What will be in section 2.7 is an explanation of dimensions of strategic planning. Then in the section 2.8 discusses on the innovativeness. In the section 2.9 presented the logical expected mediating role of innovativeness in implementing strategies in the relationship between strategic planning and performance is presented. The next section 2.10 is a discussion on the environmental uncertainty. The section 2.11 discusses on the relationship between strategic planning, environmental uncertainty and performance. And the last section is 2.12 which discusses the summary of the chapter.

2.2 Definitions of MEs

The definition of enterprise varies greatly. Traditionally, the number of employees, total assets, sales volume, capital investment and production capacity are applied as a common index of enterprises definitions (Harvie, 2004; Shi, Takala, Muhos,

Poikkimaki and Chen, 2013). Different countries, such as developed countries and developing countries use different ways to define the enterprises. Even, it has varied definitions, even in one single country, according to the certain agency. For example, in Indonesia the term is defined by the National Agency for Statistics (BPS) and the Ministry of Cooperatives and SMEs.

In Australia, the Australian Bureau of Statistics defines the MEs as firms that employ 20 workers and more but less than 200 workers (ABS, 2002). In addition, based on the Department of Trade and Industry (DTI, 2003) definition of MEs in the United Kingdom (UK) can be viewed from either number of employees or size of assets. Enterprises which have asset £15,000,001 (USD 19,225,501.28)-£100,000,000 (USD 128,170,000) or employ 100-199 workers are defined as medium enterprises. The classification medium companies in Turkey based on KOSGEB (Small and Medium Enterprises Development Organization) with regard to the employees and annual turnover or annual balance can be classified as follows. Firms which have less 250 workers fall into medium firms or firms which having annual balance sheet or annual turnover not more than 40 million Turkish liras (USD 10,989,313.6) (Sener, Savrul & Aydin, 2014; and Uyar & Guzelyurt, 2015).

Moreover, in the context of Indonesia, the National Agency for Statistics (BPS) defines MEs by considering the number of employees. The enterprises having employee between 5 to 19 employees are categorized as small enterprises, while those having employee from 20 to 99 are classified as medium enterprises. Still, the Ministry of Cooperatives and SMEs which promulgated the Law on Small Enterprises Number 20 of 2008 states that small enterprises are defined enterprises with total

assets from Rp50 million (USD 3762.51) up to Rp500 million (USD 37,625.15), excluding land and buildings, or with total annual sales from Rp300 million (USD 22,575.09) and up to Rp2.5 billion (USD 188,25.75). The enterprises which possess a total of net assets of more than Rp500 million (USD 37,625.15) and up to Rp10 billion (USD 752,503) or having total annual sales more than Rp2.5 billion (USD 188,25.75) and up to Rp50 billion (USD 3,762,515) are considered as medium enterprises. The table 2.1 shows the definition of MEs as summarized from the definitions given above based on developed and developing countries.

Table 2.1
MEs Definitions in Various Countries

Countries	**Definition of Medium Sized Enterprises**	
	Number of Employees	**Annual Sales/Total Assets**
United Kingdom	100-199 workers	Have assets £15,000,001 (USD 19,225,501.28) – £100,000,000 USD 128,170,000)
Australia	20-199 employees	
Turkey	<250	Have an annual turnover not more than 40 million Turkish liras (USD 10,989,313.6)
Malaysia	**Manufacturing**: Full-time employees from 75 to not exceeding 200 **Services & other sectors**: Full-time employees from to not exceeding 75	**Manufacturing**: Sales turnover from RM15 million (USD 3,408,316.8) to not exceeding RM50 million (USD 11,361,056) **Services & other sectors:** Sales turnover from RM3 million (USD 681,663,36) to not exceeding RM20 million (USD 4,544,422,4)
Indonesia	20-99 employees	Total net assets more than Rp 500 million (USD 37,625.15) and up to Rp10 billion (USD 752,503) Annual value of sales more than Rp 2.5 billion (USD 188,25.75) and up to Rp 50 billion (USD 3,762,515)

This study employs the definition of the definition of MEs within this study is whose having a total of net assets more than Rp500 million (USD 37,625.15) and up to Rp10 billion (USD 752,503) and/or employ more than 20 - 99 workers.

2.3 Organizational Performance

In a strategic management study, organizational performance is becoming an important construct (Dess & Robinson, 1984; Hamann, Schiemann, Bellora & Guenther, 2013). Organizational performance is also an applicable concept and repeatedly used as a dependent variable (Santos & Brito, 2012; March & Sutton, 1997). It might be because that the strategic management is supposed to enhance the performance of the organization.

The definition of organizational performance has varied and is not commonly shared among the researchers (Jarad, Yusof & Shafie, 2010; Andersén, 2010). Daft (2010) explained that the performance of organizations is the capacity of the organization to utilize the resources, such as people, knowledge, raw materials, and to fulfil the objectives of the organization efficiently and effectively. Furthermore, Flapper, Fortuin and Stoop (1996, p. 27) stated that the definition of performance as ~~"t~~he way the organization carries its objectives into effect". However, organizational performance had been conceptualized as part of broader construct of organizational effectiveness (Hamann, et al., 2013; Venkatraman & Ramanujam, 1986).

The problem of organizational performance lies in not only in the definition issue, but also in term of measurement problem (Heffernan & Flood, 2000). This is as supported

by Venkatraman and Ramanujam (1986) and Franco (2011), saying that the measurement of organizational performance is still becoming an arguable topic. According to Venkatraman and Ramanujam (1986), organizational performance can be measured from two points of view, both financial and non-financial performance. In addition, a summary by Murphy, Trailer and Hill (1996) in their research found that the huge number of the studies discussed financial measures alone. Subsequently, although financial measures have been acknowledged to measure performance, financial measures are inadequate to totally assess the organizational performance. Hence, more attention on non-financial measures are worth paying as well.

Financial performance can be measured in term of profitability, market value and growth. On the other hand, non financial performance (strategic performance) is normally measured from customer satisfaction, employee satisfaction, innovation, quality and reputation (Santos & Brito, 2012). Richard, Devinney, Yip, and Johnson (2009) claim that organizational performance has covered three particular domains outcomes of firm: Firstly, financial performance, specifically: profits, return on assets (ROA), return on investment (ROI), etc. Secondly, market performance, namely: sales, market share, etc. The last, shareholder return, such as: total shareholder return, economic value added, etc. Meanwhile, White (1996, p. 49) classifies a taxonomy of performance become "five classifications, namely competitive capability, data source, data type, reference, and process orientation". Table2.2 shows the detail of its taxonomy.

Table 2.2
Taxonomy of Performance Measures

Classification	Measure's focus
Competitive capability	
Cost	Some aspect of cost
Quality	Some aspect of quality
Flexibility	Some aspect of flexibility
Delivery reliability	Delivery reliability
Speed	Speed
Data Source	
Internal	Data from sources within organization
External	Data from sources outside organization
Data Type	
Subjective	Based on perception or opinion
Objective	Based on observable facts excluding opinion
Reference	
Benchmark	Compare an organization with the others
Self-referenced	Does not involve any comparison with another
Orientation	
Process input	Input to some process
Process outcome	Outcome to some process

Source: White, 1996, p. 49

Furthermore Geringer and Hebert (1991) noted that there was no consensus for an appropriate measurement of organizational performance. Some of the researchers such as Haber and Reichel (2005); Dess and Robinson (1984) have argued that organizational performance can be examined from two aspects, either an objective measurement which is based on hard financial measures or a subjective measurement that can be related to self-reported measures. Walker and Brown (2004); Jarad, et al., (2010) pointed out that the majority of studies has frequently utilized the financial indicators when examining the performance. Most of them have measured profit, cash

flow, return on equity and growth (Haber & Reichel, 2005; Wall, Michie, Patterson, Wood, Sheehan, Clegg, & West, 2004) and the subjective measures involving perceived growth in market share, perceived in cash flow, and sales growth (Haber & Reichel, 2005).

As discussed previously, organizational performance can be assessed from both objective and subjective perspective. In order to measure organizational performance, Wall et al., (2004) claimed that organizational performance can be measured subjectively and objectively and were treated equivalently. Some previous research that employed objective measures of organizational performance, such as profit, return on investment, return on assets and earnings per share (Sapienza, Smith & Gannon, 1988), is usually taken from the audited external records and accounts, which heavily depend on subjective measures reported by respondents (Wall, et al, 2004). So far, as argued by Inmyxai and Takahashi (2009, p. 37) "financial data is preferable, but firms are not often willing to disclose the confidential data unless the laws require them to disclose it to public". Sapienza et al., (1988) also indicated that commonly SMEs owners or managers do not publish their actual financial data, and when it is published, it is not their real performance report.

According to Jarad, et al., (2010) in case of a big firm, the financial data can be easily accessed from secondary data, yet in the cases of small firms, the financial data are very difficult to access. Subsequently, objective financial data cannot be accessed in the public domain, and it is impossible to check the accuracy of figures reporting financial performance (Covin & Slevin, 1989). This fact is also supported by Wall et al., (2004) who found many SMEs, do not have appropriate financial records. In

addition, in case of small businesses, it is claimed that non-financial indicators, such as job satisfaction and customer satisfaction, are believed to be the motivation and aims of the owners and in turn will influence the financial performance (Reinjonen & Kompulla, 2007)

As mention above, financial data are difficult to find in the public domain, especially in the SMEs context, in this regards, Dess and Robinson (1984) pointed out that when the objective measurements can not be accessed, subjective measurements will be useful. As a summary of a past study on organizational performance conducted by Chearskul (2010), it is shown that the prevalent recommendations to measure organizational performance by using subjective perspective is: "To develop a priori theory and empirically test relationships between operational performance, collecting measures from multiple dimensions using multiple items, to employ multiple informants, to consider using quasi-objective measures or providing cues for respondents to the performance dimension of interest to reduce measurement error, to avoid measures that are composites of operational and organizational performance, and to evaluated validity of selected measures by testing convergent and discriminate validity".

A few researchers are noted to have given suggestion to measure organization from subjective perspective. Furthermore, Love, Priem and Lumpkin (2002) indicated that subjective measures have highly correlated with objective measures in the previous research. This is also supported by Dess and Robinson (1984, P.271). They believe that subjective measures can be successfully applied if: "(1) accurate objective

measures are unavailable, and (2) the alternative is the remove the consideration of performance from the research design".

In terms of a big company, Hamann et al., (2013) conducted exploration research on the dimensions of organizational performance by performing construct validity (reliability, convergent validity and discrimant validity) on three sectors of industry: consumer services, industrial and technology in the US from 1990 until 2010 in which they are listed on capital market. In their study, they tested three dimensions of organization performance (stock market performance, growth and accounting returns). However, their research suggests that there are four dimensions into which accounting returns can be divided into two: profitability and liquidity. Growth and stock market performance are also confirmed.

Santos and Brito (2012) who employed subjective measurement in terms of measurement of performance concluded that organizational performance could be measured multidimensionally, both financial and non financial. They came up with a final model which involved six dimensions of performance; profitability, employee satisfaction, customer satisfaction, growth, social performance, and environmental performance.

Mitchelmore and Rowley (2013) who studied on the strategic planning of women entrepreneurs on the 210 numbers of respondents in England and Wales. It studies employed two measurements, annual sales and number of employee in order to measure the performance.

In their study on competitive strategies and firm performance, Rosli, Kuswantoro, and Omar (2012) used multidimensional and subjective measure of performance. They conducted a comparative study between SMEs in Malaysia and Indonesia, especially in three industries, food and beverage, textile and clothing, and wood-based products. The dimensions of performance were divided into two dimensions; organizational performance (return on asset, return on sale, employment growth, and labor productivity), and market performance (sales revenue growth, profitability, market share, customer satisfaction, and customer loyalty).

Wolff and Pett (2006) in their study on SMEs manufacturing in the U.S. measured the performance by using multiple assessments, namely return (return on total assets and return on total sales), and growth (total sales growth and creation of new product), which each dimension had cronbach alpha 0.860 and 0.70. These measurements inspired Kohtamäki, Kraus, Mäkelä, & Rönkkö (2012) to measure the performance of 160 SMEs Finnish IT companies by using items similar to those previously used by Wolff and Pett in 2006. Growth of employee is one dimension to measure firm performance. Kraus et al., (2006) in their study in smaller enterprises, measured the performance by using growth of employee in small Austrian enterprises. However, they suggested to measure other dimensions of performance for the future research, including sales growth, profitability, and subjective evaluation of the entrepreneur. The detail measurements of the performance is presented in the table 2.3 which were gathered from some previous research.

Table 2.3
Measurement of Performance

Autors/Years	Measurement of Performance
Mitchelmore and Rowley (2013)	Annual sales and number of employees.
Kohtamäki et al., (2012)	Growth rate, profitability, owner satisfaction and overall performance
Fening (2012)	Profitability, customer satisfaction, sales growth, employee morale and market share.
Rosli, et al., (2012)	Organizational Performance (Return on asset, return on sale, employment growth, labour productivity) and market performance (sales revenue growth, profitability, market share, customer satisfaction, and customer loyalty).
Suklev and Debarliev (2012)	Overall profit achieved, sales volume achieved, market share achieved, return on investment, levels of customer satisfaction achieved, levels of employee satisfaction with their jobs, levels of employee retention, shareholder satisfaction with the achieved organizational performance.
Gica and Negrusa (2011)	Objectives achievement level, level of perceived performance, number of employee dynamics, turnover dynamics, overall performance.
Wolff and Pett (2006)	Return on sales (ROS), sales growth, creation of new product, return on assets (ROA)
Kraus et al. (2006)	Employee growth.
Yusuf and Saffu (2005)	Growth in sales, market share and overall profitability.
Sarason and Tegarden (2003)	Financial performance and sales growth performance.
Yusuf and Nyomori (2002)	Objective performance (growth rate, market share, and profitability) and perceived organization (ability to adapt to unanticipated changes, identify problems and generate new ideas).

Table 2.3 (Continued)

Greenley and Foxall (1997)	Return on investment, sales growth, market share and new product success rate compared to the compotetitors.
Avci, Madanoglu and Okumus (2011)	Financial performance (sales, market share, cost, profitability) and non-financial performance (customer satisfaction, customer loyalty, employee satisfaction, employee turnover, company image)
Köseoglu, Topaloglu, Parnell, Lester (2013)	Financial performance (sales growth, growth in profit after tax, ROA, ROE, ROS, overall firm performance and success) and non financial performance (customer satisfaction, customer loyalty, employee satisfaction, and company image).

The table measurement of performance in the table 2.3 shows the measurement of organizational performance in the previous studies. This study, therefore examines the aspects of performance in accordance with the previous research on organizational performance. Venkatraman and Ramanujam (1986) mentioned that the performance measure has to be in accordance to the research problems. By considering measurement that has been tested in the prior research, this study employed multidimensional measurement which covers both financial and non-financial measurements. Financial performance of MEs in this study involves return on assets, return on investment, sales growth rate, market share. In contrast, non-financial performance includes customer satisfaction and employee satisfaction, and improvement of image. Furthermore, this study employs self-reported (subjective measures) on performance by the owners or managers in purpose of measuring both financial and non-financial aspects.

2.4 Factors Influencing the Organizational Performance

According to the literature review, there are many factors that influencing the performance of the organizations, such as strategic planning (Suklev & Debarliev, 2012; Dibrel et al., 2014; Aldehayyat & Al Khattab, 2013; Miller & Cardinal, 1994; Kraus et al., 2006; Rudd et al., 2008; Ghobadian, O'Regan, Thomas, & Liu, 2008), market orientation (Deshpandé & Farley, 2004; Long, 2013; Boso, Story & Cadogan, 2013; Li, Zhao, Tan & Liu, 2008), learning orientation (Calantone, Cavusgil, & Zhao, 2002; Real, Roldán & Leal, 2014; Wang, 2008; Long, 2013), entrepreneurial orientation (Wang, 2008; Long, 2013; Real, Roldán & Leal, 2014); total quality management (Kaynak, 2003; Benavides-Velasco, Quintana-García, & Marchante-Lara, 2014; Samson & Terziovski, 1999).

Even though there are some factors influencing performance of the organization, this study concentrates on strategic planning alone. As discussed by some previous researchers, that strategic planning as one of factors would be able to help organizations to enhance organizational performance. Strategic planning might be able to guide the organizations from the missteps. In additions, lack of strategic planning is believed as one of the factors causing the failure of the organization.

2.5 Strategic Planning

The effective way of strategic planning to improve the organizational performance is documented in the strategic management literature (McIlquham-Schmidt, 2010). The empirical research on strategic planning has kept attention on both the influence of

strategic planning on organizational performance and the role of strategic planning in strategic decision-making (Grant, 2003). Strategic planning has been more important for an organization to deal with the construct change of many aspects of life, making strategic planning more crucial for organization competitiveness and sustainability (Al-Shaikh, 2001).

The definition of strategic planning varies in the literature, thus there is no universal definition among the researchers. According to Bryson (1995) strategic planning can be defined as ~~–a~~ disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what is does, and why it does it" (p. 4-5). Strategic planning also can be defined as a process to define the vision, mission and long-term goals of an organization, as described by Gunn (2001) in his article. He points out that strategic planning is the process that is used to determine the long-term goals and the objectives that further the vision and mission of the organization.

Strategic planning is considered as an important tool of management (Aldehayyat, 2011). Stonehouse and Pemberton (2002, p. 854), state that strategic planning is ~~–e~~enters on the setting of long-term organizational objectives and the development and implementation of plans designed to achieve them". Daft (2012, p. 180) describes that planning is ~~–t~~he act of determining goals and defining the means for achieving them and planning helps managers think toward the future rather than thinking merely in terms of day-to day activities".

Bryson (1995, p. 4-5) emphasized that strategic planning ~~–e~~an help facilitate communication and participation, accommodate divergent interests and values, foster

wise and reasonably analytic decision making, and promote successful implementation". Similarly, Rezvani, Gilaninia and Mousavian (2011) mentioned that "strategic planning was sequence of ideas, procedures and techniques that were arranged to assist the leaders, managers, and planners to strategically think and act". Thus, it can be concluded that strategic planning is the process to determine the long-term goals and the objectives of the organization and determine the guidelines and procedures to attain them. Crittenden and Crittenden (2000) urged strategic planning process have 5 (five) interrelated steps, namely, "(1) goal/objective setting, (2) situation analysis, (3) alternative consideration and selection, (4) implementation and (5) evaluation".

In the literature, the benefits of the strategic planning for the organization have been recognized. For instance, the advantages of strategic planning have been summarized by Aldehayyat, Al Khattab and Anchor (2011) from work of Greenley, 1986 and Koufopoulos and Moorgan (1994) which include: "enhancing co-ordination; controlling by reviewing performance and progress toward objectives; identifying and exploiting future marketing opportunities; enhancing internal communication between personnel; encouraging personnel in a favourable attitude to change; and improving the corporate performance of companies (e.g. bringing together all business unit strategies within an overall corporate strategy)". Beside the benefits of strategic planning according to Aldehayyat et al., (2011), the advantages of strategic planning for the organization are to prioritize what will be accomplished by the organization, to be proactive in solving problems, to build commitment to achieve a common goal, to determine the direction of the organization, to determine the stage for effective

decision making, and to keep management relatively faster in response to changes and unplanned events (Gunn, 2001).

Al-Shaikh (2001) argued that the benefits of strategic planning are: generating information, ensuring thorough consideration of all feasible options, forcing the company to evaluate its environment, stimulating new ideas, increasing motivation and enhancing internal communication and interaction.

Long-term planning is important not only for large businesses, but also for small and medium sized businesses. No reason for them to ignore doing it, because the strategic planning enables them to capitalize on the opportunities that lie in the future and be able to prevent the threats it contains (Steiner, 1967, p. 4). Drucker (1985) also points out that every business needs a strategy to be developed, even smaller business as well.

Previous research has noted that strategic planning in small businesses is illustrated as informal, unstructured, and not comprehensive (Sexton & Van Auken, 1985). In the fact, compared with large companies, SMEs are believed to focus more on a short-term orientation rather than long term planning. Still, in terms of decision-making it is more flexible and influenced by the circumstance (Jones, 1982; Stonehouse & Pemberton, 2002). In addition, in order to do planning, SMEs face some problems, such as lack of staff, expertise and time (Gibson & Cassar, 2002). In addition, Wheelen and Hunger (2008) suggested that lack of time, unfamiliar with the strategic planning, lack of skills and lack of trust and openness are some reasons that cause lack of strategic planning practices in the SMEs.

Regarding of preparation the strategic planning, big companies prepare it frequently, while small firms mostly prepare planning in order to face big events where strategic planning is needed, such as acquisition of business and financial banking (Singhvi, 2000). While, Schwenk and Shrader (1993) in their meta-analysis found that strategic planning fosters the long-term thinking and minimizes the focuses on operational details, yields structured ways for recognizing and evaluating alternatives of strategy, which in turn can enhance the small business performance.

In SMEs context, processes of strategy-making and the strategic planning effectiveness are mostly neglected (O'Regan & Ghobadian, 2002). Moreover, Mazzarol, Reboud, and Soutar (2009) identified some determining factors in the capacity of small businesses to grow, which include the competency of owners/managers, entrepreneurial orientation skills, strategic planning skills, and the ways they manage the resources which are available in their firms. Subsequently, O'Regan and Ghobadian (2002) criticize that the failure of strategic planning in the SMEs is mostly related to the implementation matter.

Strategic planning is favorable to the companies (Brockmann & Lacho, 2010). Furthermore, Clayton (1996) mentioned that the organization, including SMEs, which do not perform strategic planning cannot survive for a long period. He added that the absence of strategic planning leads to old-fashioned management practices.

Kraus, Reiche and Reshke (2007, p. 3), illustrated that "strategic planning is the attempt to prepare for future contingencies and thus to account for environmental dynamics and complexity". In this regard, Miller and Cardinal (1994) claimed that

strategic planning is equally beneficial in the SMEs and large companies in terms of encouraging for a better performance. Previous studies also have shown that strategic planning has strongly related to the firms financial success (Katz & Green, 2007; Wheelen & Hunger, 2008). This is also supported by Sexton and Van Auken (1985) who believe that firms with lower levels of strategic planning have a higher percentage of failure compared with those with higher levels of strategic planning. This implies that strategic planning assists firm to survive. Furthermore, the importance of strategic planning for the business is also shown by Singhvi (2000) who says that the key success of firms is by having proper strategic planning.

Hence, from the literature on strategic planning, it‘s known that strategic planning has a such great role in the organization in order to assist the leaders, owners or managers to achieve organizations goals.

2.6 Previous Studies on Strategic Planning Based on Size of Companies

The importance of the strategic planning for the companies had been discussed in the prior literature, however, a shortage of studies which focusing on the medium sized enterprises. Given that the characteristics of each firm, whether small, medium or large are differentiated with one another, as suggested by Storey (2002); Preuss and Perschke (2010). They believe that medium sized is not a bigger form of small firms (Preuss & Perschke, 2010) or down-sizing of big companies (Storey, 2002). In Indonesia, Bank Indonesia (2016) has suggested that medium sized enterprises have their own characteristics, such as: (1) have a better management and organization, with a clear division of tasks among other divisions, the financial department,

marketing department and production department, (2) have conducted the financial management by regular implementing an accounting system which making easier in order to do auditing or examination, including by banks. (3) Have conducted the rules of labor organization. (4) Already have legal requirements. (5) Already have access to the funds of the bank, (6) Generally already have the trained and educated human resources. These characteristics are differences between small and big companies.

When describing the relationship between the two variables of strategic planning and performance, previous literatures are mostly concentrated from the perspective of big companies (Osiyevskyy, Hayes, Krueger & Madill, 2013; Schwenk & Shrader, 1993; Rue & Ibrahim, 1988), several scholars have investigated these relationships from small firms point of view (e.g. Yusuf & Saffu, 2005; Aldehayyat & Twaissi, 2011), this as claimed by Kraus, et al., (2006) that there is still little attention on the relationship between strategic planning and performance in the small companies in the existing research. An attempt to incorporate small and medium enterprises (SMEs) in order to study their relationship have been conducted by some researchers (e.g. Gica & Negrusa, 2011; Ibrahim, Angelidis, & Parsa, 2004). Given that characteristics of small, medium and large firms are different and there seems very limited investigations in the previous studies on strategic planning and performance relationship that concentrate on medium sized enterprises alone. Hence, this study makes an effort to only focus on medium sized enterprises.

A study on the medium sized firms has been conducted by Zahra, Neubaum, and Huse (2000) on effect of ownership and governance systems. They recommended that more studies on medium-sized companies is required, by taking into account the role

of innovations this size of companies. In the Table 2.4 presenting numbers of previous studies in the small, SMEs, medium and large or only large companies.

Table 2.4
Previous Studies Based on Sized of Organization

Autors	Years	Firm Size	Countries	Tittles
Falshaw, Glaister and Tatoglu	2006	Large firms	UK	Evidence on formal strategic planning and company performance
Yusuf and Saffu	2005	Small Firms	Ghana	Planning and Performance of Small and Medium Enterprise Operators in a Country in Transition
Gica and Negrusa	2011	SMEs	Romania	The Impact of Strategic Planning Activities on Transylvanian SMEs - An Empirical Research
Risseeuw and Masurel	1994	Small firms	Netherlands	The Role of Planning in Small Firms: Empirical Evidence from a Service Industry
Schwenk and Shrader	1993	Small firm		Effects of Formal Strategic Planning on Financial Performance in Small Firms: A Meta-Analysis.
Suklev and Debarliev	2012	Small, Medium and Large	Macedonia	Strategic planning Effectiveness Comparative analysis of the Macedonian context
Aldehayyat and Twaissi	2011	Small firm	Middle East, Jordania	Strategic Planning and Corporate Performance Relationship in Small Business Firms: Evidence from a Middle East Country Context

Table 2.4 (Continued)

Kargar and Parnell	1996	Small banks	North Carolina	Strategic Planning Emphasis And Planning Satisfaction In Small Firms: An Empirical Investigation
Dibrell, et al.,	2014	Small, Medium and Large	US	Linking the formal strategic planning process, planning flexibility, and innovativeness to firm performance
Ghobadian, et al.,	2008	SMEs	UK	Formal strategic planning, operating environment, size, sector and performance Evidence from the UK's manufacturing SMEs
Al-Shaikh	2001	Large Firm	Jordan	Strategic Planning Process in Developing Countries: The Case of United Arab Emirates Business Firms
Flores, Catalanello, Rau, Saxena	2008	Large	US	Organizational Learning as a Moderator of the Effect of Strategic Planning on Company Performance
Hoffman	2007	Large	Anglo, Nordic, & German	The Strategic planning process and performance relationship: Does Culture Matter?
Stonehouse and Pemberton	2002	SMEs	UK	Strategic planning in SMEs - some empirical findings
Ibrahim, Angelidis, and Parsa	2004	Small Business	Carolina	The status of planning in small businesses

Table 2.4 (Continued)

Wijewardena, Hema; De Zoysa, Anura, Fonseka, Tilak, Perera, Basil	2004	SMEs	Srilanka	The Impact of Planning and Control Sophistication on Performance of small and medium-sized enterprises: Evidence from Srilanka
Rudd, et al.,	2008	Medium/large manufacturing	UK	Strategic planning and performance: Extending the debate
Brew and Purohit	2007	All firms	US	Strategic Planning in Unstable Environments
Efendioglu and Karabulut	2010	Large	Turkey	Impact of Strategic Planning on Financial Performance of Companies in Turkey
Idar, Yosuff, & Mahmood	2012	SMEs	Malaysia	The Effect of Market Orientation as Mediator to Strategic Planning Practices and Performance relationship: Evidence from Malaysian SMEs
Aram and Cowen	1990	Small business		Strategic planning for increased profit in the small business
Al-Shammari and Hussein	2008	Large	Jordan	Strategic planning on emergent organizations: empirical investigation

As founded from the review of literature on strategic planning, most of the work concentrates on small, SMEs or large companies. Yet, the relationship between strategic planning and performance in MEs context have not been investigated. Hence, through a systematic study on the effect of strategic planning and performance in MEs context, there is a need for more attention to be given to MEs as MEs have their own characteristics.

2.7 Dimension of Strategic Planning

As described in the literature, strategic planning has some dimensions and different studies have come up with different aspects of strategic planning which are conducted in the firms. Different studies carried out in different sectors and countries have also highlighted on the most universal and crucial dimensions of strategic planning accordingly (Aldehayyat & Khattab, 2013). In addition, in the previous studies, there was a tendency to examine the strategic planning with unidimensional approach (Philips & Moutinho, 2000; Aldehayyat & Khattab, 2013), such as Formality (e.g. Robinson & Pearce II, 1984; McKiernan & Morris, 1994; O'Regan & Ghobadian, 2007; Veskaisri; 2007), and time horizon (e.g. Rhyne, 1986). Phillips and Moutinho (2000) put forward that strategic planning is a multidimensional contract, covering all functional areas of a firm. The others were trying to examine strategic planning with multidimensional approach, namely Kraus et al., (2006) who studied the key dimensions of strategic planning, including a long time horizon, the formality, the use of planning instruments, and frequency control of plans. This study was conducted in small enterprises in Austria and it was the first study which simultaneously analyzes different dimensions of strategic planning in small companies.

Research on strategic planning emphasis and planning satisfaction in 69 small banks have been tested by Kargar and Parnell (1996). They studied six characteristics of strategic planning system which consist of internal orientation, external orientation, functional integration, key personnel involvement, use of analytical techniques and creatively planning by sending questionnaire to 69 senior executives, presidents and and/ CEO, of the banks. While Phillips and Moutinho (1999) employed four

indicators of the strategic planning process in their study, including formalization, participation, sophistication, and thoroughness. This study was conducted in UK hotel sector to understand strategic planning dimension and firm performance relationship.

The research by Elbanna (2010) can be considered as one of the first studies of strategic planning in the Arab region. He studied four dimensions of strategic planning; involvement in strategic planning activities, written strategic plans, time horizon and strategic planning techniques. His research showed that there is a slight difference between the private and public sector, as well as between large and small business.

In addition, Suclev and Debarliev (2012) tried to examine multidimensional variable of strategic planning, they examined wider dimensions of strategic planning practices such as formality of strategic planning, the use of strategic planning techniques, management participation in strategic planning, employee participation in strategic planning and barrier to strategic planning implementation. This research employed a comparative analysis and later found that strategic planning effectiveness in emerging and developing countries were specific and demonstrated the possible reasons for potential differences in the effectiveness of strategic planning in these countries.

Furthermore, Gica and Balint (2012) who conducted a research on 200 SMEs in North-Western Region of Rumanians identified the characteristics of their strategic planning activities. They considered four aspects of strategic planning; formality of planning activities, planning horizons, frequency of plan revision, and strategic planning tools.

Other research was done in Sudan context by Abdalkrim (2013). He examined some dimensions of strategic planning, namely mission statement, internal and external analysis, strategy implementation and strategy control and evaluation. Aldehayyat and Khattab (2013) study strategic planning in Jordanian hotels and its relationship with organizational effectiveness. They tested multidimension of strategic planning; participation and involvement in strategic planning, the time horizon, environmental scanning (internal and external) planning techniques and functional coverage. The summary of the strategic planning dimension previously studied can be shown on the Table 2.5.

Table 2.5
Strategic Planning Dimensions

Authors	Dimensions of Strategic Planning
Kargar and Parnell (1996)	Internal orientation, external orientation, functional integration, key personnel involvement, use of analytical techniques and creatively planning.
Phillips and Moutinho (1999)	Formalization, participation, sophistication and thoroughness.
Kraus et al., (2006)	A long time horizon, formality, the use of planning instruments, and frequency control of plans
Veettil (2008)	Clarity in business-level strategy and planning of strategic implementation.
Elbanna (2010)	Involvement in strategic planning activities, written strategic plans, time horizon and strategic planning techniques
Koufopoulos et al., (2010)	Planning completeness, formality, internal and external orientation, CEO‘s involvement, planning horizons and revision frequencies.
Gica and Balint (2012)	Formality of planning activities, planning horizons, frequency of plan revision, and strategic planning tools.

Table 2.5 (Continued)

Suclev and Debarliev (2012)	Formality of strategic planning, the use of strategic planning techniques, management participation in strategic planning, employee participation in strategic planning and barrier to strategic planning implementation.
Aldehayyat and Khattab (2013)	Participation and involvement in strategic planning, the time horizon, environmental scanning (internal and external) planning techniques and functional coverage.
Abdalkrim (2013)	Mission statement, internal and external analysis, strategy implementation and strategy control and evaluation.

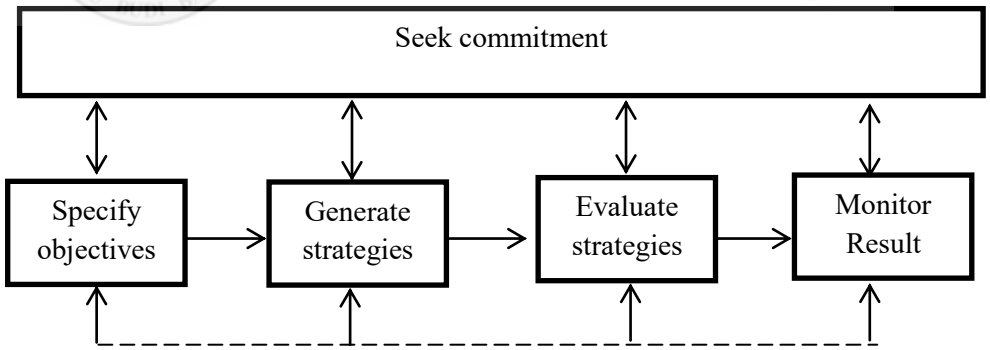
Considering the prior research and in trying to fill the gap in the literature, this study examines the following dimensions of strategic planning which considered as important aspects of strategic planning in the literature, consisting of formality of strategic planning, tools of planning, employee participation, time horizon and control of strategic planning. Furthermore, these 5 (five) dimensions are combined into 1 (one) variable in order to measure the strategic planning. This study follows what have been conducted in the previous works (Abdalkrim, 2013; Aldehayyat & Khattab, 2013; Arasa & K'Obonyo, 2012; Gica & Negrusa, 2011) which measure the dimensions of strategic planning individually toward performance and incorporated all the dimensions of strategic planning in order to investigate the relationship between strategic planning and performance. The following sections are the explanation of those dimension employed in this study.

2.7.1 Formality

A formal strategic planning process can be defined as a deliberated act to include factors and techniques systematically to achieve a particular task (O'Regan &

Ghobadian, 2002). Formal strategic planning can be defined as ―the process of determining the mission, major objectives, strategies, and policies that govern the acquisition of resources to achieve organizational aims" (Pearce, Freeman & Robinson, 1987, p. 658). Hopkins and Hopkins (1997, p. 637) summarize the definition of formal strategic planning as ―the process of using systematic criteria and rigorous investigation to formulate, implement, and control strategy, and formally document organizational expectations."

Formal strategic planning is the organization's mission, objectives, strategies and policies (Wheelen & Hunger, 2010). Furthermore, Armstrong (1982) defined formal strategic planning as an intentional process in deciding the firm's long-range goals, procedures for gaining and evaluating alternative strategies, and a system for monitoring the results of the plan when implemented. Armstrong (1982) described the formal planning process as summarized in the Figure 2.1.



Sources: Armstrong (1982, p. 198)

Figure 2.1
Formal Strategic Planning Process

From the literatures, some studies divided the strategic planning into both formal and informal planning (Allred, Addams, & Chakraborty, 2007; Rue & Ibrahim, 1998).

Furthermore, Rue and Ibrahim (1998) categorized the formal planning into sophisticated planning and sophisticated moderated planning. The characteristic of sophisticated planning is a written plan, quantitative objectives, some specific plans, some budget estimates, identification of some environmental factors and mechanisms of control and evaluation to detect the different plans and the performance of the enterprise. Furthermore, they noted that sophisticated moderated planning is the absence of one or more of the element of sophisticated planning.

Formal planning is considered as an important way in the strategic decision process and it is very important to firms (Lyles, et al., 1993). The importance of the formality process can be seen as an assistance in order to develop the strategic (Ramanujam & Venkatraman, 1987). The importance of formality of planning also suggested by Lyles, et al., (1993) can be summarized as follows: "the elements of goal formulation, developing distinctive competencies, determining authority relationships, deploying resources, and monitoring implementation receives more effective attention when small businesses engage in formal planning". Other scholars explain that the organization with more formal of planning have higher chance to get the advantages which their businesses in higher level of competitive environmental and help them to systematically overcome the competitive threats (Yasai-Ardekani & Haug, 1997). The importance of conducting formality of planning for a business have been investigated before, the firms which employ formality, will be able to be more survive in their business (Sexton & Van Auken, 1985). Furthermore, by having a formal planning, it allows the company to obtain the information and knowledge needed in the systematic way. It is also possible to distribute information and knowledge to all

parts of the organization to immediately use or will be used in the future (Flores, et al., 2008).

Some studies which conducted by prior scholars confirmed about the relationship between formality of planning and organization performance. O'Regan and Ghobadian (2002) conducted a study on SMEs manufacturing around UK with employees less than 250 people and the sample size were 1.000 firms. By using random sampling techniques, the total valid responses were 194 or equal to 27 percent of response rate. Their study showed that formal planning has benefits in order to reduce the barrier of strategic planning deployment. Moreover, Kraus et al., (2006) which investigated formality of strategic planning as one variable and corporate some sectors of industries in their study. Their study found that firms with formalize their strategic planning have better performance in term of employee growth.

A comparative study that conducted by Suklev and Debarliv (2012), involving all sized of firms confirm that formalization of planning can improve the effectiveness of organizations. Further, a current study by Dibrell, et al., (2014) which conducted in multi industries in the United States come up with the result that formality of planning have a positive and significant relationship with the firm performance.

In the context of ASEAN countries, Veskaisri (2007) conducted research in Thailand to investigate the relationship between the formality of planning and SMEs growth. This research confirmed that there is significant correlation between strategic planning and growth of SMEs. Meaning that SMEs which are conducting such successful formal planning will gain better growth of the business.

Hence, it can be concluded the role of the formal planning for the organization as have been suggested by many previous scholars, such as Kraus et al., (2006); O'Regan and Ghobadian (2002); Lyles et al., (1993); Castrogiovanni (1996); Delmar and Shane (2003). They believed that formality of strategic planning as an important aspect of planning, would be able to achieve better performance and can assist the organization in making decisions and also formal planning might helps organizations to survive.

2.7.2 Tools of Strategic Planning

According to Clark (1997) tools of strategic can be described as concepts, systematic structures, procedures and methodologies that assist strategic managers in making decisions. This statement is also supported by Webster, Reif and Bracker (1989) who claimed that the usage of existing instruments will enrich diagnostic and logical ability of managers. Subsequently, Kraus, et al. (2006) and Webster, et al (1989) suggested that instruments and techniques of strategic planning will be able to assist the organizations to improve efficiency and effectiveness of strategic planning. However, strategic tools would not develop the strategy or implement it (Hussey, 1997). Some studies have been conducted on tools of strategic planning such as Clark (1997); Gunn and Williams (2007); Elbanna (2007); Aldehayyat and Anchor (2008); Al Ghamdi (2005). However, these studies did not investigate the relationship between tools of strategic planning and organization performance.

In fact, there are a number of tools of strategic planning, techniques, models, methods, frameworks, approaches and methodologies in strategic management, which could

support the organization in term of decision making (Frost, 2003; Clark, 1997; Gunn & Williams, 2007). The usefulness of tools of strategic planning has been presented by a number of authors (Gunn & Williams, 2007; Clark, 1997; Hussey, 1997). Gunn and Williams (2007, p. 202) describe three main reasons that are important to the understanding of tools of strategic, namely: "(1) it indicates the motivations of managers when using strategic tools; (2) it will be suggestive of the dissemination processes underpinning the application of tools, and (3) it assists academics and practitioners in moving away from a normative, rational approach to more humanistic, practice-based approaches to the understanding of tool usage". The Table 2.6 shows the list of glossary of strategic techniques which have been done by Hussey (1997).

Table 2.6
Techniques/Tools of Strategic

Techniques/tools	Classification
Benchmarking	Methodology
Breakeven analysis	Financial analysis
Business definition	Information manipulation
Business process re-engineering	Methodology
Competitor analysis	Information manipulation
Competitor profiling	Information manipulation
Core competencies	Information manipulation
Corporate modeling	Mathematical relationships
Critical skills analysis	Information manipulation
Critical success factors	Information manipulation
Decision trees	Quantitative relationships
Delphi technique	Forecasting method
Discounted cash flow	Financial analysis
Discount rate of return	Financial analysis
Diversification matrix	Financial analysis
Du Pont chart	Financial analysis

Table 2.6 (Continued)

Econometric model	Mathematical relationships
Environmental assessment: facing up to change	Information manipulation
Environmental assessment: Neubauer and Solomon	Information manipulation
Environmental turbulence matrices	Information manipulation
Equilibrium analysis	Information manipulation
Experience curve	Mathematical relationships
Gap analysis	Financial analysis
Generic strategy matrix	Information manipulation
Global strategy	Information manipulation
Group competitive intensity map	Information manipulation
Historical analogy	Forecasting method
Industry analysis	Information manipulation
Industry mapping	Information manipulation
Key success factors	Information manipulation
Learning curves	Financial analysis
Life cycle concepts	Information manipulation
MCC decision matrix	Information manipulation
Net present value	Financial analysis
PIMS	Empirical relationships
Portfolio analysis	Information manipulation
Product/market matrix	Information manipulation
Profits graph	Financial analysis
Risk analysis	Financial analysis
Risk matrix	Information manipulation
Risk-return matrix	Financial analysis
ROI chart	Financial analysis
Scenario planning	Information manipulation
Segmentation: strategic	Information manipulation
Sensitivity analysis	Financial analysis
SOFT	Information manipulation
Strategic group mapping	Information manipulation
Strategy cube	Information manipulation

Table 2.6 (Continued)

SWOT	Information manipulation
Synergy matrix	Information manipulation
Technology-based resource allocation	Information manipulation
Technology grid	Information manipulation
Trends projection	Forecasting method
Value-based strategy	Financial analysis
Value chains	Information manipulation
V matrix	Financial analysis

Source: Hussey (1997)

Study in Turkey by Kalkan and Bozkurt (2013) emphasized that SMEs there, is less concern about using strategic planning tools and techniques. The reason behind this fact might be due to the lack of finance and lack of capability of human resources in SMEs. However, their research came up with the result that the most common tools used by SMEs were strategic planning, human resource analysis, total quality management (TQM), customer relationship management, outsourcing, financial analysis for firm owners, vision/mission, PEST, financial analysis of competitors, and benchmarking.

The result of the study by Gunn and Williams (2007) showed that from 149 organizations in the UK, approximately 70% used SWOT analysis as the tools of strategic planning. Furthermore, Aldehayyat and Anchor (2008) found 35 % of their respondents from 203 Jordanian companies employed SWOT analysis. In his study, Frost (2003) indicated that SWOT analysis was often used by SMEs in the research of Asian and Australian organizations and follows by PEST and budgeting. Furthermore, by considering the limited strategic tools employed by SMEs, a better understanding of tools of strategic planning that are available is needed in order to apply the

development of strategic planning (Frost, 2003; Elbanna, 2007). There is also no one best tools that suit all organizations, and thus managers/owners should decide which tools or techniques that are potential to be helpful and relevant for the organization (Hussey, 1997).

2.7.3 Employee Participation

Although the thought of participation of employees directly in strategic planning or improvements of organizations are nothing new, there are still lack of attention on the contribution of employee participation in the strategic planning of companies (Tonnessen & Gjefsen, 1999). The participation of employees in the strategic planning process might drive the motivation of the employees which feel the appreciation of the organization and their understanding of the job description which might lead for better achievement of goals (Ketokivi & Castañer, 2004).

Employee‘s involvement in the strategic planning process can provide several benefits, including to improve employees' understanding of the objectives of the companies as well as to encourage the desire and ability to achieve the company's goals. Moreover, by involving the employees in the development of strategic and also in the process of implementation will motivate them to have a sense of belonging to organization goals, and to enhance the strategy and success of implementation, knowledge, experience and ideas that might be beneficial (Tonnessen & Gjefsen, 1999).

Many researchers recommend that participative strategic planning should influence the success of strategic implementation and thereby improve company performance (Kohtamaki, Kraus, Makela, & Ronkko, 2012; Grundy and King, 1992; Love et al., 2002; Miller, Wilson & Hicson, 2004; Collier et al., 2004). In addition, the involvement of personnel in strategic planning to support the organization in their efforts to reach agreement on organization strategy (Kohtamaki, et al., 2012). Raps (2004) revealed that one of the main reasons for unsuccessful implementation of strategic planning because of the absense of employees in the strategic planning process. The importance role of employee participation in the strategic planning also emphasized by Suklev and Debarliev (2012). The results of their study have shown that there is the relationship between formality of strategic planning and employee participation and these two factors influence the effectiveness of strategic planning.

2.7.4 Time Horizon

Time horizon is one of the principal aspects of strategic planning (Kraus, et al., 2006 and Harrison, 1995). This is supported by Das (1987) who emphasizes that time horizon is considered as a critical factor in the process of strategic planning that is important to understand the future as well as to manage resources of the organization for long and short period. Cited in Koufopoulos, Lagoudis and Pastra (2005), Ewing (1972) claimed that ~~th~~e utterly essential dimension of planning is time… Yet time is the one dimension of planning that never gets discussed. It is treated as if it were a constant that everyone understands". Furthermore, Das (1987) argued that ~~th~~e notion of planning for a specific slice of the future time zone is of course the basis for what is usually known as the planning period or planning horizon in an organization".

Time horizon helps recognize which firm's resources are needed at the early stage and the coordination of long-range and short-range planning (Kraus et al, 2006 and Koufopoulos, et al., 2005). Kraus et al., (2006) and Collins and Porras (2005) added that time horizon can encourage not only entrepreneurs but also their employees. In addition, Harrison (1995, p. 49) ascertains that the time horizon an organization need to plan into the future, namely ―product life cycle, technological change, lead time, present value, organization life cycle, and validity of planning premises".

The planning horizon is the boundary of an organization while the organization which moves with time (Harrison, 1995). To determine the time horizon of planning, whether for long-term or short-term one should consider the type of business carried on and what kind of decision elaborated (Das, 1987). The length of the time horizon depends on the situation faced by firms. There is also a different opinion of scholars, such as: Larsen, Tonge, & Ito (2000) in their study found that there were possible planning horizons, which were under 12 months, one to 3 years, three to five years and five to ten years.

However, Kukalis (1991) found that in his study in complex environments, strategic planning has to shorten time horizon. This is as supported also by Houlden (1995) who noted that in the unstable environment, it would be appropriate to employ shorten horizon of planning like one to two years.

Furthermore, previous study also showed that there is a relationship between time horizon and performance of the organization (Smith, 1998; Mitchelmore & Rowley, 2013). In the SMEs context, Orpen (1985) suggested that small firm enterprises

perform well on finance and conduct the long-range planning process differently from small firms, which perform poorly. However, Kraus et al., (2006) noted that the relationship between time horizon and small business performance cannot be ascertained. The possible reason for this finding is that small businesses employ varied time horizon of strategic planning which make them more flexible than large businesses.

2.7.5 Control of Strategic Planning

As described by Kraus et al., (2006) control can be defined as a set of activities in order to evaluate the current achievement with previously planned achievement. Furthermore, Goold and Quinn (1990) explained in their context of study that control system is the process which would be able to ascertain whether business unit is operating well and it would be able to motivate the business unit to keep doing the same. Control as ―the critical evaluation of plans, activities, and result, thereby providing information for future action" was used by Schreyogg and Steinmann (1987) as the appropriate meaning in their study.

The control is considered as one of the key aspects of strategic planning (Kraus et al., 2006) and already a common knowledge that to achieve the maximum result, the effectiveness of control is needed. But, only little concern has been given to control of planning and its effect on performance (Wijewardena, et al., 2004; Kraus et al., 2006). This is as supported by Horovitz (1978) as cited in Goold & Quinn (1990, p. 46) in which he conducted the survey on 52 companies in Europe and came up with the result that ―analysis of current practices has shown that long range and in some cases

strategic planning exist". However, when one looks at the chief executive control, empirical evidence suggests that there is no control system to match such planning. As mentioned before, the study on control of planning still little attention was given on control of planning (Wijewardena et al, 2004). Some of the previous researchers studied the contribution of control of planning on performance, they showed that the findings are still a mixed picture. Wijewardena et al., (2004) demonstrated that control sophistication gave a contribution to the performance of the SMEs. The latest study by Abdalkrim (2013) who studied aspects of strategic planning such as mission statement, implementation, internal and external analysis and control and evaluation. The result showed that there is a positive relation between these 4 (four) factors toward performance.

In contrast, a previous study done by Kraus, et al., (2006) could not find the positive relationship between the frequency of control on the performance of SMEs. The study conducted by some other scholars suggest that future studies should include consistent validated multidimensional measures of strategic planning and control for results differences based on the industry and size of organization (Boyd & Reuning Elliott, 1998; Pearce, et al., 1987; Shea-Van Fossen, Rothstein, and Korn, 2006; Shrader et al., 1984).

2.8 Innovativeness

As known from previous studies that innovativeness of the firm as one of the key factors to achieve competitive advantage (e.g. Hurley & Hult, 1998; Prajogo & Ahmed, 2006; Tajeddini, 2011). Other scholars (Kmiekciak, Michna, & Meczynska,

2012) also claimed that innovativeness is perceived as one of the most important factors that enables the survival, growth and competitiveness of firms. They recommend that being innovative, firms will gain advantages, that is, improving their performance and competitive advantage (Kmieciak, et al., 2012). The study, which was done before, stated that when a company being more innovative, it will be able to react successfully to environmental changes and generate novel capacities in order to attain better performance (Lloréns Montes, Ruiz Moreno, & Miguel Molina Fernández, 2004). Subsequently, Matzler, Uzelac and Bauer (2014, p. 528) suggested that ―organizational innovativeness requires managers and entrepreneurs to discover new opportunities, acquire necessary resources, and implement a plan of action".

Regarding the definition of innovativeness in literature, most of the studies defined innovativeness as how many innovations that firm have been adopted (Ruvio et al., 2014). In the Table 2.7 presents the definition of innovativeness from some scholars which defines accordingly to their studying.

Table 2.7
The Definitions of Innovativeness

Scholars	Definition
Ruvio, et al., 2014, p. 1004	Organizational innovativeness define as a five-dimensional construct (creativity, openness, future orientation, risk-taking, and proactiveness) representing the organizational climate, which refers to the organization's ability to generate ideas and innovate continually over the time.
Hult, Hurley, & Knight, 2004, p. 429	The firm's capacity to introduce some new process, product, or idea in the organization

Table 2.7 (Continued)

Lumpkin and Dess, 1996, p. 1005	A firm‘s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes.
Foxall, 1984	innovativeness as ―the capacity and tendency to purchase new products and services”
Tajeddini, Trueman and Larsen, 2006, p. 533	The willingness and ability to adopt, imitate or implement new technologies, processes, and ideas and commercialize them in order to offer new, unique products and services before most competitors. This willingness is based on a firm‘s culture in terms of values and beliefs in the organization
Davis, Morris and Allen, 1991, p. 44	Innovativeness refers to the seeking of creative, unusual, or novel solutions to problems and needs. This includes the development of new product and services, as well as new processes and technologies for performing an organizational function (e.g., production, packaging, delivery, sales, promotion, administration)
Garcia and Calantone, 2002, p. 113	Innovativeness can be seen from two perspectives, macro and micro. From a macro perspective, ‗innovativeness‘ is the capacity of a new innovation to create a paradigm shift in the science and technology and/or market structure in an industry. From a micro perspective, ‗innovativeness‘ is the capacity of a new innovation to influence the firm‘s existing marketing resources, technological resources, skills, knowledge, capabilities, or strategy

Since this study investigates the important role of innovativeness in implementing strategies, hence the innovativeness is defined as the ability of organization to generate ideas and innovative continually over the time in implementing strategies. This definition was adapted from the work of Ruvio, et al (2014) which is close to the definition of this study.

Overall, plenty of studies focus on organizational innovativeness. Different studies employed different dimensions in order to measure organizational innovativeness (Ruvio, et al., 2014; Wang & Ahmed, 2004; Subramanian & Nilakanta, 1996; Han, Kim & Srivastava, 1998; Kessler, Pachucki, Stummer, Mair and Binder, 2015). Wang and Ahmed (2004) pointed out five dimensions to measure organizational innovativeness, that is product innovativeness, process innovativeness, market innovativeness, strategic innovativeness and behavior innovativeness. Ibrahim, Zolait and Subramanian (2009) investigates five components of innovativeness in their study in Malaysia, such as product innovativeness, strategy innovativeness, market innovativeness, process innovativeness and behavior innovativeness.

Furthermore, Subramanian and Nilakanta (1996) emphasize that innovativeness of organization should be measured with multidimensional construct and they investigated these three following dimensions of innovativeness, including mean time of adoption of innovations, mean number of innovations adopted over time and the consistency of the time of adoption of innovations.

Other study, Han et al., (1998) suggested there are two constructs to measure innovativeness, namely technical and administrative innovation. In different stream of study, Ruvio et al., (2014) assessed organizational innovativeness by examining five constructs, particularly, creativity, future orientation, proactiveness, openness and risk-taking. In a further study, Kessler et al., (2015) in their work through three dimensions of innovativeness, namely willingness, ability and possibility to innovate.

As discussed earlier, different studies employed different dimensions to measure innovativeness, which there is the lack of uniformity in order to measure innovativeness (Garcia & Calantone, 2002). Hence, given the objective of this study, which is to understand the role of innovativeness in implementing strategy, the measurement chosen is the closest to its definition, following and adapting the definition of innovativeness and its measurement from the work of Ruvio et al., (2014) as mentioned in Table 2.7.

2.9 The Logical of the Expected Mediating Role of Innovativeness in Implementing Strategies in the Relationship Strategic Planning and Performance

The important role of innovativeness as mediator in the relationship between strategy and performance is shown on the number of works, e.g., Nybakk, Crespell, Hansen and Lunnan (2009); Verhees and Meulenberg (2004); Pesämaa, Shoham, Wincent and Ruvio (2013). By keeping in mind of what is found from previous studies, which claimed that innovativeness as a crucial factor for firm to be able to achieve better performance, this study assumes that innovativeness in implementing strategies is crucial in order to mediate between the two variables, particularly strategic planning and performance. This is as supported by Rajasekar (2014) and Markiewicz (2011) which asserted that in implementing strategy successfully, it is needed the creativity and also innovation as critical factors in implementing strategies.

The proper execution of strategic planning is the key success of strategic planning (Veliyath & Shortell, 1993; Bonoma, 1984; Sinha, 1990 and Aldehayyat & Anchor, 2010). The importance of implementation of the strategic planning also suggested by

other scholars, such as Wheelen and Hunger (2010) which claimed that implementation of strategic planning is a crucial part within a strategic management field and that implementing it successfully is crucial either in public or private sector (Aaltonen & Ikävalko, 2002). The great strategic without its implementation is useless (Aaltonen & Ikävalko, 2002). This is in line with Veliyath and Shortell (1993) and Sinha (1990) who claimed that the key of successful strategic planning is when it is implemented properly.

By considering a system theory which the outcome is influenced by both input and process, strategic planning as an input is believed would be able to increase firm performance, however, the process to implement strategies is also as a crucial factor. It is stated by Rajasekar (2014) and Markiewicz (2011) that ~~–~~the perception of an organization as processes are very important in implementing strategies". By considering the role of innovativeness as intervene variable in the previous research and the important role of innovativeness in implementing strategies, hence, within this study innovativeness in implementing strategies is assumed might mediate the relationship between strategic planning and performance.

2.10 Environmental Uncertainty

Before presenting further discussion related to environmental uncertainty, the researcher will explain the meaning of the environment. Scholars have provided some definitions of the environment, such as Duncan (1972); Daft (2010); and Pennings, (1975). The Table 2.8 shows some of the definitions from a number of scholars with different points of view.

Table 2.8
Definition of Environment

Scholars	Definition of Environment
Duncan (1972, p. 314)	—The totality of physical and social factors that are taken directly into consideration in the decision–making behaviour of individuals in the organisation"
Downey and Slocum (1975, p. 572)	—The environment does provide a basic input into the individual's mapping processes. Additionally, the environment is seen as a moderator of sources of perceived uncertainty variability. Consequently, an explicit formulation of environment is necessary. This formulation, however, must be free from either perceptual or man-environment relations oriented concepts."
Pennings (1975, p. 393-394)	—Environment is the organisation's source of inputs and sinks of outputs; that is, the sets of persons, groups, and organisations with which the focal organisation has exchange relations."
Daft (2010, p. 64)	—Allelements that exist outside the boundary of the organisation and have the potential to affect all or part of the organisation"

In terms of classification of the environment, the scholars also have different perspectives, for example Duncan (1972) who segregate the organizations's environment into internal and external environments. Internal environments, including personnel, organizational function and staff units. Meanwhile, the elements of external environment will include customer, supplier, competitor, socio-political and technological.

Furthermore, Daft (2010) classifies external environment into two taxonomies, namely a task environment and a general environment. Task environment, according to Daft (2010, p. 65) is –eloser to the organization and includes the sectors that conduct day-to-day transaction with the organization and directly influence its sic

operation and performance". Furthermore, factors included in the task environment are customer, supplier, competitors, and labor market.

Another classification is general environment, which is defined as "the outer layer that is widely dispersed and affects organization indirectly" (Daft, 2010, p. 64-65). The factors belong to general environment are socio-culture, economy, legal/political, technology and financial resources. It can sum up that environment has some factors as described by Kunz (1995), including cultural, ecological, economic, political, regulatory, social, and technological, may strengthen or limit an apparel firm's behavior (as cited in Hwang, 2005).

As noted by Lawrence and Lorsch (1967), uncertainty consists of three components; the uncertainty of the information, high changing rate of the environment and the long time horizon of certain feedback. Uncertainty itself is defined as "the unpredictability of environmental or organizational variables that have an impact on corporate performance" (Miller, 1993, p. 694). Furthermore, he suggested that managers might perceive uncertainty in a threefold categorization: (a) general environment, including macroeconomic uncertainty and political and governmental policy instability (b) industry, such as input market, technological uncertainties, and market. (c) Firm-specific variable includes uncertainties with respect to operations, research and development, and management and worker action.

In terms of definition of environmental uncertainty, Duncan (1972, p. 318) claimed that environment uncertainty as: "(1) The lack of information regarding the environmental factors associated with given decision-making situation, (2) not

knowing the outcome of a specific decision in terms of how much the organization would lose if the decision were incorrect, and (3) inability to assign probability with any degree of confidence with regard to how environmental factors are going to affect the success or failure of the decision unit in performing its function."

In terms of measurement of environmental uncertainty, scholars suggested that there are two most common perspectives, whether using objective measures or perceptual measures (e.g. Swamidass and Newell, 1987; Boyd, Dess, & Rasheed, 1993; Dess and Beard, 1984; Milliken, 1987). Nevertheless, in the literature, there still have no clear evidence which measurement is appropriate to be able to measure environment uncertainty (Tosi, Aldag & Storey, 1973; Swamidass & Newell, 1987; Matthews & Scott, 1995). The objective measures rely on archival sources and include indicators such as growth in industry sales and concentration ratios (Boyd et al., 1993). While the perceived measure, entail the subjective judgements of the environment by organization members or key informants (Boyd, et al., 1993). It means that perceived environmental uncertainty happens when decision makers get inadequate information due to the factors that determine the decision are quite difficult to understand (complexity) or frequently changing (dynamism) (Oreja-Rodríguez & Yanes-Estévez, 2007). Whereas, Daft, Sormunen, and Parks, (1988, p. 125) noted that perceived environmental uncertainty refers to ~~t~~he absence of information with regard to organizations, activities, and events in the environment".

Even though early research on environmental uncertainty is attempted to define uncertainty in terms of the objective characteristics of the environment external to the firm and has been suggested to be used for future research (Jauch & Kraft, 1986), this

study employs perceive environmental uncertainty as addressed by scholars (Duncan, 1972; Swamidass & Newell, 1987) and consider appropriate in this study.

Perceived environmental uncertainty have been investigated many times in the SMEs context (e.g. Babakus, Yavas, & Haahti, 2006; Sawyerr, McGee & Peterson, 2003; Lin & Ho, 2010; O'Regan and Ghobadian, 2005; Raymond 2005; Parnell, 2013; Risseeuw & Masurel, 1994). There are many more studies which study on perceived environmental uncertainty. Therefore, the focus within this study is the perception owners/managers of the MEs on the environmental uncertainty of their business.

2.11 The Relationship Between Strategic Planning, Environmental Uncertainty and Performance

In the strategic management and organizational studies, environment uncertainty become a central subject and large number of literature on its subject. Environmental uncertainty is defined as the lack of information about the external environment and is obtained by integrating the perceived dynamism and complexity of the environmental variables (Yanes-Estévez, Oreja-Rodríguez, & García-Pérez, 2010). Within certain limitations, uncertainty has the usefulness. During the environmental uncertainty, some managers might manage to get advantages from its situation by assuming that internal factors strength enough (Jauch & Kraft, 1986).

Many studies have tried to investigate the relationship between environment, strategy and performance, with environment performs as a moderator (Prescott, 1986; Brew & Hunt (1999); Yusuf & Nyomori, 2002; Pelham, 1999; Lee & Miller, 1996, Miller,

1988). Brew and Hunt (1999) suggested that the role of the environment becomes a crucial in strategic planning, which received attention from scholars and practitioners alike.

The effort to understand the role of environment in the relationship between strategic and performance have been carried out whether in developing countries or developed countries. A research carried out by Lee and Miller (1996) examining the environment-strategy-performance relationship of the 870 manufacturing companies in Korea which include 5 major industries (Textiles, chemicals, machinery, fabricated metals an electronics) and employed 200 workers and above. Their research found that the companies had to be able to adapt to the needs of the marketplace in order to gain the succeed and they also concluded that the match between strategy and the environment had significant association with firms‘ performance.

The study by Justin Tan and Litschert (1994) in 180 electronics companies with about 100 to 5000 employees in Southern China. Based on the perception of the manager on the increasing of environmental uncertainty, it shows there was negative relationship with proactive strategies. In contrast, it poses a positive relationship with defensive strategies. In this context, the defensive strategies themselves are linked with better performance of the companies.

Glaister et al., (2008) conducted research on 500 large manufacturing companies in Turkey. Their research shows that there is a positive relationship between formal planning and companies performance and the moderating roles of environmental uncertainty on the formal planning and firms‘ performance.

Swamidass and Newell (1987) conducted a study on 35 manufacturing companies in the U.S, researching the relationship between manufacturing strategy, environmental uncertainty and performance. This study revealed that the variables of manufacturing strategies (e.g. manufacturing flexibility and the manager roles in the strategic making-decision) is influenced by environmental uncertainty. At the same time, this manufacturing strategic would be able to improve the performance.

Some studies are also conducted in the SMEs sectors. Yusuf and Nyomori (2002) which study about uncertainty, planning sophistication and performance in the small firms in New Zealand found that the relationship between uncertainty and planning is not significant, it means that small firms did not respond to uncertainty with increased planning.

Luo (1999) did an investigation on the relationship between environment, strategy and performance in small firms in the Southen China. This study reveals that small firms using prospector orientation alert to harmonize with the environment, and the environment-strategy configurations leads its performance.

Another study was conducted by Mason (2007) on the IT and packaging industries in South Africa. He investigated how the external environment influences the management and strategic activities. The result of this study indicates that the companies which success in the turbulent environment would employ radical, fast and disruptive strategies. In contrast, in the stable environment, successful companies tend to employ traditional management and engage more formal planning activities.

2.12 Summary of Chapter

This chapter discussed the definitions of MEs, performance, strategic planning, innovativeness and environmental uncertainty. Previously, to measure the performance of the organization, financial measurement is mostly used. However, some scholars argued that financial measurement alone is not appropriate to measure overall performance of the organization. Hence, scholars suggested to use both, financial and non-financial measurement. Another discussion among the scholars is related to whether a performance measures objectively or subjectively. Scholars also suggest that subjective measurement can be used when financial report can not operate.

In terms of strategic planning, the relationship between strategic planning and performance is not conclusive. Scholars have argued that it happens due to the previous research that have limited consideration in certain dimensions of strategic planning. Some scholars therefore recommended to consider the wider dimension of strategic planning. Others scholars also suggested to test the indirect relationship between strategic planning and performance. Some of them proposed that innovativeness and environmental uncertainty could influence the relationship between strategic planning and performance.

CHAPTER THREE

CONCEPTUAL FRAMEWORK AND DEVELOPMENT OF HYPOTHESES

3.1 Introduction

This chapter presents the past studies of strategic planning and elements used in its relationship with the performance of the organization. This part is divided into 6 sections. It starts with section 3.1 presenting the introduction, section 3.2 discusses the framework of study. Section 3.3 presents the underpinning theories. The following is section 3.4 which discusses about previous studies on strategic planning and performance. Furthermore, section 3.5 covers the development of the hypotheses of this study. The last is section 3.6 which summarizes the chapter.

3.2 Framework of Study

Research framework in this study is in accordance with the literature from the previous studies. Even though previously conducted studies on strategic planning proposed different models, especially on elements of strategic planning, some of the previous studies are influencing this current study, such as Kraus et al., (2006) which suggested 4 (four) key elements of strategic planning, including formality, time horizon, frequency of control and use of strategic planning tools. There are still several researchers who suggest others element of strategic planning, like Suklev and Debarliev (2012). They studied wider elements of strategic planning as explained in the literature review. The study on strategic planning was done by Abdalkrim (2013)

which examined 4 elements of strategic planning, mission statement, internal and external analysis, strategy implementation and strategy control and evaluation on the private sectors in Sudan.

In the literature review on strategic planning, especially in SMEs context, formality, tools of planning, employee participation, time horizon and control are found to have been studied before. But, there is a lack of study on certain aspects of strategic planning, such as control of strategic planning, and there is also little research studying all elements of strategic planning in one frame simultaneously. Besides that, as discussed earlier, formality, time horizon, tools of planning and control were considered as important factors of strategic planning (Kraus et al., 2006). In addition, previous researchers believed that employee participation in strategic planning would be able to enhance the organizational performance. Hence, this current study examines the relationship between strategic planning and performance.

Innovativeness in implementing strategies as proposed in this study is able to mediate the relationship between strategic planning and performance. This is as claimed by Rajasekar (2014) and Markiewicz (2011) that in order to implement strategic planning successfully, creativity and innovation are crucially needed. The environment is one of the important elements which had to be considered by either big or small businesses in order to achieve their objectives. Some previous researchers suggested the important role of the environment, such as Brew and Hunt (1999). They noted that the environment is becoming a crucial factor in strategic planning. Moreover, previous studies also suggested that environment might moderate the relationship

between strategic planning and performance (Brew & Purohit, 2007). However, there is still inconsistent result of the studies.

The framework of this study considers elements of strategic planning (formality, tools of planning, employee participation, time horizon and control) as independent variable and MEs performance is categorized as the dependent variable. In order to bridge the gap in the literature caused by limited studies examining indirect relationships between strategic planning and performance, this study proposes innovativeness in implementing strategies may intervene the relationship between strategic planning and MEs performance and this study also proposes that environmental uncertainty may moderate the relationship between strategic planning and MEs performance. The research framework as given in the Figure 3.1.

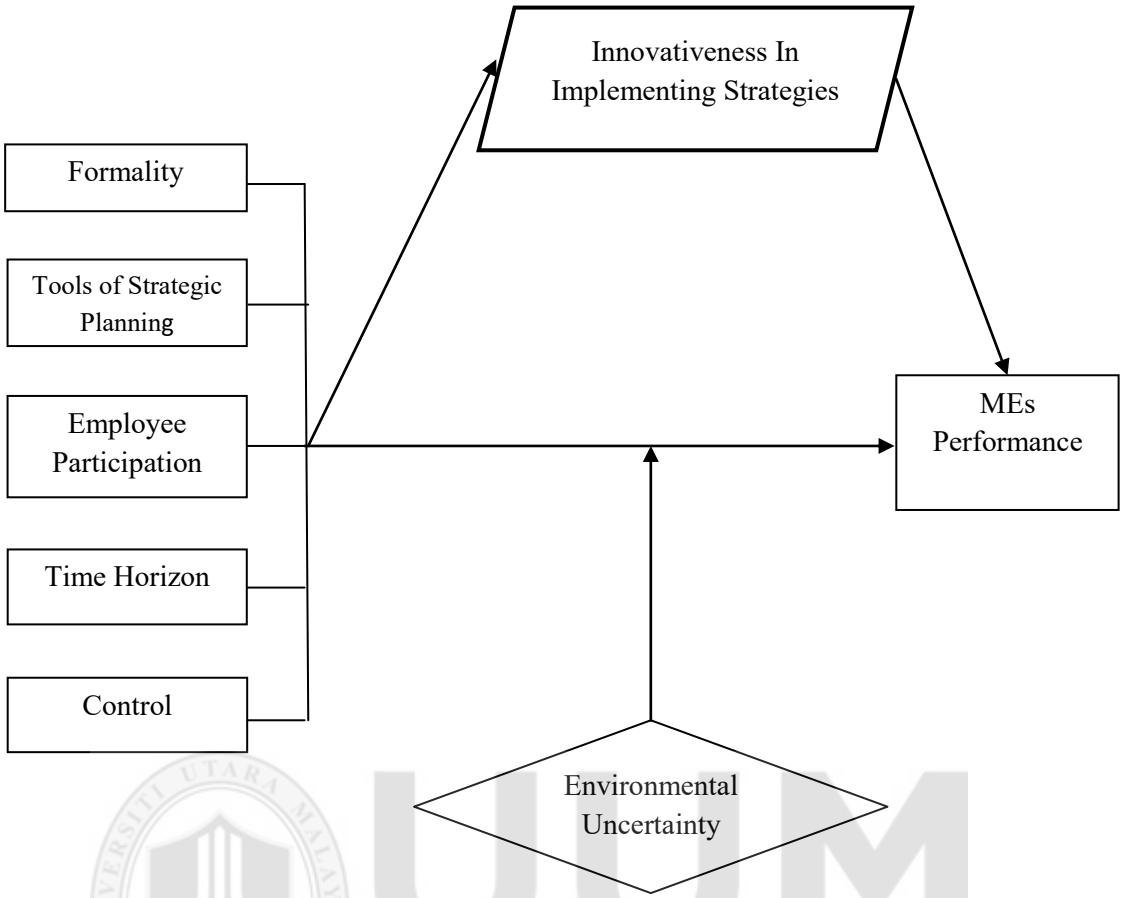


Figure 3.1
Conceptual Framework

3.3 Underpinning Theories

The underpinning theories will be discussed in the following sections. The related theories incorporate the contingency theory and the system theory. The contingency theory could be suitable as an underlying platform to describe the relationship between strategic planning, environmental uncertainty and organizational performance. In addition, the system theory is deemed to be another important theory that best describe the relationship between strategic planning, innovativeness in implementing strategies and organizational performance.

3.3.1 The Contingency Theory

Seminal works on contingency theory have been developed by Burns and Stalker (1961) and Lawrence and Lorsch (1967). This theory criticizes the idea of Taylor and Fayol who believed that there is single best way to manage (Tosi, et al., 1973). Currently, the contingency theory is routinely used in the organization theory. Smith and Nichol (1981), Lawrence and Lorsch (1967), and Donaldson (2001) argued that contingency theory is popular as a response to the idea which believes that there is only one best way to organize an organization. Contingency theory believes that there is ―no best way" to manage, and in order to achieve the best performance of the organization, organization should accomplished to match their contingencies (Hatch & Cunliffe, 2006; Donaldson, 2001). Kast and Rosenzweig (1973) defined that ―contingency view seeks to understand the interrelations within and among subsystems as well as between the organization and its environment and to define patterns of relationships or configurations of variables. It emphasizes the multivariate nature of organizations and attempts to understand how organizations operate under varying conditions and in specific circumstances" (cited in Shepard & Hougland, 1978).

In addition, Donaldson (2001) emphasized that based on contingency theory, with the changing of the environment, organizations are forced to change if the organization wants to avoid poor performance. In this regard, the organization should keep changing in order to achieve high performance. Moreover, Hatch and Cunliffe (2006, p. 103) claim that contingency theory ―has been able to make us aware that there are many different ways to organize successfully". Prior research has shown that the

performance of the organization would rise if the variables fit correctly (Naman & Slevin, 1993). Similarly, according to Pelham and Lieb (2011) the contingency theory argued that the organization should make fit between strategy and its environment. Some variables considered as the contingency factors are structure, people, technology, strategy, culture, environment, organizational size are some factors of the contingency approach (Donaldson, 2001 and Tosi & Slocum, 1984). In other words, organizational performance is determined by ability to manage their contingency factors.

Hanisch and Wald (2012) reviewed on 1.622 articles by employing contingency theory from four academic project management journals. They conducted bibliometric approach by using quantitative methods. Their study found that the use of contingency theory had risen since 2002 and that this theory commonly underpin a number of studies on project management research. Previously, Miller and Cardinal (1994) in their study, which is based on a contingency framework tried to explain the inconclusive findings of the previous research on strategic planning and performance relationship. Within this study, contingency factors are strategic planning, environmental uncertainty and MEs performance.

Prior studies such as those of McCaskey‘s (1974); Hofer‘s (1975); Lindsay‘s and Rue‘s 1980); Prescott‘s (1986); Kukalis‘s (1991); Miller‘s and Cardinal‘s (1994); Hoque‘s (2004); Cui‘s, Walsh‘s, and Zou‘s (2014), Gruber‘s (2007); Song‘s, Zhao‘s, Arend‘s, & Im‘s (2015) found that the strategic management field employed contingency theory as the underpinning theory. Using the contingency theory as the underpinning theory has also been suggested by Ginsberg and Venkatraman (1985).

On the other hand, Boyd, Haynes, Hitt, Bergh, Ketchen (2012) argued that the relationship between two variables are mostly influenced by other variables.

This study employs the contingency theory as an underpinning theory to clarify the linkage between strategic planning (formality, control, use of strategic tools, time horizon, and employee participation) and environmental uncertainty and MEs performance. Based on contingency perspective, strategic planning and environment are factors that may influence the MEs performance. This theory therefore is appropriate because the performance of MEs may be determined by the way they manage their contingency factors in accordance with the condition and their environment.

3.3.2 The System Theory

The system theory was first introduced by Ludwig von Bertanlanffy in the 1930s and was formerly known as General System Theory. It continues to grow and widely used in various fields, one of them is management field which started in the 1960s. It is as discussed by Johnson, Kast & Rosenzweig (1964) that business organization is considered as system which working closely connected with other parts in order to achieve some objectives of the organizations or individuals.

System theory can be seen as ―a set of two or more elements where: the behavior of each element has an effect on the behavior of the whole, none has an independent effect on it (Amagoh, 2008). In addition, Mandara (2008) stated that systems have some elements which consist of the following elements: Input is an aspect commence

the action. Transform is an aspect that making process the input. Output is the result of the transform process of the input. Control is an aspect which synchronizes the activity in the systematic way. Feedback is the aspect which measures the performance by comparing between input and output. The boundary is an aspect that determines the limitations of the systems. The last is environment is the aspect that around the system.

This study considers the strategic planning, innovativeness in implementing strategies and performance relationship is a system which assumes that strategic planning as an input, innovativeness in implementing strategies as transform or process and the performance as the outcome or result of the transform process strategic planning. Hence, it believes that by employing this system theory, strategic planning can be transformed through innovativeness in implementing strategies to accomplish better performance.

3.4 Previous Research on Strategic Planning and Performance Relationship

The examination of the relationship between strategic planning and firm performance has been emphasized by the previous researchers, since ~~"p~~performance improvement is at the heart of strategic management" (Venkatraman & Ramanujam, 1986, p. 801). This is in accordance with Brews and Hunt (1999) who stated that the investigation of strategic planning and performance relationship is important and continuous as part of the process research. Nevertheless, the relationship between strategic planning and performance is still undergoing debate due to the mixed findings in the empirical research. This part has been arranged as follows:

(i) The positive relationship between strategic planning and performance in the previous research

(ii) The negative relationship between strategic planning and performance in the previous research.

3.4.1 Positive Relationship between Strategic Planning and Performance

The positive relationship between strategic planning and performance with different dimensions of strategic planning and different measurement of performance can be seen in the Table 3.1 and Table 3.2.

Table 3.1
The Positive Relationship Between Strategic Planning and Firm Performance

Autors and Years	Firm Size	Strategic Planning Dimensions	Measurement of Performance	Findings
Schwenk and Shrader (1993)	Small firm (Meta-Analysis)	Use of external assistance Use of sophisticated strategic planning Use of planning formality	Sales growth and Return on Assets	The positive relationship between strategic planning and performance
Suklev and Debarliev (2012)	Small, Medium and large firms	Formality The use of techniques Management participation Employee participation Barries to Implementation	Market share, Return on investment, customer, satisfaction, Employee satisfaction, Employee retention, Shareholder satisfaction	Strategic planning can generally contribute to performance
Aldehayyat and Twaissi, 2011		Attention to internal and external aspects, Use of techniques, Functional coverage, Involvement of the key personnel	Competitive positions, Efficiency of operations, Return on assets,Growth rate Overall financial performance	Positive relationship between strategic planning and firm performances
Kargar and Parnell (1996)	Small Business	Planning characteristics: Internal and external orientation Functional integration Resources for strategy	Satisfaction with financial outcome organizational creativity in planning	Satisfaction with financial outcome organizational creativity in planning
Miller and Cardinal (1994)	Small banks (Meta-analysis)	Planning techniques A focus on control Strategic planning	Growth Profitability	Positive relationship between strategic planning and planning satisfaction effectiveness

3.4.2 Negative Relationship between Strategic Planning and Performance

Table 3.2
The Negative/Weak Relationship Between Strategic Planning and Firm Performance

Autors and Years	Firm Size	Strategic Planning Dimensions	Measurement of Performance	Findings
Fakshaw, Glaister and Tatoglu, 2006	Large firms	Formal planning process	Growth in profits, Growth in sales volume, Growth in market share, After tax return on total sales, Ratio of total sales to total assets, Overall performance/success	No relationship between formal strategic planning and financial performance
Yusuf and Saffu, 2005	Small Firms	Strategic planning sophistication	Growth in sales Market share Overall profitability	Exluding in the manufacturing sector, the study shows firms that do not necessarily experience increased performance
Gica and Negrusa (2011)	SMEs	Mission, objectives, external analysis, internal analysis, implementation, control & evaluation, overall strategic planning, and overall planning	Objectives achievement level, level of perceived performance in 2008 compare with 2007, number of employees dynamics, overall performance.	The result did not confirm the positive relationship between overall strategic planning and overall performance.
Risseeuw and Masurel (1994)	Small firms	Planning intensity	The ratio of total sales and total employment	A weak relationship between planning and performance

3.5 Development of Hypotheses

The relationship between strategic planning and performance has been examined in the previous studies. Aldehayyat and Twaissi (2011) in their study on strategic planning and performance relationship in business firms found a positive and significant relationship between strategic planning and performance in Middle East countries context. Still, a study by Skrt and Antoncic (2004) showed that strategic planning had been considered as an important aspect to encourage firm growth. The study by O'Regan, Sims and Gallear (2007) furthermore revealed that strategic planning posed positive associations with overall corporate performance manufacturing SMEs.

3.5.1 The Relationship between Formality of Strategic Planning on Performance

Formality is one of the key dimensions of strategic planning (Kraus et al., 2006). It refers to the organization's mission, objectives, strategies and policies (Wheelen & Hunger, 2010). The importance of the strategic planning for the organization is suggested by O'Regan and Ghobadian (2002). They said that the firms which have better achievement of performance employ strategic planning. However, majority of the previous researchers confirmed the relationship between strategic planning and performance, only a few researchers found no relationship.

Glaister et al. (2008) noted that the result of their studies could confirm their hypotheses which prove the positive relationship between formal planning and the companies' performance. Meanwhile, Lyles, et al (1993) revealed that small

companies employing more formal strategic planning will lead to a better quality of their strategic decision and also a wider range of strategic alternative which is believed to increase the level of growth and profitability.

Kraus et al., (2006) in their study on smaller enterprises showed that formality of strategic planning has a positive and significant impact on employee‘s growth as a measurement of small firms' performance. The importance of formal strategic planning shown by Castrogiovanni (1996) and Delmar and Shane (2003) confirmed that formal strategic planning assist the new small businesses to have better to be surviving. Again, Veskaisri (2007) conducted research in Thailand to investigate the relationship between strategic planning and SMEs growth. This research confirmed that there is significant correlation between strategic planning and growth of SMEs. It means that practicing successful formal planning will enhance SMEs growth.

Schwenk and Shrader (1993) demonstrated the positive and significant relationship between formal planning and the business performance. The recent study by Suklev and Debaliev (2012) who conducted the comparative study amongst Macedonia, Turkey and Jordan suggest the significant and positive relationship between strategic planning and performance even though they employed different methodology to examine its relationship.

The above evidence show that there is a relationship between the formality of strategic planning and performance. It is as suggested in the strategic management literatures that there is a positive link between strategic planning and performance (Greenley, 1994). Hence, this current study proposes the following hypothesis.

Hypothesis 1: There is a positive and significant relationship between the formality of strategic planning and performance of MEs.

3.5.2 The Relationship Between the Tools of Strategic Planning on Performance

Many of the prior research studies on relationship between use of tools of strategic planning, whether in large company or small one. The researchers show unclear relationship. Even though most of them suggest positive and significant relationship (e.g. Suclev & Debarlieve, 2012; Rue & Ibrahim, 1998; Ramanujam et al., 1986), other researchers did not confirm a positive relationship between strategic planning and performance (e.g. Kraus et al., 2006).

Strategic planning tools are believed to be able to increase the efficiency and effectiveness of the strategic plan (Kraus, et al., 2006 and Rue & Ibrahim, 1998). Some of the previous researchers agree that strategic planning tools/techniques can lead a better performance of the organization. Aldehayyat and Khattab (2013) conduct the research on strategic planning and organizational effectiveness support that using strategic planning tools/techniques helps increase the effectiveness. Therefore, this study proposes this following hypothesis:

Hypothesis 2: There is a positive and significant relationship between tools of strategic planning on performance of MEs.

3.5.3 The Relationship Between Employee Participation and Performance

Collier et al., (2004) stated that the involvement of employees on the strategic process can contribute to the effectiveness of strategy development and hence, will enhance the efficiency of its implementation. In addition, Phillips and Moutinho (1999) urged that the participation of the employees will enable them to feel the sense of belonging to the strategic planning and enhance their commitment which leads to improve the organization performance. So, it is highly relevant to study employee‘s participation in strategic planning. The participation of employees in the strategic planning process will lead to increasing of their understanding of the organization‘s objectives and also will drive emotional effects such as feeling of belonging or greater sense of organizational recognition (Ketokivi & Castañer, 2004).

The previous study by Wooldridge and Floyd (1990) proposed a role of consensus in the development of personnel to strategy implementation. A further study by Suclev and Debarliev (2012) found that participation of employees in the strategic planning process will improve the strategic planning effectiveness. It is worth pointing out that MEs requires employees in the participative strategic planning in order to enhance their commitment to develop and implement the strategy and then lead to better performance of MEs. On the basis of this, this study suggests the following hypothesis:

Hypothesis 3: There is a positive and significant relationship between employee participation on performance of MEs.

3.5.4 The Relationship Between Time Horizon and Performance

Another aspect of key strategic planning is the time horizon (Kraus et al., 2006). According to Judge and Speitzfadem (in Aldehayyat, 2011) even though time horizon is a crucial factor, but it is a neglected area of research in the strategic management literature.

A study conducted by Mitchelmore and Rowley (2013) on growth and planning strategies within women-led SMEs shows that entrepreneur which employed longer planning horizon, would be able to achieve better performance. By considering the result of the study, they recommended to lengthen the time horizon of planning in order to achieve better performance, especially for female entrepreneurs.

Prior studies on the effect of long range planning on performance of the business believes that the differences between businesses with good performance and those with poor performance can be determined by conducting longer time horizon. Businesses conducting longer time horizon will have better performance rather than the businesses employing short time horizon (Orpen, 1985). Furthermore, the research by Stonehouse and Pemberton (2002) also supported that planning horizon has impact on performance of SMEs. They revealed that SMEs which focus on short term planning might be determining factor causing failure. In addition, the study by Smith (1998) also found a positive relationship between time horizon of strategic planning and performance. Hence, this study hypothesizes as follows:

Hypothesis 4: There is a positive and significant relationship between time horizon and MEs performance

3.5.5 The Relationship Between Control Of Strategic Planning and Performance

Even though control is one of the key aspects of strategic planning (Kraus et al., 2006) and already a common knowledge that it can achieve the maximum result, the effectiveness of control is needed. But, only little concern has been given to control of planning and their effect on performance (Wijewardena et al., 2004).

Kraus et al., (2006) tried to examine the frequency control of planning on successful small enterprises. However, their study did not confirm contribution control of planning on performance of small enterprises. In contrast, study in Sri Lanka by Wijewardena et al., (2004) found that firms which engage control processes have better performance, especially on sales rates. While another study by Gica and Negrusa (2011) in Romania showed that even though the finding did not support overall strategic planning indicator relationship with overall organizational performance, there partially is a positive correlation between control and evaluation and higher level of SMEs performance.

Hence, this study tries to prove that control planning may lead to better performance of MEs and proposes the following hypothesis:

Hypothesis 5: There is a positive relationship between control of strategic planning on MEs performance.

3.5.6 The Relationship Between Strategic Planning and Performance

In order to examine the effect of all dimensions simultaneously, so-called strategic planning, on the performance of MEs and regarding to the significant and positive relationship between strategic planning and performance in the past studies, this study proposes the following hypothesis:

Hypothesis 6: There is a positive and significant relationship between the strategic planning and performance of MEs.

3.5.7 The Relationship Between Strategic Planning, Innovativeness in Implementing Strategies and Performance

Nowadays, creativity and innovativeness that are needed in order to increase the ability of the organization to achieve planning objectives (Higgins & Morgan, 2000). In the literature of relationship between strategic and innovativeness have been investigated by some researchers, such as Droge et al., (2008); Tajeddini, Trueman and Larsen (2006); Craig, Dibrell and Garret (2014); Lee et al., (2014).

Study on the relationship between family culture, flexible planning systems, innovativeness and firm performance in family businesses SMEs in the US food processing industry and confirmed that there was positive relationship between the two, flexibility of planning system and firm innovativeness (Craig, et al., 2014). Moreover, Lee et al., (2014) in their study in 374 SMEs in Korea found that strategic orientation significantly impact on the firm innovativeness.

In a recent study, scholars have investigated the relationship between strategic planning and its flexibility toward innovativeness and the result shows that there is positive and significant relationship between strategic planning and flexibility and innovativeness (Dibrel, et al., 2014).

In terms of the relationship between innovativeness and firm performance have been widely investigated and it has positive relationship (Hatak, Kautonen, Fink, & Kansikas, 2016). For example, study by Tajeddini (2016) which conducted study in public organization in Iran among 127 CEOs, planning managers, finance managers, human resources managers and marketing managers and highlighted that innovativeness leads to better performance.

An attempt to understand the relationship between innovativeness and performance outcomes, Rubera and Kirca (2012) conducted the meta-analysis on these two variables. This study is in line with previous studies that have found innovativeness to have positive impact on the performance.

Others study, Tsai and Yang (2013) which examined whether market turbulence and competitive intensity moderate the relationship between firm innovativeness and business performance on the perspective of contingency theory. Their research suggested that the effect of firm innovativeness and business performance is positive and significant. Subsequently, the moderating role of both market turbulence and competitive intensity was confirmed in this study.

Hoq and Ha (2009) studied the antecedent of innovativeness and its impact on performance of SMEs in Bangladesh. In their study, 1200 questionnaires were mailed and 321 of them were completed, which the response rate 26%. The result of empirical investigation shows that innovativeness as a key factor to achieve better performance in SMEs.

Rhee, Park and Lee (2010) investigated drivers of innovativeness and performance for innovative which learning orientation as mediating variable in South Korea and this research reveal with the finding that innovativeness significantly effect on SMEs performance.

As stated earlier that the role of mediating or moderating variable is needed in the relationship between strategic planning and performance to overcome the issue of inconsistency in the prior investigates. Within this study, innovativeness proposed as the mediator variable in the relationship strategic planning and performance. In the most of the prior studies prove that innovativeness mediate the relationship between strategy and performance, e.g. Dibrell et al., (2014); Lee, et al., (2014); Droge et al., (2008); Han et al., (1998).

A study conducted by Lee et al., (2014) statistically confirmed the role of innovativeness as mediator between four dimensions of strategic orientation (technology, entrepreneurial, market and learning orientation) and performance of SMEs in Korea.

An attempt to measure the mediating effect of innovativeness between strategic orientation and new product success have been investigated by Droge et al., (2008) in 202 small firms and they proved that innovativeness positively mediate the relationship between the two, strategic orientation and new product success.

Also Han et al., (1998) suggested that innovativeness has a significant role as mediator on the relationship between strategic orientation (customer orientation, competitor orientation and interfunctional coordination) and organizational performance in the 134 banks in the U.S.

Furthermore, Dibrell et al., (2014) investigated the relationship between formal strategic planning, planning flexibility, innovativeness and firm performance. That study has been conducted in the 448 multi-industry firm, such as natural resources, manufacturing, and financial services in the United States and its showed that the relationship between formal strategic planning and firm performance fully mediated by innovativeness.

Following the steps of Baron and Kenny (1986) in order to understand the role of mediating variable, which there should be a positive and significant relationship between independent variable and dependent variable, between independent variable and mediating variable and also between mediating variable and dependent variable. Since, in the previous study confirmed that these relationships were positive and significant, hence this study assumes the following hypothesis:

Hypothesis 7: There is a mediating effect of innovativeness in implementing strategies on strategic planning and MEs performance relationship.

3.5.8 The Moderating Effect of Environmental Uncertainty on Strategic Planning and Performance Relationship

Previous studies suggested that there is a moderating factor of external environmental between strategic planning dimensions and organizational performance (Greenley & Foxall, 1997). Some of the scholars, such as Prescott (1986); Brew & Hunt (1999); Yusuf & Nyomori, 2002; Pelham, 1999; Lee & Miller, 1996, Miller (1988) suggested that environment plays as a moderating factor between strategic planning and performance of the organization.

A study conducted by Falshaw et al., (2006) shows that the strategic planning formality increases as environmental turbulence increases. Glaister et al. (2008) indicated that there was a positive correlation between planning and performance and might be stronger in a turbulent environment. Meanwhile, Fredrickson (1984) and Fredrickson and Mitchell (1984) noted that formal strategic planning is beneficial in stable environments and harmful in dynamic environments. On the other hand, Miller and Friesen (1983), Eisenhardt (1989) and Judge and Miller (1991) found that formal/rational planning leads to higher performance in dynamic environments. In addition, study by Lee and Miller (1996) also concluded that the fit between strategy and the environment have related to performance. Hence, this study proposes the following hypothesis.

Hypothesis 8: There is a moderating effect of environmental uncertainty on strategic planning and MEs performance relationship.

3.6 Summary of Chapter

This chapter presented framework of the study and underpinning theories explaining its framework. This study uses the contingency theory as underpinning theory and the system theory, since contingency theory believes that there is no one best way to manage and the system theory believes that strategic planning, innovativeness in implementing strategies, and MEs performance as a system. The organization should adapt to the environment to survive. This chapter also discussed the previous research on strategic planning and its relationship with performance, and finally ends with the hypotheses of study.

CHAPTER FOUR

METHODOLOGY

4.1 Introduction

This chapter discusses related studies with regard to research methodology. It begins with the introduction in section 4.1, followed by section 4.2 which discusses about research design, time dimension of the study, research design strategies and unit analysis. Furthermore, section 4.3 consists of population and sampling method, while section 4.4 presents data collection. The questionnaire design is shown in section 4.5, and under section 4.6 method of data analysis discussed. Lastly, section 4.7 presents the summary of the chapter.

4.2 Research Design

A research design provides a framework which guides the researcher in the data collection and data gathering. The main objective of this study is to examine the relationship between strategic planning and MEs performance, the mediating effect of innovativeness in implementing strategies and the moderating role of environmental uncertainty on its relationship. A quantitative approach is used in this study in order to answer the research questions. According to Creswell (2009), quantitative approach has the following characteristics: pre-determined, instrument based questions, performance data, attitude data, observational data, and census data, statistical analysis and statistical interpretation. Moreover, in the quantitative research, some factors (e. g. freedom from bias, freedom from confounding, control extraneous

variables and using statistical precision for testing hypothesis) are important to consider to ensure that the study has a good research design (Wiersma & Jurs, 2005).

This study employed descriptive study and correlational study. Descriptive research concern on characteristics of a population or phenomenon (Zikmund, 2000). While, correlational study explains the nature of relationships among the variables within the study (Sekaran, 2003). These 2 (two) designs are suitable in this study since this study examined the relationship between strategic planning, innovativeness in implementing strategies, environmental uncertainty and performance. Descriptive study describes the characteristic of the respondent and their organization. Whereas correlational study is employed, since it intended to investigate the relationship between variables in this study.

4.2.1 Purpose of The Research

The main purpose of this study is to investigate the relationship between strategic planning and MEs performance. In this study, elements of strategic planning, namely formality, tools of strategic planning, employee participation, time horizon and control are considered to be independent variable, innovativeness in implementing strategies is considered as mediating variable, yet the environmental uncertainty is categorized as moderating variable. This study is carried out to determine the relationship between each independent variable and MEs performance as well as the simultaneous effect of mediating variable and effects of moderating variable on strategic planning and MEs performance relationship.

4.2.2 Time Dimension of The Study

There are two available options with regard to the time frame of the study; longitudinal study and cross-sectional study. Longitudinal study is a study design which involves collection of data at different point of time (Babbie, 2010). But, cross-sectional design of the study involves data collection, which is held only once during the research to fulfill the objectives of the study (Cavana, Delahaye, & Sekaran, 2001). This study employs cross-sectional study, considering that it falls into correlational study and not as the cause and effect study. Cross-sectional study is therefore adequate to employ in this study, by which the gathering data are only taken at one point of time (Babbie, 2010).

4.2.3 Research Design Strategies

A survey method is attempted to describe the phenomena or to learn the reasons for any particular activity (Zikmund, 1994). Subsequently, a survey method allows the researcher to collect data from many respondents, measure many variables and test multiple hypotheses (Neuman, 2006). This research therefore is employed a survey method, for a reason that the method is also commonly used.

4.2.4 Unit of Analysis

According to Sekaran (2003), research question determines the unit of analysis. Neuman (2006) mentioned that unit analysis is a type of unit a researcher uses when measuring the variables. It means that it is used to explain the units themselves and

problems in the study. The main problem with this study is related to the strategic planning in the MEs context. Hence, the unit analysis was the firms. In order to collect the data, the target respondents are the owners or managers of the MEs. They are chosen with consideration of their important role plays in the strategic planning process and its execution. In the past studies, some researchers also considered owners or managers of SMEs as a respondent, such as: Gica and Negrusa (2011); Najib and Kiminami (2011); Veskaisri (2007); Okpara (2011).

4.3 Population and Sample Method

The population refers to a whole group of the people or organization that are of interest to the researcher (Sekaran, 2003). Creswell (2009) stated that a research population is composed of a group of individuals who share similar characteristics. The definition of MEs in this study is the firms which have employees 20 – 99 workers and/or total assets from Rp500 million (USD 37,625.15) up to Rp10 billion (USD 752.503). The population of this study is MEs manufacturing sector in Aceh, Indonesia. This study focuses on MEs manufacturing because the government policy will be focusing on this sector, especially in outside of Java island. The target population is 188 companies from all manufacturing sectors in Aceh Province.

The population of the study is 188 and by using a table of determination sample of Krejcie and Morgan (1970), the total number of sample for this study was 127. Hence 127 respondents were randomly selected from the list of the population. Simple random sampling was selected to gather data from the respondents by considering that

all the population has the same opportunities to be selected. The list of population was keyed-in into Microsoft Excel and sample was selected randomly.

4.4 Data Collection

In collecting the data, this study employs a quantitative approach which uses a questionnaire. There are several kinds of questionnaires, such as mail questionnaire, personally administered questionnaires, electronic questionnaires, personal or face to face interviews and telephone interviews (Sekaran, 2003). Even though mail questionnaire is seen to be effective and efficient, this study employed self-administered questionnaires. The researcher delivers the questionnaire to the respondents along with the explanation on how they can fill it. This approach has advantage of which the possibility to collect all the questionnaire can be done in short period of time and any doubts that respondents might have on any question can be clarified on the spot (Sekaran & Bougie, 2010). However, the researcher cannot avoid the disadvantage of it, such as time consuming. But above all, this method is chosen to avoid the misunderstanding among the respondents and to get a high response rate from the respondents.

4.5 Questionnaire Design

In developing the instrument, some previous studies in the strategic planning were reviewed to identify the tested measurement and to see its utilization in this study. The next step, back-to back translation is provided in order to avoid misunderstanding of the question. To this, the researcher was sent the questionnaire to an English

lecturer who knows Indonesian language. After that, the questionnaire was translated back to English by another English lecturer. This method had to be done because most of the respondents are non English-speaking people.

This instrument is developed in order to collect the data through the questionnaire. The questionnaire was prepared to collect these following information:

(i) Companies‘ and owners/managers background information

(ii) Questions with regard to the perception of the respondents of the organizational performance

(iii) Questions with regard to the formality of the strategic planning in their organizations

(iv) Questions about the tools of the strategic planning they apply in their organizations

(v) Questions related to the participation of employees in their organizations

(vi) Questions associated with time time horizon that held in their organizations

(vii) Questions with regard to the control of planning in their organizations

(viii) Questions regarding the innovativeness in implementing strategies in their organizations

(ix) Questions related to the environmental uncertainty related to their organizations

The following sections present each construct and the items which were used in this study.

4.5.1 Performance Constructs

This study employed the subjective measures, by asking the perception of the owners/managers of MEs in order to measure the organizational performance. The literature has proven that only a few numbers of MEs keep their account report properly. This technique has been used many times in the previous research in order to get information regarding business performance (Love et al., 2002; Dess & Robinson, 1984; Ghobadian et al., 2008; Rosli et al., 2012; Haber & Reichel, 2005; Keh, Nguyen, & Ng, 2007), both in term of financial performance and non-financial performance. The items were adapted from some literature which carried out research in SMEs context from many countries. The 6 (six) scales were used from very low to very high. Table 4.1 shows the sources from which items were taken in order to measure MEs performance.

Table 4.1
Summary of Source Performance Measurement

Items measurement of Performance	Sources
Sales growth rate	Fening (2012); Rosli et al., (2012); wolff and Pett (2006); Kohtamaki, et al (2012); Yusuf and Saffu (2005); Sarason and Tegarden (2003); Greenley and Foxall (1997).
Return on investment (ROI)	Suclev and Debarliev (2012); Greenley and Foxall (1997)
Return on asset (ROA)	Rosli et al., (2012); Wolff and Pett (2006); Kohtamaki, et al (2012)
Market Share	Rosli et al., (2012); Suclev and Debarliev (2012); Yusuf and Saffu (2005); Yusuf and Nyomori (2002); Fening (2012); Avci et al., (2011)
Employees Satisfaction	Suclev and Debarliev (2012); Avci et al., (2011); Köseoglu et al., (2013)

Table 4.1 (Continued)

Customer Satisfaction	Fening (2012); Rosli et al., (2012); Suclev and Debarliev (2012); Avci et al., (2011)
Improvement Images	Avci, et al (2011); Köseoglu et al., (2013)

4.5.2 Formality Constructs

Formality can be defined as 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 (Armstrong, 1982). The following six items were used to collect the data in term of formality of strategic planning. This study adapted six items which developed by Wood and Laforge (1981). Their study was conducted in bank sector in the U.S. and the six items had inter-rated reliability was above 0.80. These six items have been tested many times in the earlier studies in different sectors, such as the studies of Pearce, Robbins, and Robbinson (1987) which tested the items in the manufacturing sectors. In these studies, they conducted a pilot study before employing the items in their research. Furthermore, these six items also were also tested by Koufopoulos, Lagoudis and Pastra (2005) in a Greek shipping industry. The latest study done by Gkliatis and Koufopoulos (2013) employed six items in hospitality sector. To measure formality of strategic planning, 6 (six) scales, from very low to very high were used. This present study therefore employed the items as presented on the Table 4.2.

Table 4.2
The Questions on Formality

Our firm has a short-range profit plan
Our firm has such a planning process that the final plans are acceptable by those responsible for their attainment.
There is a person or group whose prime responsibility is to coordinate a firm-wide strategy effort.
The firm owner/manager has developed a climate in the firm, which supports the planning effort.
The firm owner/manager has developed a formal statement of what business the firm is in or wants to be in.
The firm‘s plans are used to judge managerial performance

4.5.3 Tools of Strategic Planning Construct

The definition of strategic planning tools in this study refers to what kinds of tools used by MEs in order to assist owners/managers making decisions. In terms of measuring tools of strategic planning, this study was adopted the study of Kraus et al., (2006) and Frost (2003). SWOT, an analysis of financial and environmental data are suitable to use in the small business context (Kraus, et al., 2006). In addition, the study by Frost (2003) found that strategic tools of SWOT analysis, PEST and budgeting have dominated in the SMEs. The rest of the strategic tools have been as 6 (six) most usage by SMEs in the some countries, such as Malaysia and Singapore (Frost, 2003). Hussey (1997) claimed that ―there is no one right technique for all occasions, and the analyst‘s first task is to select approaches that are relevant and potentially helpful”. In order to measure the usage of tools in the MEs, 6 (six) scales

were employed from very low to very high. By combining these prior studies, this current study employed nine items in order to examine the use of strategic tools.

Table 4.3
The Questions on Tools of Strategic Planning

SWOT analysis (Kraus et al., 2006 and Frost, 2003)
Financial ratio (Kraus et al., 2005)
Competitor analysis (Frost, 2003)
PEST (Frost, 2003; Kalkan & Bozkurt, 2013)
Budgeting (Frost, 2003)
Benchmarking (Frost, 2003; Kalkan & Bozkurt, 2013)
Cost-benefit analysis (Frost, 2003)
Focus group (Clark, 1997; Frost, 2003)
Forecasting (Clark, 1997; Frost, 2003)

4.5.4 Employee Participation

In order to measure employee participation in strategic planning, this study employed Philip and Moutinho‘s items of employee participation. Philip and Moutinho (2000) conducted lists of strategic index, which consider that employee participation is important for the strategic planning effectiveness. The latest study conducted by Suklev and Debarliev (2012) following the Philip and Moutinho (2000) used four indicators of employee participation in strategic planning. Their study showed that Cronbach‘s alpha was 0.781. The degree of participation of employee within strategic planning was asked by 6 (six) scales from very low to very high. Hence this current

study also test following items in order to measure the employee participation in strategic planning.

Table 4.4
The Questions on Employee Participation

Use of knowledge from different functions within the firms
Use of experience from different functions within the firms
Use of knowledge from different levels of staff
Use of experience from different levels of staff
Use of variety of motivational factors to encourage good planning
Assigning implementation responsibilities to specified individuals/groups
Seeking commitment to the long-range plan

4.5.6 Time Horizon

Regarding the measurement of time horizon of the strategic planning, this study used Barringer and Bluedorn (1999) formula which developed a four-item multipart scale. The scale asks respondents to assess the degree of emphasis of their firm places on business strategy for each of the following predetermined time period by using 6 (six) scales from very low to very high. This measurement has Cronbach‘s alpha 0.90, hence it is appropriate to employ it in this current study.

Table 4.5
The Questions on Time Horizon

Less than 1 year
1 to 3 years
3 to 5 years
More than 5 years

4.5.7 Control of Strategic Planning

In order to measure control of strategic planning, this study employed the items used by Stewart (2003) and Richardson (1986, cited in Stewart). Stewart (2003) employed questionnaire which was developed by Richardson (1986) on large companies. However, Stewart (2003) chose Richardson questionnaire by the following consideration:

(i) Its clarity and concise incorporation of critical steps in the strategic planning process for survey purposes

(ii) The opportunity to apply it to a different population to determine if the results he found with large businesses might also be applicable to small firms.

In his study on small businesses, Stewart (2003) conducted a pilot study and found that Cronbach‘s alpha for control of strategic planning is 0.763. This study also employed the items as proposed by Richardson (1986) and Stewart (2003) which were employed on both large and small businesses. To measure this variable, 6 (six) scales were employed, by using very low and very high the level of agreement on control strategic planning.

Table 4.6
The Questions on Control of Strategic Planning

Review and evaluation are important in our strategic planning process
There is continuous review and evaluation of the strategic plan
The long-term impacts of organizational strength and weakness are evaluated
There is wide participation by management in the review and evaluation of strategic plans
Budgets for strategic plans are developed
Our organization has formal procedures for reviewing and evaluating strategies

4.5.8 Innovativeness in Implementing Strategies

Regarding to the definition of innovativeness in implementing strategies, this study follows the definition which developed by Ruvio et al., (2014). Innovativeness in implementing strategies is defined as the ability of organization to generate ideas and innovative, continually over the time in implementing strategies. This variable was measured by asking the respondent these 13 following items which adapt from work Ruvio et al., (2014) which was conducted in 3 (three) countries, such as Israel (reliability in ranged 0.82 to 0.88), Norway (reliability in ranged 0.79 – 0.86) and Spain (reliability in ranged 0.80 to 0.89). 6 (six) scale was used in order to measure this variable by asking the level of innovativeness in implementing strategies which the ranged of scale is from very low to very high.

Table 4.7
The Questions on Innovativeness in Implementing Strategies Construct

In our firm, creatively in implementing strategic is encouraged
In our firm, managers are encouraged to use original approaches when dealing with implementation of strategies in the workplace.
In our firm is open and responsive to changes in the implementation of strategies
In our firm, managers are always searching for fresh and new ways of looking at implementation of strategies
Our firm, establishes a realistic set of future goals to be implemented for itself.
Our firm effectively ensures that all managers and employees share the same vision to be implemented in the future.
Our firm conveys a clear sense of future direction to employees
Our firm has a realistic vision of the future to be implemented for all departments and employees
Our firm believes that higher risk is worth taking in the implementation of strategies for high payoff
Our firm encourages innovation in the implementation of strategies, knowing well that some will fail.
Our firm like to take big risks in implementation of strategies
In our firm, managers are constantly seeking new opportunities in the implementation of strategies for the firm.
In our firm, managers take the initiative in an effort to find ways to successfully implement strategies.

4.5.9 Environmental Uncertainty

In order to measure the environmental uncertainty, this study adapted the items which were tested by Swamidass and Newell (1987) which these items were developed

based on combining work of Duncan (1972) and Bourgeois (1978) and the reliability of its instrument was 0.69 – 0.88. Downey and Slocum (1975) suggested that instrument on uncertainty which developed by Duncan is one of the instruments have had accepted widespread. The instrument which developed by Swamidass & Newell (1987) have been tested in the manufacturing sector by Pagell and Krause (1999, 2002) and Cegielski, Allison Jones-Farmer, Wu, and Hazen (2012). Hence, this present study will adapt the following 7 items in term of environmental uncertainty from Swamidass & Newell (1987) by using 6 (six) scales from very low to very high.

Table 4.8
The Questions on Environmental Uncertainty Construct

Actual users of our product
Competitors for our supply of raw materials and parts
Competitors for our customers
Government regulations controlling our industry
The public's political views and attitudes towards our industry
Our relation with trade unions

4.5.9 Measurement scale

The reason why this study employed Likert-like scale measurement is because the scale is easy to construct, has intuitive appeal, adaptability and usually good reliability (Babbie, 1990). This study employed 6 (six) point Likert scales and thus respondents chose the answer among the given options.

The option was given in the questionnaire was same among the variable, such as, very low and very high. However, the directions were given in accordance with the context of each variable. However, in this study the midpoint option was excluded, such as undecided, neither agree or disagree, and neutral position. The midpoint on the Likert scale can be selected by respondents‘ desires to please researcher because they do not want to give answers that are not desirable (Garland, 1991).

Prior studies showed that compared to other points, six points were the most reliable (Birkett, 1986). This is as recommended by Tang, Shaw, and Vevea (1999) who mention that ―the use of six-to seven-points scales for relevance evaluation, because the statistical analysis of this study indicated that participants expressed the optimal level of confidence in their extreme judgements when these two scales were applied". Some previous studies on SMEs context have also used six-point Likert scale (e.g. Aziz & Yasin, 2010; Norman & Yasin, 2013; Wong & Aspinwall, 2005; Maldonado-Guzmán, González-Campo, & Galvez-Albarracín, 2012).

4.5.10 Reliability and Validity of the Instrument

Cooper and Schindler (2008) mentioned that there are three major criteria for evaluating a measurement tool, namely validity, reliability and practicality. Reliability is a measurement that demonstrates the stability and accuracy of measurement tools to measure a concept (Sekaran, 2003). In this study, the indication of good reliability was used in ranges from 0.6-0.9 and above of Cronbach‘s alpha, as follow Hair et al., (2010) which suggested 0.60 as a lower level of acceptability value.

On the other hand, this study employed validity tests in order to test the goodness of measures (Sekaran, 2003). Validity is a term describing a measure that accurately reflects the concept, it is intended to measure (Babbie, 2010). In simple words, validity measures what it has to measure. This study will test both content validity and construct validity. Content validity refers to ~~"d~~egree to which the content of the items adequately represents the universe of all relevant items under study" (Cooper & Schindler, 2003, p. 233). The quite similar to Cooper and Schindler (2003), Neuman (2006) defined content validity as the degree to which scale items are suitable for the concept study. This validity has been established by doing a literature review and by asking the expert to ensure the validity of the instruments.

In addition, construct validity employed within this study. The construct validity refers to the degree to which a measure relates to other variables as expected within a system of theoretical relationship (Babbie, 2010). Within this study, the construct validity can be shown by Kaiser-Meyer (KMO) index of sampling adequacy and Barlett's test and have been done factor analysis.

4.5.11 Pilot Study

Based on Neuman (2006), a pilot study is important because it improves the questionnaire. For the pilot test purposes, 25 (twenty five) questionnaires were distributed to the MEs in Aceh. The 25 (twenty five) respondents were considered sufficient for the pilot test. This is as supported by Converse and Presser (1986) who claim that the respondents of 25-75 are appropriate for a pilot study. The objectives of

the pilot study in this research are to measure the reliability and the content validity of the instrument.

This pilot study was carried out using sample random sampling in 25 medium sized enterprises in Aceh Province in September 2015. This effort should to be done in order to make sure that the instruments were understandable enough by the respondents. From this pilot test based on 25 MEs, the owners/managers of these firms required to complete all the questions on strategic planning (formality, tools of planning, employee participation, time horizon, control), Innovativeness in implementing strategies, environmental uncertainty and performance. It has been conducted internal consistency by measuring Cronbach's alpha. In the following table is presented the number of Cronbach's alpha for each variable.

Table 4.9
Pilot Test (N=25)

No	Variables	Number of items	Cronbach's alpha
1	Formality	6	.897
2	Tools of Strategic planning	9	.925
3	Employee Participation	7	.921
4	Time Horizon	4	.671
5	Control	6	.896
6	Environmental Uncertainty	6	.742
7	Innovativeness in Implementing strategies	13	.891
8	Performance	7	.878

Based on the table above, it can be seen that the value of Cronbach alpha for each variables are more than 0.60 (Hair et al., 2010). Meaning that, all the variables were reliable enough to measure in this study.

4.6 Method of Data Analysis.

In order to answer the research questions raised in this study, several methods were used to analyze the collected data. In terms of checking the abnormalities, data screening and data cleaning used. In addition, the data were analyzed by using descriptive statistics such as a percentage of the education level of firm owners/managers, and the percentage of female or male.

This study employed Pearson correlation with regards to the relationship between independent variable (formality, tools of strategic planning, employee participation, time horizon, control of planning) and performance of MEs. The correlation analysis indicates the direction, strength, and significance of the bivariate relationships of the study variables (Sekaran, 2003). The association enables the reader to understand whether there is any relationship between these variables, as previous studies have been conducted Pearsion correlation in order to examine the relationship between the dimensions of strategic planning and performance (Gica & Negrusa, 2011; Aldehayyat & Khattab, 2013). The correlation analysis was used in order to answer the first till the fifth research questions.

While regression analysis is used to test how much performance of MEs can explained by strategic planning. Regression helps understand how much of the variance in the dependent variable is explained by the independent variable (Sekaran, 2003). This simple regression answers the sixth research question which measure the effect of strategic planning toward performance of MEs.

In this study, innovativeness in implementing strategic planning was treated as mediating variable and environmental uncertainty was considered as the moderating variable. From the previous study, innovativeness has been recommended to mediate the relationship between strategic planning and performance and also environmental uncertainty was suggested to moderate the relationship between strategic planning and performance.

To answer the seventh research questions which measure the mediating effect of innovativeness in implementing strategies in the relationship between strategic planning and MEs performance, four (4) methods are employed, namely, Baron and Kenny (1986), MedGraph program by using excel version, Sobel Test and Kock Mediation test also by using excel version. Regarding mediating test as suggested by Baron and Kenny (1986), have to test the independent variable should have a relationship with the dependent variable, which is should have a direct relationship (the relationship between strategic planning and performance). The second step, the direct relationship between independent variable and mediator variable (the relationship between strategic planning and innovativeness in implementing strategies), the third step, the mediator variable should have a relationship with the dependent variable (the relationship between innovativeness and performance). And the last step is to test the independent variable and mediator variable with the dependent variable in the single test (the relationship between strategic planning, innovativeness in implementing strategic and performance). The approach has been used by previous study on strategic planning and performance relationship, such as Dibrell et al., (2014) and Rudd et al., (2008).

The next method in order to measure the mediating effect is MedGraph program. This program have been employed in the prior study to measure the mediating effect (Mafabi, Mukene & Ntayi, 2012, Kamukama & Natamba, 2013). Initially, this program is built by Jose (2006) which based on Baron and Kenny (1986), Brambor, Clark and Golder (2002) and Field (2006).

Within this study, Sobel test was used to measure the mediating effect of strategic planning, innovativeness in implementing strategies toward performance. This Sobel test was introduced by Preacher and Hayes (2004) and is one of the statistical approaches that provides additional detail in terms of mediation investigation. Sobel test was done by comparing the strengths of the indirect effect of independent variable (strategic planning) toward dependent variable (MEs Performance). This explanation can be seen in the Figure 4.1 as adopt from Preacher and Hayes (2004) as below:

Diagram 1

Diagram 2

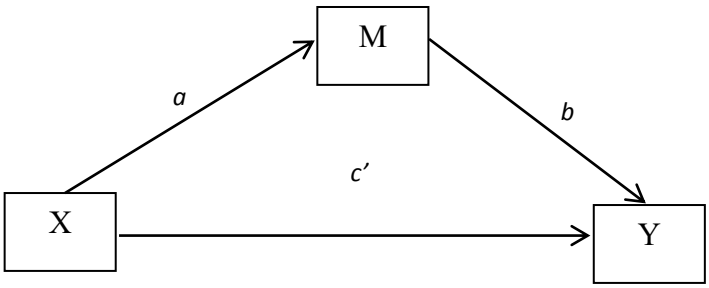


Figure 4.1
Illustration of Mediator Variable
Adopt from Preacher and Hayes (2004): Diagram 1 illustrate the direct effect of the independent variable to the dependent variable and diagram 2 illustrate the indirect effect of the independent variable to the dependent variable through mediator variable

The last approach regarding mediator investigation is by using the Kock mediation test. This method is used to confirm that mediation role of innovativeness in the relationship between strategic planning and MEs performance. To examine this mediation effect, the Kock mediation test was conducted by using this following formula:

$$T = \frac{a \times b}{S(a \times b)}$$

Where:

a is the value of the relationship between independent variable and moderating variable.

b is the value of the relationship between moderating variable and independent variable.

S is the value of standard deviation a and b.

T is the coefficient significance level.

This study employed hierarchical regression analysis in order to test on the moderators, as the eighth research question of the study. This hierarchical regression analysis have been used such as by Pelham (1999) and Becherer and Maurer (1997). The hierarchical regression analysis is used in order to identify the moderating effect as it has been suggested by Cohen, Cohen, West and Aiken (2003) and Chaplin (1991). Meaning that, how the role of environmental uncertainty can moderate the relationship between strategic planning and MEs performance.

The table 4.10 presents the summary of the method of analysis which employ in this study.

Table 4.10
Method of Analysis

Research Question	Research Objective	Hypothesis	Analysis
What is the relationship between formality of strategic planning and MEs performance?	To examine the relationship between formality of strategic planning and MEs performance	There is a positive and significant relationship between the formality of strategic planning and performance of MEs.	Pearson correlation
What is the relationship between the tools of strategic planning and MEs performance?	To examine the relationship between the tools of strategic planning and MEs performance	There is a positive and significant relationship between the tools of strategic planning on performance of MEs.	Pearson correlation
What is the relationship between employee participation in strategic planning and MEs performance?	To examine the relationship between employee participation in strategic planning and MEs performance	There is a positive and significant relationship between employee participation on performance of MEs.	Pearson correlation
What is the relationship between time horizon of strategic planning and MEs performance?	To examine the relationship between time horizon of strategic planning and MEs performance	There is a positive and significant relationship between time horizon on MEs performance	Pearson correlation
What is the relationship between control of strategic planning and MEs performance?	To examine the relationship between control of strategic planning and MEs performance	There is a positive relationship between control of strategic planning on MEs performance	Pearson correlation
What is the relationship between strategic planning dimensions and MEs performance?	To examine the relationship between strategic planning dimensions toward MEs performance.	There is a positive and significant relationship between the strategic planning dimensions and performance of MEs.	Simple regression

Table 4.10 (Continued)

Does innovativeness in implementing strategies mediate the relationship between strategic planning and MEs performance?	To determine whether innovativeness in implementing strategies mediate the strategic planning and MEs performance relationship.	There is a mediating effect of innovativeness in implementing strategies on strategic planning and MEs performance relationship	Hierarchical Regression, MedGraph, Sobel Test, Kock Mediation Test
Does environmental uncertainty moderate the relationship between strategic planning and MEs performance?	To determine whether environmental uncertainty moderate the strategic planning and MEs performance relationship	There is a moderating effect of environmental uncertainty on strategic planning and MEs performance relationship.	Hierarchical Regression analysis

4.7 Summary of Chapter

This chapter discussed the methodology of the study. This research is a correlation study, which employed a survey method. In this study, the respondents were owners or managers of manufacturing MEs. Using the table of determination sample of Krejcie and Morgan (1970), 127 were a sample size of this study. Simple random sampling method is used to choose the sample. In order to gain good responses from the respondents, self-administered questionnaire was employed in this study. Moreover, in order to ensure that the instrument is appropriate for this study, validity and reliability test were conducted in this study.

CHAPTER FIVE

FINDINGS

5.1 Introduction

This chapter explains the findings of this study. There some sections in this chapter. Section 5.1 is the introduction of the chapter, then followed by response rate of study in section 5.2. In the section 5.3 describes the background of the respondents. Under section 5.4 is presented the factor analysis and the reliability of the instruments. The descriptive statistics of the variables of the study is presented in the section 5.5. Preparation of data for hypotheses, including normality, linearity, and multicollinearity assessment is elaborated under section 5.6. A further section discusses on correlation analysis of the study, which presented in the section 5.7 and followed by regression analysis in the section 5.8. In the last section is summary of the chapter.

5.2 Response Rate of the Study

As discussed in the previous chapter that the population and the sample within this study were the owners/managers of the MEs manufacturing sector in Aceh Indonesia. The data were collected by using questionnairew which were distributed in hand to the samples of this study. 127 of the questionnaire were distributed in January – April 2016. This consumed longer time because the researcher and the enumerators have to visit the respondent individually. During the data collection phase, most of the respondents were met personally by the researcher. However, for certain districts

which are geographically dispersed from the residence of the researcher, the enumerators were employed to distribute the questionnaires and collect them back. Within 4 (four) months, the number of collected questionnaires were 91 respondents. Though, the 91 of the samples achieves 71.65 percent of respondents rate and can be considered as an accepted percentage of response rate. It is reasonable since from the previous study in field of strategic management, especially in the study on strategic planning the response rate ranged from 12 % till 60%. Table 5.1 shows the response rate from the previous studies.

Table 5.1
Response Rate from Previous Studies

No	Autors	Tittles	Level of Response Rate
1	Dibrell e al., (2014)	Linking the formal strategic planning prosess, planning flexibility and innovtiveness to firm performance	Potential respondents 3351, 541 respondents were eliminated, received 599 response or 21.3 % (Multi-sector and incorporate all sized of companies in US) through mail questionnaires.
2	Rudd et al., (2008)	Strategic planning and performance: extending the debate	2300 questionnaire were distributed, however 366 respnses were received or 16 % (medium and large UK manufacturing companies) by mailing survey and give remainder postcart after 7 days mailing.
3	Kohtamaki et al., (2012)	The role of personel commitment to strategic planning and organizational learning within the relationship between strategic planning and company performance	Received 174 from information technology industry (SMEs) and 14 respond were excluded with the population was 1.283 companies, so the response rate was 12 % by web based and paper questionnaires.

Table 5.1 (Continued)

4	Suclev and Debarliv (2012)	Strategic planning effectiveness compeative analysis of Macedonian context.	The response rate was 60% or 212 questionnaires were collected from large, medium and small companies by post and by email.
5	Idar et al., (2012)	The effect market orientation as mediator to strategic planning practices and performance relationship: evidence from Malaysian SMEs.	From 2000 respondents, 356 or 17.8 % were giving their responses. All the questionnaires were send through mail to the SMEs.

5.3 Background of the Respondents

The characteristics of the respondents are described in this section. Their characteristics are divided into four aspects, starting by gender, the respondents' educational level, age of respondents and the age of the each company. Firstly, in this study, most of the respondents are male, which are 67 people (73.6 %) of the total sample and the rests are female, 24 people (26.4 %). From the education level of the respondents, most of them had a bachelor degree qualification (S1) which consist 42 people (46.2), followed by Senior high school qualification (SMA) 29 person (31.9%). Meanwhile, 12 (13.2%) of the respondents hold diploma degree. 5 (5.5%) of the respondents possess postgraduate level (master/doctoral). 3 (3.3%) graduated from junior high school (SMP). Looking at the age of respondents, the majority of the respondents; 38 people (41.8%) between 41 – 50 years old, followed by 31 – 40 years of age, which are 29 people (31.9%). The respondents who were less than 30 are 5 (5.5 %), while 3 (3.3%) are 60 years old and above. Regarding the age of the companies, most of the companies were more than 15 years old which consist of 40 companies (44%), 25 companies (27.5%) operated from 5 - 10 years, and followed by

15 companies (16.5%) which operated less than 5 years. Meanwhile, as many as 11 companies (12%) had been in operation from 11 – 15 years. The summary of the characteristics of the respondents can be seen in Table 5.2.

Table 5.2
Demographic Profile of Respndents

Demographic of Respondents		Frequency	Percentage (%)
Gender	Male	67	73.6
	Female	24	26.4
Education Level	Master/Doctorate	5	5.5
	Degree	42	46.2
	Diploma	12	13.2
	Senior High School	29	31.9
	Junior High School	3	3.3
Age	Below 30 years old	5	5.5
	31 – 40 years old	29	31.9
	41 – 50 years old	38	41.8
	51 – 60 years old	16	17.6
	60 and above years old	3	3.3
Age of Companies	Less than 5 Years	15	16.5
	5 – 10 Years	25	27.5
	11 – 15 years	11	12.0
	More than 15 years	40	44.0

5.4 Factor Analysis and Reliability Assesment

Before further analysis, the questionnaire involved needs to be verified through the validity and the reliability test. Factor analysis was conducted to test the construct validity of the instruments. Factor analysis is a method used to determine the accuracy of the items used in measuring a construct (Hair et al., 2010). Factor analysis will be ~~-d~~etermine what items or scales should be included on and excluded from a measure"

(Green & Salkind, 2004, p. 313). In order to determine the accuracy of all items and scales, factor analysis was done for independent variables, particularly, formality, tools of strategic planning, employee participation, time horizon, and control. Moderating variable is environmental uncertainty, mediating variable is innovativeness in implementing strategies and the last variable is dependent variable, namely the performance of MEs.

The purpose of the factor analysis is ~~to~~ identify small number of themes, dimensions, components or factors underlying a relatively large set of variables" (Meyers, et al., 2006, p. 465). By doing the factor analysis, the consistency of every single item will be determined from the standpoint of dimensions or factors it belongs.

Regarding the number of samples that are required to conduct factor analysis, Hair et al., (2010) suggested that it's preferable 100 or more sample size, however, more than 50 observations is still acceptable to carry out factor analysis. Hair et al., (2010) also recommended factor analysis would be able to conduct with 5 numbers of observations per variable. Within this study, the respondents were 91 (ninety one) which consider justifiable, since some of the earlier study also could be done with a small number of respondents (e. g. Noor, 2010).

Hair et al., (2010) recommended that the factor loadings were in the range 0.30 to 0.40 are considerably accepted, however value more than 0.50 are preferable (very significant). This study took the cut off point of 0.60 as the value of the factor loading as suggested by Hair et al., (2010) since the number of the respondents in this study is 91 (ninety one) respondents. It means that value below 0.60 is deleted.

Table 5.3
Factor Loading

Factor Loading	Sample Size Needed for Significance
.30	350
.35	250
.40	200
.45	150
.50	120
.55	100
.60	85
.65	70
.70	60
.75	50

Source: Hair et al. (2010)

Subsequently, other criteria that should be followed is Kaiser-Meyer-Olkin (KMO) which value should be greater than 0.50 as a minimum value (Field, 2009). Table 5.4 presents the value of KMO as suggested by Hutcheson and Sofroniou (1999).

Table 5.4
Interpretation of the KMO Statistics

KMO statistic	Interpretation
In the .90‘s	Marvelous
In the .80‘s	Meritorious
In the 70‘s	Middling
In the 60‘s	Mediocre
In the 50‘s	Miserable
Below .50	Unaccepted

Source: Hutcheson and Sofroniou (1999)

In case of KMO‘s value is not reaching more than 0.50, Field (2009) recommended to gather more data or reduce the number of variables. This study follows Field (2009)

that suggested the minimum value of KMO is 0.50 and above to be considered acceptable.

In addition, communality should be considered with regard to understand to what extent the items be able to explain the factor. Hair et al., (2010) suggested that communality as ~~"t~~otal amount of variance an original variable share with all other variables included in the analysis". Mundfrom, Shaw, and Ke (2005) proposes 3 (three) categories regarding communality assessment. The value of all communalities in ranged 0.60 till 0.80 is considered high communality, 0.20 till 0.80 is considered wide communality and 0.20 and 0.40 is considered as low communality.

Furthermore, the reliability of the instrument refers to the ability of the instrument to obtain a consistent and stable measurement. Reliability is a measurement that demonstrates the stability and accuracy of measurement tools to measure a concept (Sekaran, 2003). The range value of reliability is from 0 to 1, meaning that no consistent to completely consistent. Within this study, to measure the reliability of instruments was used Cronbach's Alpha, which follows Zickmund and Babin (2010) who recommended the value of Cronbach's Alpha as accepted value as present in the Table 5.5.

Table 5.5
Interpretation Cronbach's Alpha

Cronbach's Alpha	Interpretation
0.80 - 0.95	Very good reliability
0.70 – 0.80	Good reliability
0.60 – 0.70	Fair reliability
Below 0.60	Poor reliability

Source: Zikmund and Babin (2010)

Within this study, the value of Cronbach's Alpha 0.60 and above is considered acceptable as recommended by Hair, et al., (2010) who explained that 0.60 to 0.70 as lower level of acceptability value of Cronbach's alpha.

5.4.1 Factor Analysis of Performance

The factor analysis on performance of MEs in this study were using 7 (seven) items which adapted from some previous scholars. The Varimax Rotation of Principal component was conducted on this variable. The result on table 5.6 presents that 2 (two) factors were established from 7 (seven) numbers of items and 1 (one) item was deleted because the value of rotated component matrix was lower than 0.60. The 2 (two) factors were divided become a financial factor (sales growth rate, return on asset, and return on investment) and non-financial factor (employee satisfaction, customer satisfaction and improvement image). However, within this study, both financial and non-financial factors are treated as 1 (one) variable, as a performance of MEs. Based on the value of KMO, the validity of this variable is 0.779, which more than 0.50 and considered acceptable. The communalities of this variable also quite

good, which range from 0.463 till 0.843 as considered wide communalities (Mundfrom et al., 2005). The Cronbach's Alpha of this variable was 0.799 and in the range of acceptable value in this study.

Table 5.6
Result of Factor Analysis for Performance

	Items	Factors		Communalities
		1	2	
P1	Sales growth rate	.666		.463
P2	Return on investment	.900		.831
P3	Return on asset	.892		.843
P5	Employee Satisfaction		.768	.698
P6	Customers satisfaction		.801	.701
P7	Improvement Image		.813	.661
Cronbach's Alpha				.799
Eigenvalue		3.625	1.231	
Percentage variance (%)		51.779	17.587	
Kaiser-Meyer-Olkin of Sampling Adequacy				.779
Bartlett's Test of Sphericity Approx. Chi Square				292.252
DF				21
Sig.				.001

5.4.2 Factor Analysis on Formality

The items using in order to measure the formality were 6 (six) items which refer to the previous study by Gkliatis and Koufopoulos (2013); Koufopoulos et al., (2005) and Pearce et al., (1987). The KMO measure for this variable is 0.763, which denotes that all items can be measured using the factor analysis. Factor analysis is conducted by using varimax rotated principal components for formality. For this variable, 1 (one) factor is produced and the communalties for all items range from 0.394 – 0.712

which considered as wide communalities (Mundfrom et al., 2005). Regarding Cronbach alpha of variable, this variable has 0.842 which considered as the accepted value for further analysis.

Table 5.7
Result of Factor Analysis for Formality

	Items	Factor 1	Communalities
F1	Our firm has a short-range profit plan	.628	.394
F2	Our firm has such a planning process that the final plans are acceptable by those responsible for their attainment	.844	.712
F3	There is a person or group whose prime responsibility is to coordinate a firm-wide strategy effort	.774	.600
F4	The firm owner/manager has developed a climate in the firm, which supports the planning effort	.732	.537
F5	The firm owner/manager has developed a formal statement of what business the firm is in or wants to be in	.767	.589
F6	The firm‘s plans are used to judge managerial performance	.733	.538
Cronbach‘s Alpha			.842
Eigenvalue			3.369
Percentage variance (%)			56.145
Kaiser-Meyer-Olkin of Sampling Adequacy			.763
Bartlett’s Test of Sphericity Approx. Chi Square			225.711
DF			15
Sig.			.001

5.4.3 Factor Analysis on Tools of Strategic Planning

Construct tools of strategic planning were measured by utilizing 9 (nine) items which were adapted from several scholars such as Frost (2003); Kraus et al., (2006) who

conducted work in SMEs sector. From the measure of varimax rotated principal components of this variable, it‘s known that the value of KMO is 0.856, which value is above a predetermined value. Furthermore, the factor loading value of all items were found more than 0.60, except for item T4 which is excluded from consideration for further analysis. From the factor analysis, 2 (two) constructs were formed. However, common definition could not find for each construct, as Suclev and Debarliev (2012), in their factor analysis of study on tools of planning, 3 (three) constructs was created, they called for each construct as strategic planning techniques I, strategic planning techniques II, and strategic planning techniques III. Hence, in this study, for the first construct is named tools of planning I consist, SWOT analysis, Financial ratios, competitor analysis, budgeting, benchmarking, and cost-benefit analysis. The second construct is named tools of planning II consist, focus group and forecasting. Since, this study considered tools of planning as one variable, thus the 2 (two) constructs were tested in a single assessment. In addition, the communalities value for all items are found wide communalities (Mundfrom et al., 2005) which is in ranged 0.484 – 0.756. Table 5.8 presents the result of factor analysis for constructing tools of strategic planning. Regarding Cronbach alpha of variable, tools of planning has value 0.866 which considered as the accepted value for further analysis.

Table 5.8
Result of Factor Analysis for Tools of Strategic Planning

Items		Factor 1	Factor 2	Communalities
T1	SWOT analysis	.800		.703
T2	Financial ratios	.612		.484
T3	Competitor analysis	.781		.610
T5	Budgeting	.694		.541

Table 5.8 (Continued)

T6	Benchmarking	.795			.727
T7	Cost-benefit analysis	.630			.627
T8	Focus group		.849		.756
T9	Forecasting		.805		.686
Cronbach's Alpha					.866
Eigenvalue		4.519	1.002		
Percentage variance (%)		50.209	11.128		
Kaiser-Meyer-Olkin of Sampling Adequacy					.856
Bartlett's Test of Sphericity Approx. Chi Square					341.911
DF					36
Sig.					.001

5.4.4 Factor Analysis on Employee Participation

Factor analysis of variable employee participation was conducted by measuring varimax rotated principal components. The 7 (seven) items for this construct were adapted from Philip and Moutinho (2000) and Suclev and Debarliev (2012). 1 (one) factor was produced from the factor analysis. However, 1 (one) item was deleted for further analysis due to the value of the factor loading below 0.60. From the factor analysis, the value of KMO is 0.777, which greater than 0.50. While the communalities of all items are in ranged 0.394 – 0.721 and consider as wide communalities (Mundfrom et al., 2005). Cronbach alpha of this variable was 0.833 which considered as the accepted value for further analysis. Table 5.9 presents the result of the factor loading for variable employee participation.

Table 5.9
Result of Factor Analysis for Employee Participation

	Items	Factor	Communalities
		1	
EP1	Use of knowledge from different functions within the firms	.768	.589
EP2	Use of experience from different functions within the firms	.849	.721
EP3	Use of knowledge from different levels of staff	.794	.630
EP4	Use of experience from different levels of staff	.783	.614
EP5	Use of variety of motivational factors to encourage good planning	.664	.442
EP7	Seeking commitment to the long-range plan	.628	.394
Cronbach's Alpha			.833
Eigenvalue			3.737
Percentage variance (%)			53.385
Kaiser-Meyer-Olkin of Sampling Adequacy			.777
Bartlett's Test of Sphericity Approx. Chi Square			291.492
DF			21
Sig.			.001

5.4.6 Factor Analysis on Time Horizon

The construct of time horizon were measured by utilizing 4 (four) items which were adapted from Barringer and Bluedorn (1999). From measure varimax rotated principal components of this variable, it is known that the value of KMO is 0.707, which value is above a predetermined value. Furthermore, the factor loading value of all items are found more than 0.60, meaning that the all the items are taken into consideration for further analysis. In addition, the communalities value for all items are found more than 0.40, thus, for this variable also considered as wide communalities. Regarding Cronbach alpha of variable, time horizon has value 0.822 which considered as the

accepted value for further analysis. Table 5.10 presents the result of factor analysis for time horizon of the planning

Table 5.10
Result of Factor Analysis for Time Horizon

Items		Factor	Communalities
		1	
TH1	Less than 1 year	.679	.461
TH2	1 to 3 years	.912	.832
TH3	3 to 5 years	.904	.817
TH4	More than 5 years	.732	.535
Cronbach's Alpha			.822
Eigenvalue			2.645
Percentage variance (%)			66.128
Kaiser-Meyer-Olkin of Sampling Adequacy			.707
Bartlett's Test of Sphericity Approx. Chi Square			172.235
DF			6
Sig.			.001

5.4.7 Factor Analysis on Control of Planning

The items for control of planning construct are 6 (six) items which refer to the previous study by Stewart (2003) and Richardson (1986). The KMO measure for this variable is 0.762, which shows that all items can be measured using the factor analysis. Factor analysis is conducted by using varimax rotated principal components for control. For this variable, 1 (one) factor is produced and the communalities for all items are in the ranged 0.539 - 0.756 which fairly high and treated as wide communalities (Mundfrom et al., 2005). The value of the Cronbach alpha of this variable was 0.893 which considered as the accepted value for further analysis.

Table 5.11
Result of Factor Analysis for Control Planning

	Items	Factor	Communalities
		1	
C1	Review and evaluation are important in our strategic planning process	.769	.592
C2	There is continuous review and evaluation of the strategic plan	.837	.700
C3	The long-term impacts of organizational strength and weakness are evaluated	.794	.630
C4	There is wide participation by management in the review and evaluation of strategic plans	.839	.704
C5	Budgets for strategic plans are developed	.870	.756
C6	Our organization has formal procedures for reviewing and evaluating strategic	.734	.539
Cronbach's Alpha			.893
Eigenvalue			3.921
Percentage variance (%)			65.354
Kaiser-Meyer-Olkin of Sampling Adequacy			.762
Bartlett's Test of Sphericity Approx. Chi Square			384.572
DF			15
Sig.			.001

5.4.8 Factor Analysis on Environmental Uncertainty

Environmental uncertainty is a moderating variable in this study. This variable was measured by 6 (six) items which were tested in the previous study by Swamidass & Newell (1987), Pagell and Krause (1999, 2002) and Cegielski, et al., (2012). KMO value of this variable was 0.741, which is accepted since this value is above predetermined value, 0.50. However, within this study 1 (one) factor was created and 1 (one) item was deleted because of the value of factor loading was below the 0.60. In addition, all the items have communalities in the range of wide communalities as suggested by Mundfrom et al., (2005), which the range of value from 0.398 till 0.671.

Regarding Cronbach alpha of variable, environmental uncertainty has value 0.726. The explanation above indicates that this variable is accepted for further analysis. The result of the factor analysis of this study can be seen in Table 5.12.

Table 5.12
Result of Factor Analysis for Environmental Uncertainty

	Items	Factor	Communalities
		1	
EU2	Competitors for our supply of raw materials and parts	.642	.413
EU3	Competitors for our customers	.726	.527
EU4	Government regulations controlling our industry	.637	.405
EU5	The public's political views and attitudes towards our industry	.819	.671
EU6	Our relation with employee	.631	.398
Cronbach's Alpha			.726
Eigenvalue			2.534
Percentage variance (%)			42.235

Table 5.12 (Continued)

Kaiser-Meyer-Olkin of Sampling Adequacy	.741
Bartlett's Test of Sphericity Approx. Chi Square	105.534
DF	15
Sig.	.001

5.4.9 Factor Analysis on Innovativeness in Implementing Strategies

The mediating variable within this study is innovativeness in implementing strategies. This variable was measured by 13 (thirteen) items which were adapted from the previous work by Ruvio et al., (2014). KMO value of this variable were 0.918, which is accepted since this value is above predetermined value, 0.50. However, within this

study 3 (three) items were deleted because the value of factor loading were less than 0.60, such as IIS2, IIS9 and IIS10. After deleting the item, this variable is accepted for further analysis. Within this variable, 2 (two) factors were set up. It's quite different from the work of Ruvio et al., (2014) which formed 5 (five) dimensions. However, this difference might due to this measure was adapted and employed in the different context of study. Work by Ruvio et al., (2014), was conducted in the context of innovativeness of organization, while this study employed in the context of innovativeness in implementing strategies. For the 2 (two) factors, the first factor was named as open creativity and the second factor was named as future orientation. However, the 2 (two) factors were considered as 1 (one) variable in this study. The value of communalities in the ranged of acceptable value which from 0.595 till 0.796. Cronbach alpha of this variable was 0.916 which considered as the accepted value for further analysis. The result of the factor analysis of this study can be seen in Table 5.13.

Table 5.13
Result of Factor Analysis for Innovativeness in Implementing Strategies

Items		Factor		Communalities
		1	2	
IIS1	In our firm, creatively in implementing strategic is encouraged	.749		.652
IIS3	In our firm is open and responsive to changes in the implementation of strategies	.790		.655
IIS4	In our firm, managers are always searching for fresh and new ways of looking at implementation of strategies	.781		.677
IIS5	Our firm, establishes a realistic set of future goals to be implemented for itself	.721		.595

Table 5.13 (Continued)

IIS6	Our firm effectively ensures that all managers and employees share the same vision to be implemented in the future		.775	.694
IIS7	Our firm conveys a clear sense of future direction to employees		.812	.744
IIS8	Our firm has a realistic vision of the future to be implemented for all departments and employees		.820	.796
IIS11	Our firm like to take big risk in implementation of strategies		.806	.705
IIS12	In our firm, managers are constantly seeking new opportunities in implementation of strategies for the firm	.728		.685
IIS13	In our firm, managers take the initiative in an effort to find ways to successfully implement strategies	.676		.608
Cronbach's Alpha				.916
Eigenvalue		7.384	1.159	
Percentage variance (%)		56.799	8.915	
Kaiser-Meyer-Olkin of Sampling Adequacy				.918
Bartlett's Test of Sphericity Approx. Chi Square				761.866
DF				78
Sig.				.001

5.5 Descriptive Statistics of the Variables

Descriptive analysis in this section focuses on major variable which calculated minimum scale, maximum scale, mean and standard deviation for each variable. All measurements for variables, whether independent (formality, tools of strategic planning, employee participation, time horizon, control of planning), moderating variable (environmental uncertainty), mediating variable (innovativeness) or dependent variable (performance of MEs) were using 6 (six) point scales which 1

refer to –very low" and 6 refer to –very high". In this study, it can be seen that mean value of all variables ranged 3.90 – 4.60.

With regard to formality, the total mean value was 4.58. This mean value indicates that the level of formality of the firms ranged from moderate to high level. The analysis of the mean value based on the age of the company, it can be seen that the mean value of all of a company's age, which is less than five years, 11-15 years, more than 5 years have a mean value more than 4.5 and the highest value is the company aged less than 5 years. While the lowest is a company that age 5-10 years, which the value of the mean is 4.38.

For tools of strategic planning, it can be seen that the total mean value was 4.53, it demonstrates that the usage tools of strategic planning in order to create planning somewhat high. According to the age of firms, it can be understood that all the mean value was more than 4. The firms, less than 5 years have the mean value 4.72 which is the highest value. And than 4.52 for the firm which 5 -10 years. The firms with age in ranged 11 – 15 years, the mean value are 4.42. And the last is firm with age more than 15 years, which the mean value is 4.49.

For participation of employees, the total mean value was 4.43. It means that in the respondent enterprises the participation of employee in range, from somewhat high to high. The analysis of the mean value based on the age of the firms, it can be seen that the mean value of all of a firm's age is above 4. The firms which is less than five years have the highest value, 4.74 of mean values. While the lowest is a company that age 5-10 years, which the value of the mean is 4.19. The firms in ranged of age 11-15

years the value of the mean is 4.37, more than 5 years have a mean value more than 4.41.

The emphasis the firms of the respondents on time horizon of planning was the lowest mean value within this study. The value of the mean is 3.90 which indicates that the level of time horizon was somewhat low to somewhat high. The highest mean value is the firms in the age less than 5 years and the lowest mean value is the firms in ranged of age, 5 – 10 years. The rest, firms with age in ranged 11 – 15 years and more than 15 years have mean value, 3.88 and 3.96.

The total mean value for control of planning was 4.21. It demonstrates that the level of control of planning was somewhat high in the respondent enterprises. According to the age of the firms, the range of mean values is from 4.00 – 4.37. Which the highest value is firms which age less than 5 years and the lowest value of the mean is 11 – 15 years. The rest, firms which age 5 – 10 years and more 5 than 15 years, the mean values are 4.06 and 4.30.

For environmental uncertainty, the total mean value was 4.03 which indicates that the level of environmental uncertainty is somewhat high. The analysis of the mean value based on the age of the firms, it can be seen that the mean value of all of a firm's age is between 3.80 to 4.30. The firms which 11 - 15 years have the highest value, 4.30 of mean values. While the lowest is a company that age less than 5 years, which the value of the mean is 3.80. The firms in ranged of age 5 - 10 years the value of the mean is 3.95, more than 5 years have a mean value more than 4.10.

Furthermore, the total mean value for innovativeness was 4.33. This number demonstrates that the innovativeness is somewhat high in the firm of respondents. Based on the age of firms, it can be seen that all the mean value was more than 4. Which the values are between 4.46 to 4.38. The firms, less than 5 years have the mean value 4.46 which is the highest value. And than 4.22 for the firm which 5 -10 years. The firms with age in ranged 11 – 15 years, the mean value is 4.21. And the last is firm with age more than 15 years, which the mean value is 4.38.

Lastly, the total mean value of performance of MEs was 4.60. It indicates that the level of performance of MEs, including ROA, ROI, market share, customer satisfaction, employee satisfaction and improvement image was somewhat high and high. The firms which 11 - 15 years have the highest value, 4.68 of mean values. While the lowest is a company that age 5 - 10 years, which the value of the mean is 4.46. The firms in ranged of age less than 5 years years the value of the mean is 4.67, and firms which have age more than 5 years have a mean value more than 4.65. For the detail picture, as elaborated in Table 5.14.

Table 5.14
Descriptive Analysis for Variables

Variables	Age of Firm	N	Min	Max	Mean	Standard Deviation
Formality	Less than 5 years	15	3.33	6.00	4.93	.7204
	5 – 10 years	25	3.00	5.83	4.38	.81752
	11-15 years	11	3.50	6.00	4.68	.77264
	More than 15 years	40	2.83	6.00	4.55	.85502
	Total	91	2.83	6.00	4.58	.82154

Table 5.14 (Continued)

Tools	Less than 5 years	15	3.50	6.00	4.72	.7722
	5 – 10 years	25	2.88	6.00	4.52	.8100
	11-15 years	11	3.25	5.38	4.42	.6573
	More than 15 years	40	2.75	5.63	4.49	.8550
	Total	91	2.75	6.00	4.53	.8006
EP	Less than 5 years	15	3.33	5.50	4.74	.7737
	5 – 10 years	25	2.83	5.67	4.19	.7693
	11-15 years	11	3.67	5.00	4.37	.5060
	More than 15 years	40	2.67	5.83	4.41	.8979
	Total	91	2.67	5.83	4.4	.8127
Time horizon	Less than 5 years	15	3.25	5.50	4.38	.7125
	5 – 10 years	25	1.25	5.25	3.55	1.0704
	11-15 years	11	2.75	4.25	3.88	.4522
	More than 15 years	40	1.25	6.00	3.96	1.2436
	Total	91	1.25	6.00	3.90	1.0733
Control	Less than 5 years	15	1.00	6.00	4.37	1.3444
	5 – 10 years	25	2.00	6.00	4.06	1.0876
	11-15 years	11	3.00	4.67	4.00	.5477
	More than 15 years	40	1.33	6.00	4.30	1.1438
	Total	91	1.00	6.00	4.21	1.1031
EU	Less than 5 years	15	2.80	5.40	3.80	.6590
	5 – 10 years	25	2.40	6.00	3.95	.8704
	11-15 years	11	2.60	5.40	4.30	.9353
	More than 15 years	40	1.60	5.60	4.10	.9543
	Total	91	1.60	6.00	4.03	.8852
Innovativeness	Less than 5 years	15	2.90	5.70	4.46	.9171
	5 – 10 years	25	2.80	5.70	4.22	.8884
	11-15 years	11	3.70	5.50	4.21	.5134
	More than 15 years	40	3.00	6.00	4.38	.8092
	Total	91	2.80	6.00	4.33	.8143
Performance	Less than 5 years	15	3.50	5.50	4.67	.6187
	5 – 10 years	25	3.50	5.33	4.46	.5400
	11-15 years	11	3.50	5.50	4.68	.6930
	More than 15 years	40	3.00	6.00	4.65	.6895
	Total	91	3.00	6.00	4.60	.6360

5.6 Preparation of Data for Hypothesis Assesments

5.7.1 Normality Assessment

Basically, normality test is a basic assumption in doing multivariate analysis (Hair et al., 2010; Tabachnick & Fidell, 2007). Normality assessment is needed in order to understand whether the distribution of data is normally distributed. Hair et al., (2010) recommended ―if the variation from the normal distribution is sufficiently large, all resulting statistical tests are invalid". In order to examine the normality, both statistical or graphs can be used (Tabachnick & Fidell, 2007). The statistical test can be shown by the two, kurtosis and skewness and the graph analysis to test the normality can be presented by the histogram. Hair et al., (2010) suggested the accepted value for kurtosis and skewness in ranged + 1.96 till -1.96. The examination on the normality it found that the ranged value of kurtosis was -0.093 till -0.956 and skewness value was in range -0.050 to -0.573. Hence, according to the skewness and kurtosis results, the data are normally distributed. The following Table 5.15 describes the result.

Table 5.15
Skewness and Kurtosis

Variables	Mean	Std. Deviation	Skewness	Kurtosis
Formality	4.58	.8215	-.317	-.774
Tools of Planning	4.53	.8006	-.472	-.519
Employee participation	4.44	.8127	-.282	-.836
Time horizon	3.90	1.0733	-.330	-.122
Control	4.21	1.1031	-.573	-.093

Table 5.15 (Continued)

Environmental Uncertainty	4.03	.8852	-.050	-.434
Innovativeness in implementing strategies	4.33	.8143	-.129	-.956
Performance	4.60	.6360	-.308	-.707

Normality can be seen also from the plot graph (histogram) residual which is shown in Figure 5.1.

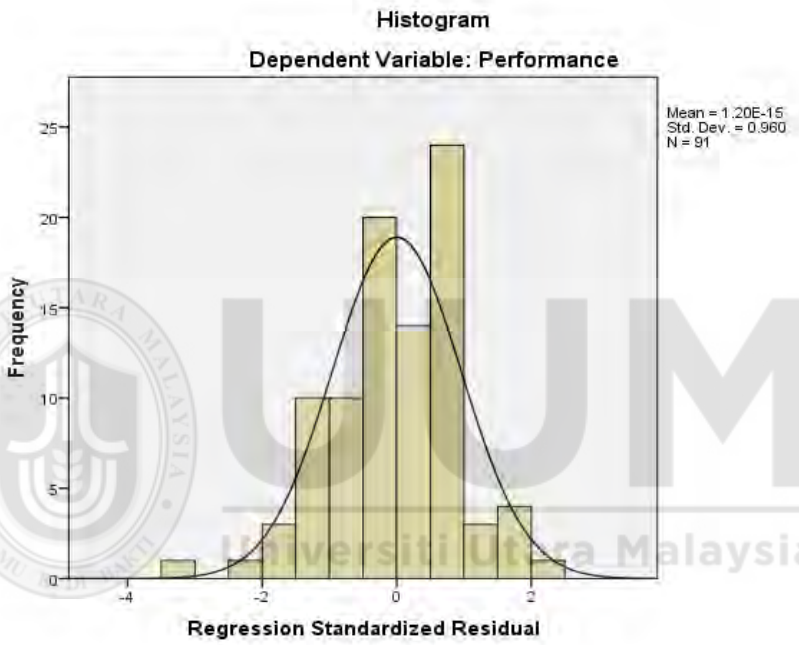


Figure 5.1
Graph Plot Residual

The other way to look at the normality is P-P plot as suggested by Hair et al., (2010) which presented in the Figure 5.2 below which explained that the answers of the respondents were close to the line.

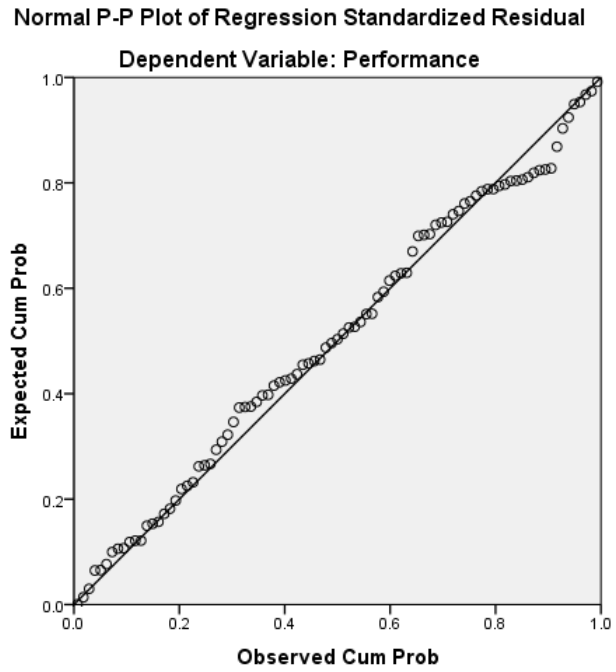


Figure 5.2
P-P Plots of Regression Standardized Residual

5.7.2 Linearity assessment

In order to fulfill the prerequisite for multivariate analysis, it is a must to assess the linearity between variables. Hair et al., (2010) explained that ~~l~~inearity of the relationship between dependent and independent variables represents the degree to which the change in the dependent variable is associated with the independent variable". From Figure 5.3 which assess the linearity between variables by using scatterplot, it's shown that the linearity between variables were existed.

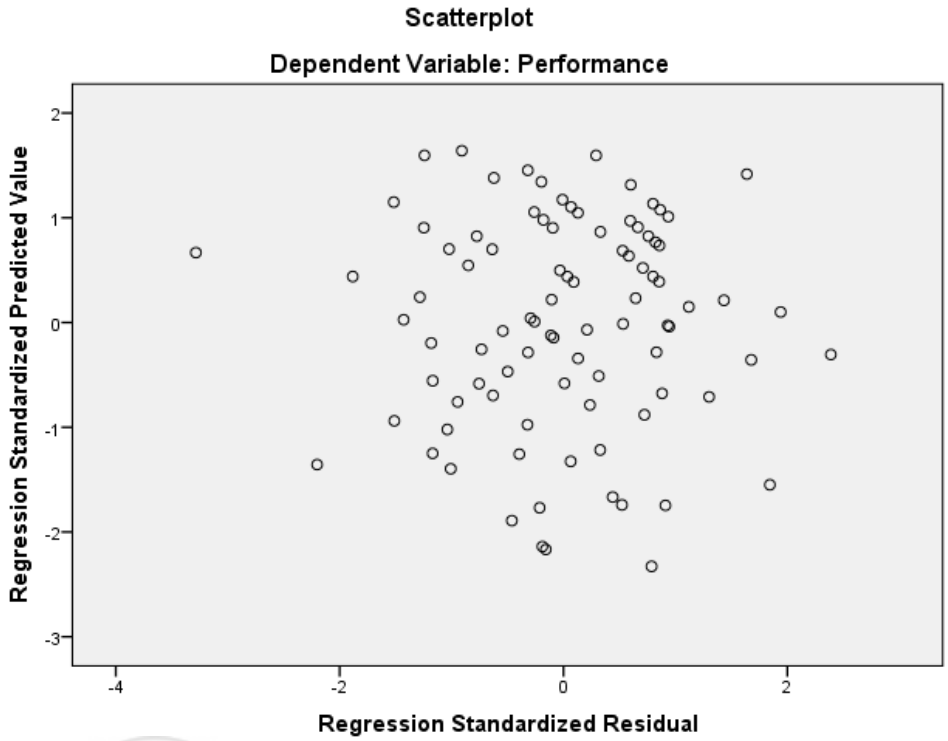


Figure 5.3
Scatter Plot Residual

5.7.3 Multicollinearity Assessment

Examination of multicollinearity is important before proceeding multivariate analysis. This assessment is needed in order to understand whether there is a high correlation between two or more independent variables (Sekaran & Bougie, 2013). In terms of measuring multicollinearity, tolerance and variance inflation factor (VIF) are the two most common values to measure it (Hair et al, 2010 and Sekaran & Bougie, 2013).

From the table 5.16, it can be seen that the tolerance value for each variable were more than 0.10, which range from 0.271 – 0.869. In addition, VIF value for each variable were less than 10 (Hair et al., 2010). It means that there is no

multicollinearity issue since the tolerance value and VIF value were in the threshold value which can be accepted.

Table 5.16
Multicollinearity Assessment

	Tolerance	VIF
Formality	.271	3.693
Tools of Planning	.323	3.097
Employee Participation	.322	3.107
Time Horizon	.506	1.977
Control	.272	3.671
Environmental Uncertainty	.869	1.150
Innovativeness in Implementing Strategies	.365	2.739

5.7 Pearson Correlation Analysis

In order to test the hypothesis 1 (one) to 5 (five), a Pearson correlation analysis was conducted to access the nature of the relationship between the two variables, independent variable and dependent variable. The correlation analysis indicates the direction, strength, and significance of the bivariate relationships of the study variables (Sekaran, 2003). The association will enable the reader to understand whether there is any relationship between these variables. This study attempts to determine the relationship between the dimensions of strategic planning (formality, tools of planning, employee participation, time horizon, and control). In order to identify the strength of the relationship between two variables and its linear direction, the Pearson correlation test was employed, that is as suggested by Pallant (2007). He urged that if the value of the relationship is 0, it means there is no relationship

between two variables, meanwhile if the value is 1, it indicates that there is a perfect relationship. Table 5.18 below as establish by Cohen (Pallant, 2007) describe the guidelines for the strength relationship between variables.

Table 5.17
Correlation Value and The Strength of Relationship

Correlation Value	The Strength of the Relationship
r = 0.10 to 0.29 / r = -0.10 to -0.29	Weak
r = 0.30 to 0.49 / r = -0.30 to -0.49	Medium
r = 0.50 to 1.00 / r = -0.50 to -1.00	Strong

Table 5.18, the relationship between all dimensions of strategic planning, which are formality, tools of planning, employee participation, time horizon, and control have a positive and significant relationship with MEs performance. The direction of relationships is positive indicates that if the value of the formality, tools of planning, employee participation, time horizon, and control that are increase, it will lead to the increase of the level of MEs performance.

In terms of the strength of the relationship, the results indicated that the strength of the relationship between all dimensions with MEs performance is considered as strong. Except time horizon which consider as medium relationship. Due to this, MEs performance is more likely increase if the values of formality, tools of strategic planning, employee participation, time horizon, and control are increased.

Finally, the correlation analysis was done to assess the nature of the relationship between strategic planning and MEs performance. The result indicates that the direction of the relationship is positive and the strength of the relationship is strong. Thus, the increase in strategic planning will lead to the increase of the level of MEs performance.

The table 5.18 elaborated the details of the results of the Pearson correlation in order to identify the relationship between the variables. The relationship between formality and MEs performance were obtained positive and significant relationship which the correlation coefficient, $r = 0.624$, $p < 0.01$. Besides that, tools of strategic planning demonstrate a significant an positive relationship with the MEs performance with a correlation of $r = 0.648$, $p < 0.01$. For the employee participation the strength relationship with the MEs performance can be proved as a significant and positive relationship with $r = 0.523$, $p < 0.01$. The same significant and positive relationship also followed by time horizon and MEs performance with $r = 0.479$, $p < 0.01$. And the last dimension also indicates that the a significant and positive relationship exists between control and MEs performance with $r = 0.669$, $p < 0.01$. Furthermore, in order to measure the relationship all dimensions of strategic planning, namely, strategic planning and MEs performance, Pearson correlation also have been conducted and the result showed that there was a positive and significant relationship between strategic planning and MEs performance, with $r = 0.691$ at the $p <0.01$. The detail picture can be seen in the table 5.18 below, which each correlation ranges 0.479 – 0.691, $p < 0.01$.

Table 5.18
The Result of Pearson on The Relationship Between Dimensions of Independent Variable and Dependent Variable

Variable	Performance	Formality	Tools	EP	TH	Control	SP
Performance	1	.624**	.648**	.523**	.479**	.669**	.691**
Formality	.624**	1	.789**	.726**	.638**	.627**	.869**
Tools	.648**	.789**	1	.643**	.571**	.676**	.849**
EP	.523**	.713**	.642**	1	.562**	.753**	.853**
TH	.479**	.638**	.571**	.579**	1	.606**	.811**
Control	.669**	.627**	.676**	.741**	.606**	1	.873**
SP	.691**	.869**	.849**	.866**	.811**	.873**	1

Note: ** correlation is significant at the 0.01 level (2-tailed)

As discussed above, this prediction is more likely to achieve since the strength of the relationship between the dimensions of the strategic planning and MEs performance have proven a strong and exist the significant and positive relationship with r more than 0.50 and $p < 0.01$. Thus, the hypothesis 1 (one) to 5 (five) are accepted.

Table 5.19
The Result of Hypotheses Testing on The Relationship Between Dimensions of Strategic Planning and MEs Performance

Hypotheses	Description	Result
H1	There is a positive and significant relationship between the formality of strategic planning and performance of MEs	Accepted
H2	There is a positive and significant relationship between the tools of strategic planning and performance of MEs	Accepted
H3	There is a positive and significant relationship between the employee participation of strategic planning and performance of MEs	Accepted

Table 5.19 (Continued)

H4	There is a positive and significant relationship between the time horizon of strategic planning and performance of MEs	Accepted
H5	There is a positive and significant relationship between the control of strategic planning and performance of MEs	Accepted

5.8 Regression Analysis

Within this study, linear regression analysis and hierarchical regression analysis were employed regarding hypothesis testing. Sekaran (2003) suggested that regression analysis would be able to assists to understand how much of the variance in the dependent variable is explained by the independent variable. Linear regression analysis was conducted in order to analyze the effect of the independent variable on the dependent variable.

Furthermore, hierarchical regression analysis was used to measure the effect of mediating variable and moderating variable between the independent variable and the dependent variable.

5.8.1 The Relationship Between Strategic Planning Dimensions and MEs Performance

In order to analyze the relationship between the dimensions of strategic planning and MEs performance, the linear regression has been conducted. The result of the analysis can be seen in the following table.

Table 5.20
The Result of The Regression Analysis on The Relationship Between Formality and MEs Performance

Independent Variable	Dependent Variable (MEs Performance)	Sign
Formality	.617***	.001
F Value	54.808	
R^2	.381	
Adjusted R^2	.374	
Durbin Watson	2.161	

*Note: *Significant level is p < .05, ** Significant level is p < .01, *** Significant level is p < .001*

From the table 5.20 above, it indicated that $\beta = 0.617$, $R^2 = 0.381$, Adjusted $R^2 = 0.374$, $F = 54.808$, with $p < 0.001$. Based on the analysis that has been done on the formality of planning, it can be explained that coefficient correlation is 0.617 for the measurement of formality of planning and MEs performance relationship, which formality of planning can explain 38.1 percent of variance on MEs performance. It means that 61.9 percent of the MEs performance is explained by other factors.

Table 5.21
The Result of The Regression Analysis on The Relationship Between Tools of Strategic Planning and MEs Performance

Independent Variable	Dependent Variable (MEs Performance)	Sign
Tools of Strategic Planning	.654***	.001
F Value	66.665	
R^2	.428	
Adjusted R^2	.422	
Durbin Watson	1.979	

*Note: *Significant level is p < .05, ** Significant level is p < .01, *** Significant level is p < .001*

The table 5.21 showed that $\beta = 0.654$, $R^2 = 0.428$, Adjusted $R^2 = 0.422$, $F = 66.665$, with $p < 0.001$. Regarding the linear regression analysis on the tools of

strategic planning above, it can be illustrated that coefficient correlation is 0.654 for the measurement of tools of strategic planning and MEs performance, which tools of strategic planning can explain 42.8 percent of variance on MEs performance. It indicates that 57.2 percent of the MEs performance is explained by other factors.

Table 5.22
The Result of The Regression Analysis on The Relationship Between Employee Participation and MEs Performance

Independent Variable	Dependent Variable (MEs Performance)	Sign
Employee Participation	.510***	.001
F Value	31.206	
R^2	.260	
Adjusted R^2	.251	
Durbin Watson	1.927	

*Note: *Significant level is p < .05, ** Significant level is p < .01, *** Significant level is p < .001*

The table 5.22 showed that $\beta = 0.510$, $R^2 = 0.260$, Adjusted $R^2 = 0.251$, $F = 31.306$, with $p < 0.001$. According to the analysis on the linear regression on the employees participation above, it can be described that coefficient correlation is 0.510 for the measurement of employee participation and MEs performance, which employee participation explain 26 percent of variance on MEs performance. It indicates that 74 percent of the MEs performance is explained by other factors.

The table 5.23 showed that $\beta = 0.516$, $R^2 = 0.266$, Adjusted $R^2 = 0.258$, $F = 32.236$, with $p < 0.001$. Based on the analysis on the linear regression on the time horizon above, it can be illustrated that coefficient correlation is 0.516 for the measurement of time horizon and MEs performance, which time horizon explain 26.6

percent of variance on MEs performance. It indicates that 73.4 percent of the MEs performance is explained by other factors.

Table 5.23
The Result of The Regression Analysis on The Relationship Between Time Horizon and MEs Performance

Independent Variable	Dependent Variable (MEs Performance)	Sign
Time Horizon	.516***	.001
F Value	32.236	
R^2	.266	
Adjusted R^2	.258	
Durbin Watson	2.077	

*Note: *Significant level is p < .05, ** Significant level is p < .01, *** Significant level is p < .001*

The table 5.24 showed that $\beta = 0.666$, $R^2 = 0.443$, Adjusted $R^2 = 0.437$, $F = 70.847$, with $p < 0.001$. From the earlier analysis on the linear regression on the control, it can be illustrated that coefficient correlation is 0.666 for the measurement of control and MEs performance, which control explain 44.3 percent of variance on MEs performance. It shows that 55.7 percent of the MEs performance is explained by other factors.

Table 5.24
The Result of The Regression Analysis on The Relationship Between Control and MEs Performance

Independent Variable	Dependent Variable (MEs Performance)	Sign
Control	.666***	.001
F Value	70.847	
R^2	.443	
Adjusted R^2	.437	
Durbin Watson	1.814	

*Note: *Significant level is p < .05, ** Significant level is p < .01, *** Significant level is p < .001*

The table 5.25 showed that $\beta = 0.697$, $R^2 = 0.486$, Adjusted $R^2 = 0.480$, $F = 84.145$, with $p < 0.001$. From the analysis on the linear regression on the strategic planning, it can be illustrated that coefficient correlation is 0.697 for the measurement of strategic planning and MEs performance, which strategic planning explain 48.6 percent of variance on MEs performance. It shows that 51.4 percent of the MEs performance is explained by other factors. Hence, the 6 (sixth) hypothesis is accepted.

Table 5.25
The Result of The Regression Analysis on The Relationship Between Strategic Planning and MEs Performance

Independent Variable	Dependent Variable (MEs Performance)	Sign
Strategic Planning	.697***	.001
F Value	84.145	
R^2	.486	
Adjusted R^2	.480	
Durbin Watson	2.012	

*Note: *Significant level is p < .05, ** Significant level is p < .01, *** Significant level is p < .001*

5.8.1 Hierarchical Regression Analysis for Mediation Role of Innovativeness in Implementing Strategies on the Relationship between Strategic Planning and MEs Performance

In order to analyze the mediation effect of innovativeness in implementing strategies on the relationship between strategic planning and MEs performance, multiple regression has been conducted. This analysis, as suggested by Baron and Kenny (1986), who propose 4 (four) steps to follow. The first step was conducted by measuring the direct relationship between strategic planning and MEs performance and the result was positive and significant. The second step was the direct relationship

between strategic planning and innovativeness in implementing strategies and the finding is also to have a positive and significant relationship. The third step that concerned the relationship between innovativeness and performance and also the result showed the positive relationship. And the last step was to test the relationship between strategic planning, innovativeness in implementing strategies and MEs performance in the single test and this test found that the direct relationship between strategic planning and performance was reduced, meaning that there was partially a moderate effect of innovativeness in implementing strategies in the strategic planning and MEs performance relationship.

For the first step, regression test has been done in order to measure the effect of the independent variable toward dependent variable. In order to measure the direct relationship of strategic planning toward MEs performance, regression test was conducted. From the analysis, it was found that $\beta = 0.697$, $R^2 = 0.486$, Adjusted $R^2 = 0.480$, $F = 84.145$, with $p < 0.001$. From the result above, it can be understood that coefficient correlation is 0.697 for the measurement of strategic planning and MEs performance relationship, to which strategic planning can explain 48.6 percent of variance toward MEs performance. Thus, the rest 51.4 percent is explained by other factors which is not included in this study.

The second step, regression measurement has been conducted in order to measure the direct relationship between strategic planning and innovativeness in implementing strategies. From the result of analysis, it is showed that there was a positive and significant relationship between the two variables which can be explained by having $\beta = 0.763$, $R^2 = 0.582$, Adjusted $R^2 = 0.577$, $F = 123.866$, with $p < 0.001$. From the

outcome above can be illustrated that coefficient correlation was 0.763 for the measurement of the relationship between strategic planning and innovativeness in implementing strategies, to which strategic planning can explain 58.2 percent of variance toward innovativeness in implementing strategies. It means that the rest 41.8 percent is explained by other factors which is not included in this study.

The third step was the regression test between innovativeness in implementing strategies and MEs performance. The upshot showed that there was also a positive and significant relationship between innovativeness in implementing strategies and MEs performance with $\beta = 0.636$, $R^2 = 0.405$, Adjusted $R^2 = 0.398$, $F = 60.501$, with $p < 0.001$. From these results above, it can be demonstrated that coefficient correlation is 0.636 for the analysis of the relationship between innovativeness in implementing strategies and MEs performance, to which Innovativeness in implementing strategies explains 40.5 percent of variance toward MEs performance. It means that the rest 59.5 percent is explained by other factors which is not included in this study.

The last step was the test to measure whether a mediator variable would be able to mediate the relationship between independent variable and dependent variable. From the analysis, it was indicated that the innovativeness in implementing strategies partially mediated the relationship between strategic planning and MEs performance. The result demonstrated that the strategic planning and MEs performance was still significant with the $\beta = 0.507$ with $P < 0.001$, the result after undertaking the mediating factor to which innovativeness in implementing strategies incorporated in the analysis and the relationship between innovativeness in implementing strategies

was β = 0.250 with p < 0.05. Yet, the strength of the relationship is slightly reduced when compared to the direct relationship between strategic planning and MEs performance with β = 0.697, p < 0.001. This means that the innovativeness in implementing strategies partially mediates the relationship between strategic planning and MEs performance. It can be described that there is direct relationship between strategic planning and MEs performance, however, at the same time, that relationship is influenced by innovativeness in implementing strategies as mediator as can be seen in the Table 5.26.

Table 5.26
The Result of Regression Analysis of the Mediating Effect of Innovativeness in Implementing Strategies on Strategic Planning and MEs Performance Relationship

Independent Variables	**Dependent Variables**			
	Innovativeness in implementing Strategies	MEs Performance (Without Innovativeness in Implementing Strategies)	MEs Performance	MEs Performance (Including Innovativeness in Implementing Strategies)
Strategic Planning	.763***	.697***		.507***
Innovativeness in Implementing Strategies			.636***	.250*
F Value	123.866	84.145	60.501	46.170
R^2	.582	.486	.405	.512
R^2 adjusted	.577	.480	.398	.501
Durbin Watson	1.683	2.012	2.126	2.045

*Note: *Significant level is p < .05, ** Significant level is p < .01, *** Significant level is p < .001*

In order to measure the mediating effect of innovativeness in implementing strategies on the linkage between these two variables, strategic planning and MEs performance,

others method was used, which was Medgraph program. According to figure 5.4 below, it illustrates that the value of Sobel test was 2.126 with $p < 0.05$. The figure also demonstrates that the relationship between strategic planning and MEs performance was $r = 0.507$ with $p < 0.001$. This figure describe 3 (three) things. The first, the value of Sobel test was 2.126 and $p < 0.05$, showing that the role of innovativeness in implementing strategies in the relationship between strategic planning and MEs performance exist, which can be proven by declining the strength of the relationship between predictor variable (strategic planning) and the criterion variable (dependent variable), from 0.697, $p < 0.001$ to 0.507, $p < 0.001$ after incorporating the innovativeness in implementing strategies as mediator variable. The second, from the figure reported that the innovativeness in implementing strategies was partially mediated the relationship between strategic planning and MEs performance by reducing the direct relationship from 0.697, $p < 0.001$ to 0.507, $p < 0.001$. The third, the ratio index showed 27.25 percent (0.19/0.697*100). This percentage illustrated that 27.25 percent of the relationship between strategic planning and MEs performance was mediated by innovativeness in implementing strategies. Meanwhile the rest 72.75 percent of the relationship was effect of direct relationship between strategic planning and MEs performance.

Hence, the result from Medgraph program found that there was partially mediated role of innovativeness in implementing strategies in the relationship between the two variable, strategic planning and MEs performance. And this supported the finding of Baron and Kenny (1989) which has 4 steps to measure the mediating effect of the innovativeness in implementing strategies in the relationship between strategic planning and MEs performance by using multiple regression analysis.

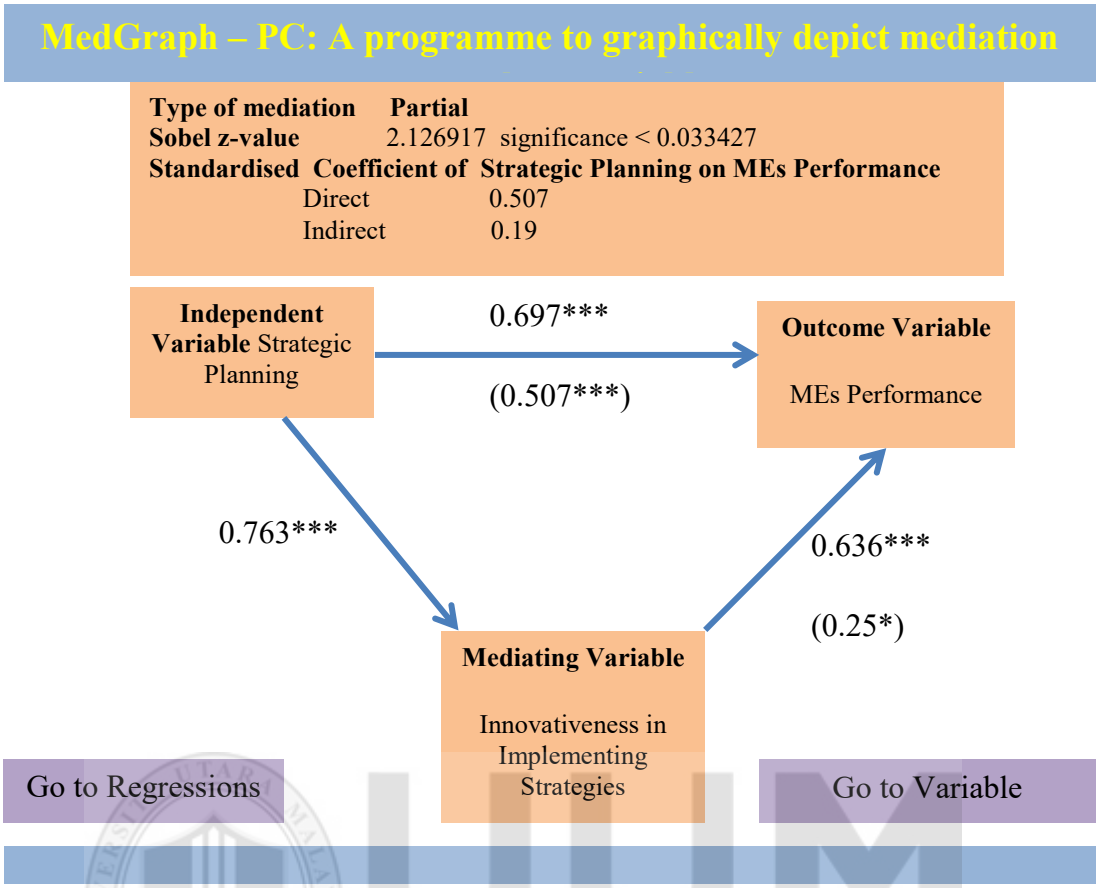


Figure 5.4
Medgraph Program in Measuring the Mediating Role of Innovativeness in Implementing Strategies on the Relationship Between Strategic Planning and MEs Performance.

The next method to measure the mediator role of innovativeness in implementing strategies on the relationship between strategic planning and MEs performance was Sobel test. The result of Sobel test as shown on the Table 5.27 found that $p < 0.05$. It means that there was exist the mediating role of innovativeness in implementing strategies on the relationship between strategic planning and MEs performance.

Table 5.27
The Result of Sobel Test

Input			Test Statistic	Std. Error	p-value
a	.792	*Sobel Test*	2.12691716	0.07261214	0.03342697
b	.195	*Aroian Test*	2.11872893	0.07289276	0.03411338
Sa	.071	*Goodman Test*	2.13520107	0.07233042	0.03274459
Sb	.090				

*Note: *Significant level is p < .05, ** Significant level is p < .01, *** Significant level is p < .001*

The last method used to show the existence of the mediating effect of innovativeness in implementing strategies on the relationship between strategic planning and MEs performance was Kock Mediation test. The result of the test has shown that there was mediation role of innovativeness in implementing strategies on the relationship between strategic planning and MEs performance, which the $p < 0.05$, as described in the Table 5.28.

Table 5.28
The Result of Kock Mediation Test

	Relationship	Beta	SE	T-value	p - value	Sign. Level	Result
H7	SP-->IIS-->P	0.1544	0.0729	2.1187	0.05	*	Yes

*Note: *Significant level is p < .05, ** Significant level is p < .01, *** Significant level is p < .001*

As discussed above on the mediating role of innovativeness in implementing strategies on the relationship strategic planning and MEs performance can be done by employing 4 (four) methods, multiple regression analysis, Medgraph test, Sobel test, and Kock Mediation test. From that 4 (four) analysis all demonstrated the mediating role of innovativeness in the relationship between strategic planning and MEs performance. Hence, the seventh hypothesis (H7) within this study was accepted.

5.8.2 Hierarchical Regression Analysis for Moderator Test of Environmental Uncertainty on the Relationship between Strategic Planning and MEs Performance

In order to test the moderating effect environmental uncertainty on the relationship between strategic planning and MEs performance, the hierarchical regression was examined. Table 5.29 illustrates the result of the regression analysis. From Table 5.29, the model 1 can be seen that strategic planning the relationship between strategic planning and MEs performance is significant, in which the $R^2 = 0.486$ and $p < 0.001$ and $F = 84.145$ and $\beta = 0.697$ at significant $p < 0.001$. In the model 2, moderating variable was introduced, namely environmental uncertainty. However, in the model 2, it was found that the strength of the relationship between strategic planning and MEs performance by introducing environmental uncertainty as a moderating variable was insignificant. It was found that the strategic planning was having a significant relationship with MEs performance with $R^2 = 0.490$, $p < 0.001$, and F value = 42.209, $\beta = 0.712$ at significant $p < 0.001$. However, moderating variable, namely, environmental uncertainty was found insignificant with $\beta = -.062$ with p value > 0.05. In the model 3, it was found that the interaction term between environmental uncertainty and strategic planning was positive and insignificant with $R^2 = 0.499$, F value = 28.905 and $\beta = 0.099$ and p value > 0.05. Hence, according to the result, there was no moderating effect of environmental uncertainty on the relationship between strategic planning and MEs performance. It can be concluded that the hypothesis H8 is rejected. Table 5.29 indicates details of the result of the analysis

Table 5.29
The Result of Envionmrntal Uncertainty as Moderating Variable

	Standardized Beta		
	Model 1	**Model 2**	**Model 3**
Independent Variable			
Strategic Planning	.697***	.712***	.726***
Moderating Variable			
Environmental Uncertainty		-.062	-.078
Interaction Terms			
Environmental Uncertainty*Strategic Planning			.099
R^2	.486	.490	.499
F Value	84.145	42.209	28.905
Adjusted R^2	.480	.478	.482
Adjusted F	84.145	.627	1.661
Durbin-Watson	1.994	1.994	1.994

*Note: *Significant level is p < .05, ** Significant level is p < .01, *** Significant level is p < .001*

From the discussion above in order to measure the relationship between dimensions of strategic planning (the formality of strategic planning, the use tool of strategic planning, participation of employee, time horizon and control), the effect of strategic planning and MEs performance, the mediating effect of innovativeness and moderating effect of environmental uncertainty on the relationship between strategic planning and MEs performance, some methods were employed in order to answers the objectives of this study, namely, Pearson correlation, hierarchical regression, Medgrapgh, Sobel test and Kock Mediation test.

The result of these analyses above were answered the objective and hypotheses of this study, which can be seen in the Table 5.30.

Table 5.30
The Result of Hypotheses

Hypotheses	Description	Result of Hypotheses
H1	There is a positive and significant relationship between the formality of strategic planning and performance of MEs	Accepted
H2	There is a positive and significant relationship between the tools of strategic planning and performance of MEs	Accepted
H3	There is a positive and significant relationship between the employee participation of strategic planning and performance of MEs	Accepted
H4	There is a positive and significant relationship between the time horizon of strategic planning and performance of MEs	Accepted
H5	There is a positive and significant relationship between the control of strategic planning and performance of MEs	Accepted
H6	There is a positive and significant relationship between strategic planning and performance of MEs	Accepted
H7	There is a mediating effect of innovativeness in implementing strategies on strategic planning and performance of MEs relationship	Accepted
H8	There is a moderating effect of environmental uncertainty on strategic planning and performance of MEs relationship	Rejected

5.9 Summary of Chapter

This chapter demonstrated the findings of the study by using several analyses based on the output of statistical analysis produced by SPSS software for windows, version 22.0. Some of statistical analyses were conducted, namely, factor analysis, reliability test, descriptive statistics of the variables, normality test, linearity test, multicollinearity test, and the last, result of the hypothesis testing which was measured using Pearson correlation test and hierarchical regression. Within this study, characteristics information about the respondents within this study was presented in

the earlier section, which demonstrated the percentages of gender, age and educational background of the respondents, and the last was the age of their companies. From these analyses, the results found that most of the hypotheses were accepted, hypothesis 1 (one) to hypothesis 7 (seven), hence only the last hypothesis (H8) which environmental uncertainty could not find as a moderating variable between strategic planning and MEs performance. All of the results of this study were used for further discussion in the next chapter.

CHAPTER SIX

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter consist the 13 (thirteen) sections starting from the introduction of the chapter in section 6.1. The following section was the general understanding about the study in section 6.2. In the section 6.3 discusses about the relationship between formality and MEs performance and following by the association between tools of strategic planning and MEs performance (6.4), employee participation and MEs performance (6.5), time horizon and MEs performance (6.6), and control and MEs performance (6.7) in the next section. The section 6.8 discusses about the relationship between strategic planning (incorporate all dimensions of strategic planning) and MEs performance. The further section, section 6.9 within this study explored the mediating role of innovativeness in implementing strategies on the relationship between strategic planning and MEs performance. Section 6.10 discusses about the moderating role of environmental uncertainty on the relationship between strategic planning and MEs performance. Section 6.11 covers the significance of the study both theoretically and practically. The next section was 6.12 presents the limitation of the study and suggestions for future research. Finally, the summary of the chapter is discussed in the last section, 6.13.

6.2 Recapitulation of the Study

Generally, this study attempts to understand the relationship between strategic planning and MEs performance. At the same time, this study make an effort to understand the indirect relationship between the two variables, which introduced the mediating effect of innovativeness in implementing strategies and to understand the moderating role of environmental uncertainty in its relationship. Meanwhile, contingency theory and system theory was employed in order to underpin this study.

In order to answer the hypotheses of this study, Pearson correlation analysis and hierarchical multiple regression were employed. Pearson correlation analysis was used to analyze the relationship between the dimensions of strategic planning (the formality of strategic planning, the usage tools of planning, participation of employee, time horizon of planning, and control), and strategic planning itself with MEs performance and the result found all the relationships were positive and significant. Hence, the hypothesis 1 (one) to hypothesis 6 (six) were accepted.

Hierarchical multiple regression analysis was conducted to analyze 2 (two) hypotheses, which measure mediating effect of innovativeness and moderating effect of environmental uncertainty on the relationship between strategic planning and MEs performance. Regarding the mediating role of innovativeness, Medgraph test, Sobel test, and Kock mediation test were conducted in order to confirm the result of hierarchical multiple regression analysis, as suggested by Baron and Kenney (1989) the result from the analysis showed that innovativeness in implementing strategies partially mediate the relationship between strategic planning and MEs performance.

However, the moderating effect of environmental uncertainty on the relationship between strategic planning and MEs performance can not be confirmed. Meaning that there was not significant effect of environmental uncertainty on the relationship between strategic planning and MEs performance. Hence, the hypothesis 7 (seven) was accepted and hypothesis 8 (eight) was rejected.

6.3 The Relationship between Formality and MEs Performance

Based on the analysis of the study, there is the relationship between formality and MEs performance. It means that MEs will achieve a better performance by having good formality of planning. Within this study, formality can be defined as a deliberate process in order to decide what the long-term goals of the organizations, what process should be done in order to achieve and evaluate the possibility strategies and how to monitor the result of the implemented strategic planning. The positive and significant result of this study is in line with the previous studies. Given that most of the previous studies have found that the formality have a positive and significant relationship with performance (Kraus et al., 2006; Sexton and Van Auken, 1985; Dibrell et al., 2014; Glaister et al., 2008, Lyles, et al., 1993; Schwenk & Shrader., 1993; O'Regan & Ghobadian, 2002, Suklev & Debarliev, 2012). This highlighted the importance of having clear formality of planning has a significant role in determining the level of organizational performance.

From the result of the study, it can be understood that formality of planning is one of the important aspects of strategic planning, which consist of formulate the missions, long-term objectives, systematically process to evaluate and monitoring the

implemented strategies. It has been believed that formality might be able to help organizations in achieving better performance, specifically in MEs. In other word, by having formality of planning, MEs have the ability to make better strategic decisions to achieve firm goals, MEs also have the capability to allocate and manage their resources in order to attain a higher degree of performance.

The statement above is also supported by previous scholars who studied on strategic planning, such as Kraus et al., (2006) who claimed that formality becomes one of the important aspect in strategic planning. In the meantime, Lyles et al., (1993) suggested that formal planning is considered as a crucial way in the strategic decision process in the organizations. Meanwhile, Pearce et al., (1987) suggested that formal planning can be seen as a process to determine the mission, objectives, and policies by using the available resources in order to achieve organizational goals. Further explanation as suggested by Armstrong (1982) who said formal strategic planning as an intentional process in deciding the firm‘s long-range goals, procedures for gaining and evaluating alternative strategies, and a system for monitoring the results of the plan when implemented. Thus, the implementation of formality in strategic planning will ensure the success of MEs‘ strategic plan and will lead to better organizational performance.

6.4 The Relationship between Tools of Planning and MEs Performance

Tools of planning is one among of the important dimension of strategic planning (Kraus, et al., 2006) and the previous study suggested that tools of strategic planning might be able to to uplift the level of efficiency and effectiveness of strategic planning of the organization (Kraus, et al., 2006; Webster, et al., 1989). In this study, the

relationship between tools of planning and MEs performance was investigated and reported in the previous chapter (chapter 5). This study revealed that tools of planning were positively and significantly determine of MEs performance. It means that the effectiveness of employing tools of planning on improving the MEs performance has been shown in this study. The result of this study is in line with the previous studies (Suclev & Debarlieve, 2012; Rue & Ibrahim, 1998; Ramanujam et al., 1986). This result confirmed that tools of planning as a crucial dimension of strategic planning and indicate that the usage of tools of planning in MEs guide the organization to generate better strategic planning. In other word, better strategic planning and its effectiveness and efficiency were determined by the emphasis of using of tools of planning and lead to enhance better performance.

Tools of planning helps MEs to understand the opportunities and threats from external environment and the strengths and weaknesses from the internal environment. These understandings are essential during the preparation process of strategic plan. For instance, Webster, et al (1989) suggested that tools of planning might be able to increase the diagnostic and logical ability of the managers. In the meantime, Kalkan and Bozkurt (2013) suggested that the advantages of the tools of planning, such as: enhancing business environment awareness (internal and external) and identified strategic issues.

6.5 The Relationship between Employee Participation and MEs Performance

The result of the relationship between employee participation and MEs performance showed a positive and significant relationship. This result supported the objective and

hypothesis of this study and the result found that organization which involved their employees in strategic planning practices would be able to achieve better performance. This result is consistent with the findings from previous studies which confirmed the positive and significant relationship between employee participation in strategic planning and organization performance (Kohtamaki, et al., 2012; Grundy and King, 1992; Love et al., 2002; Miller, Wilson & Hicson, 2004; Collier et al., 2004; Suklev & Debarlieve, 2012).

The result of this study indicated that employee participation in the strategic planning was led the motivation of the employee by understanding what the organization‘s goals and how to achieve them. By taking part in the strategic planning process, employees have a feeling of their abilities and skills being valued, hence they get more motivation in order to achieve their organization goals.

Suclev and Debarlieve (2012) and Collier et al., (2004) suggested that the participation of employee in the strategic planning process has a significant effect on the effectiveness of strategic planning and lead for enhancing better performance of the organization. Furthermore, Phillips and Moutinho (1999) urged that the participation of the employees will enable them to feel the sense of belonging to the strategic planning and enhance their commitment which leads to improve the organization performance. In the meantime, the participation of employees in the strategic planning process will lead to the increasing of their understanding of organization‘s objectives and also will drive emotional effects such as feeling of belonging or greater sense of organizational recognition (Ketokivi & Castañer, 2004). Furthermore, the advantages of employees participation in the strategic planning

process can provide several benefits as suggested by Tonnessen and Gjefsen (1999) including to improve employees' understanding of the objectives of the companies as well as to encourage the desire and ability to achieve the company's goals. By involving the employees in the development of strategic planning and also in the process of implementation will motivate them to have a sense of belonging to organization goals, and to enhance the strategy and success of implementation, knowledge, experience and ideas they might be beneficial.

Hence, from the result of this study and previous studies on the employee participation, it highlights the importance of the participation of the employee on the strategic planning process which would be able to enhance the strategic planning effectiveness and leads for better performance by having the feeling of being appreciated of their role and the sense belonging for the organizations.

6.6 The Relationship between Time Horizon and MEs Performance

The time horizon of planning was believed as one of the important dimensions in strategic planning (Kraus et al., 2006). This dimension reflects the length of the strategic planning of the organizations. This study examined the association between time horizon and MEs performance. The result of this study showed that time horizon has a positive and significant relationship with MEs performance. Although the findings of the study on this relationship are still conflicting, some studies cannot show the relationship (Kraus et al, 2006) and others prove the relationship between the two variables, time horizon and organization performance (Stonehouse & Pemberton, 2002 and Smith (1998).

The result of this study indicated that MEs realized that short-term or long-term strategic planning determine the success of their strategic planning. By having time horizon of planning, MEs might be able to manage their organizations and make proper decisions, whether for short-term or long-term. MEs consideration on the time horizon of planning assist them in enhancing better performance. Kraus et al., (2006); Harrison, (1995) and Das (1987) pointed out that time horizon as one of the important dimensions of strategic planning. Some previous scholars believed that time horizon assist the organization to acknowledge the organizations‘ resources are required in the early step and encourage both owners/managers and workers about short-term and long-term planning (Kraues et al., 2006; Koufopoulos et al., 2005; Collins & Porras., 2005).

In other word, the result of this study reflects that MEs have time horizon, whether short-range or long-range of planning would be able to help them in order to achieve the organization goals and enhance the performance.

6.7 The Relationship between Control and MEs Performance

The control of strategic planning can be defined as the critical evaluation of plans, activities, and the results, with the purpose of providing information for future action. Within this study on the relationship between control and MEs performance, it showed a positive and significant relationship between the two variables. This result is consistent with the previous studies which showed the positive and significant relationship between control of planning and performance (Wijewardena et al., 2004; Gica & Negrusa, 2011; Abdalkrim, 2013). This result reflects the important role of

control as one of dimensions of strategic planning which contributes to better performance of the organization. This result is in line with the previous studies which believe that control is one of the crucial aspects in the strategic planning, by having control of planning the utmost achievement of organization might fulfil (Kraus et al., 2006; Wijawardena et al., 2004).

Besides the reasons mentioned above, control as one important aspect in the planning, control of planning in MEs can be used in order to evaluate the accomplishment by comparing the current accomplishment with what have been planned. In addition, control of planning benefitial as a guidance for future decision making of organizations. This explanation is consistent with Kraus et al., (2006) and Schreyogg and Steinmann (1987) who argued that control as an activity in order to evaluate the current achievement with previous plan by providing information for future action.

Thus, this result reflects the importance of control planning to enhance strategic planning effectiveness and leads to maximize performance of MEs.

6.8 The Relationship between Strategic Planning and MEs Performance

The relationship between strategic planning and MEs performance was examined in the previous chapter. The result of the analysis revealed that strategic planning has a positive and significant relationship with MEs performance. This result is in line with the previous studies which confirmed the relationship between the two variables (Schwenk & Shrader, 1993; Suklev & Debarlive, 2012; Aldehayyat & Twaissi, 2011; Kargar & Parnell, 1996; Aldehayyat & Al Khattab, 2013; Miller & Cardinal, 1994;

Rudd et al., 2008; Glaister et al., 2008). In the other word, this result confirms that strategic planning has a significant role in enhancing the organization performance (Katz & Green, 2007; Wheleen & Hunger, 2008). Meanwhile, Sighvi (2000) argued that one of the key success factors of the organization is by providing strategic planning properly. In this aspect, Sexton and Auken (1985) and Lussier and Halabi (2010) suggested more higher level of strategic planning assists organizations to be more survive in their business.

The important role of strategic planning in enhancing organization's performance largely acknowledged in the literature and this study finds the same results. This study, indicated that MEs understand strategic planning have clearer guidance regarding long-range goals and objectives of the organizations. In addition, strategic planning helps the organization to make decision making in the proper way, by considering what have planned. This in line with Armstrong (1982) who concluded that organizations which employ strategic planning in making a decision might be able to survive for a long period of time. Aldehayyat and Al Khattab (2013) also believed that by employing strategic planning, the organization might be able to achieve organizational effectiveness through the value of the strategic planning.

Meanwhile, strategic planning might be used by owner/managers of MEs regarding to evaluation of the effectiveness of strategic planning. Furthermore, by having strategic planning, MEs would be able to avoid from missteps in managing the organizations. Aram and Cowen (1990) suggested organizations which develop strategic planning have an ability to prevent from the oversighting with regard managing the organization in order to improve their effectiveness. Suclev and Debarlieve (2012)

noted that strategic planning in many different contexts of countries have a contribution to the effectiveness of the organization.

Strategic planning has a significant role in order to manage the resources of the organization to reach better performance. Managing and utilization of the available resources in the organization regarding formulation the strategies to the implementation stages are crucially needed for achieving higher levels of performance. It indicated that the realization of MEs of the importance of strategic planning guides for enhancing the MEs performance.

6.9 The Mediating Effect of Innovativeness in Implementing Strategies on the Relationship between Strategic Planning and MEs Performance

The mediating effect of the innovativeness in implementing strategies on the relationship between strategic planning and MEs performance was the seventh objective of this study. This study reveals with the result that strategic planning has a direct relationship with performance, however, at the same time its relationship is partially intervened by innovativeness in implementing strategies as mediating variable. Previous studies on the mediating effect of innovativeness on the strategic planning and performance have been found that innovativeness mediated the relationship between the two variables, strategic planning and performance (Lee et al., 2014; Droge et al., 2008; Dibrell et al., 2014).

The result of this study is a new finding in the innovation and strategic planning studies. Previous studies which investigated strategic planning and innovativeness on

its relationship with performance examined in different view. In terms of the dimensions of strategic planning, previous studies have been studied only formality of strategic planning (Dibrell et al., 2014), proactive strategic orientation (Droge et al., 2008). Regarding innovativeness variable, Dibrell et al (2014) has been seen innovativeness from innovativeness of product. While Droge et al., (2008) examined innovativeness as product lines, product design, and services offered. Within this study, strategic planning was incorporated some dimensions of strategic planning (the formality of strategic planning, the usage of tools of planning, employee participation in strategic planning, time horizon of planning and control). In terms of innovativeness, in this study, innovativeness was looked at the innovativeness of the MEs in order to implement their strategic planning.

The result of this study reflects that the effect of innovativeness in implementing strategies as a mediating variable on the relationship between strategic planning and MEs performance was supported by system theory which believe in input, process and outcome system. Meaning that strategic planning as an input should be processed through innovativeness in implementing the strategies and finally produced a good performance as a result. This is in line with previous studies by Rajasekar (2014) and Markiewiez (2011) who suggested that in implementing strategy successfully, organizations are needed the creativity and innovation as critical factors in implementing the strategies.

Prior studies on the innovativeness were conducted Dibrell et al., (2014). They suggested that formality of strategic planning and planning flexibility have a direct relationship with innovativeness and also a direct relationship with performance.

However, at the same time, while incorporating innovativeness as intervene factor, it has shown that innovativeness fully mediates the relationship between the formality of planning and flexibility of planning and firm performance. Furthermore, Droge et al (2008) suggested that strategic orientation has a direct relationship with innovativeness and firm performance. While it means that innovativeness has been suggested as an intervening factor between strategic orientation and performance.

From the results of this study, it reflects that innovativeness as product innovativeness or in implementing strategies, has a significant role in improving the organizational performance.

6.10 The Moderating Effect of Environmental Uncertainty on the Relationship between Strategic Planning and MEs Performance

The last objective of this study was the moderating effect of environmental uncertainty on the relationship between strategic planning and MEs performance. The result of this study showed that the role of environmental uncertainty as a moderating variable on the relationship between strategic planning and performance cannot be established. In other word, this result was not in line with past studies in the literature regarding the moderating effect of environmental uncertainty on the relationship between strategic planning and organizational performance (Prescott, 1986; Brew & Hunt, 1999; Yusuf & Nyomori, 2002; Pelham, 1999; Lee & Miller, 1996, Miller, 1988; Glaister et al., 2008).

The possible reason why in this study the moderating effect of environmental uncertainty was insignificant against the relationship between strategic planning and organizational performance was due to different environmental uncertainty that are faced by the MEs. Although the study was conducted in the manufacturing sector, however, encompasses several sub-sectors, such as textile, food and beverage, palm oil processing, fish processing, furniture and so on. The diversity of manufacturing sectors covered in this study might be a possible reason why misalignment of the result happens between this study with previous research. For example, government regulations in the textile sector and the food and beverage sector might be quite different, as well as the terms of competition to get customers and raw materials.

Within this study, the measurement of environmental uncertainty was followed the Swamidass and Newell, (1987) which is inspired by Duncan (1972) and Bourgeois (1978). Swamidass and Newell, (1987) conducted the research on manufacturing strategy, environmental uncertainty and performance. Their research was conducted in the similar manufacturing industries. Thus the kind of sample might contribute to the different result of the this current study with the previous study. In addition, the different locations of the study would be able to make different result of the study. Most of the previous studies were conducted in the developed countries, however, this study was conducted in the Indonesia, which consider as developing country, which might have the different types of environmental uncertainty.

Even though this study did not support the past studies, the contribution of the environmental uncertainty in term of strategic planning and performance was established in the literature, such as, Glaister et al. (2008) indicated that there was a

positive correlation between planning and performance and might be stronger in a turbulent environment. Meanwhile, Fredrickson (1984) and Fredrickson and Mitchell (1984) noted that formal strategic planning is beneficial in stable environments and harmful in dynamic environments. On the other hand, Miller and Friesen (1983), Eisenhardt (1989) and Judge and Miller (1991) found that formal/rational planning leads to higher performance in dynamic environments. In addition, study by Lee and Miller (1996) also concluded that the fit between strategy and the environment related to performance.

6.11 Implications of the Study

The results of the study contribute to both theoretical and practical aspects on the direct relationship between strategic planning and MEs performance and also on the indirect relationship between the variables which mediated by innovativeness in implementing strategies and moderated by environmental uncertainty. The result of this study hoped might be able to bridge the theoretical gap in the previous literature.

6.11.1 Theoretical Implication

This study was conducted in order to understand the relationship between wider dimensions of strategic planning and performance. Based on the result of this study, there are some contributions that might be able to bridge the gap in literature.

First, this study illustrated the importance role of formality of planning toward MEs performance. Although, majority of the previous studies found that formality and

performance has a positive relationship, only a few of the previous studies showed no relationship, still it is needed for further study of its relationship. This study reexamined this relationship and the result found that formality of planning has a contribution in enhancing the MEs performance.

Second, this study showed the significance of the tools of planning to achieve MEs performance. This study reexamined the relationship between tools of strategic planning and performance, due to the conflicting result in the previous studies. Rue and Ibrahim (1998); Ramanujam et al., (1986) showed that the relationship exists between tools of planning and performance, While Kraus et al., (2006) and Suklev and Debarliev (2012) could not show its relationship. However, this current study found the relationship between tools of planning in MEs context.

Third, this study confirmed the significance employee participation on the strategic planning process for enhancing the MEs performance. The previous studies described on the strategic planning emphasis the importance role of employee participation in enhancing the strategic planning effectiveness which leads to improving organizational performance. This current study reexamined the relationship between employee participation in planning and performance in MEs manufacturing context, which there was lack of study on this sized of the organizations.

Fourth, this current study showed the significant relationship between time horizon of the planning on the MEs performance. Although some previous studies in the previous have tried to find on the relationship between time horizon and performance, still there is inconsistency in the findings. This study eexamined the relationship

between time horizon and performance and the result confirmed the relationship between time horizon and performance.

Fifth, this study reported the significant relationship between control of planning and MEs performance. Even though some studies looked at on the relationship between control and performance in the literature, the results show no agreement on its relationship. Thus, this study made an effort to reexamine the relationship between control of planning and MEs performance. The result of this study confirms the significant relationship between the two variables.

Sixth, in this study, besides conducting research in the direct relationship between planning and performance, also conducted research on the indirect relationship between strategic planning and performance. This study investigated the role of innovativeness in implementing strategies in connection with the performance of strategic planning. innovativeness in implementing strategies as mediating variable is one of the contributions that produced from this research. The investigations on the studies before, innovativeness already been tested as a mediating variable between the strategic planning and performance. While, in this study, innovativeness is more specific, which focusing on the innovativeness in the implementation strategy planning. In addition, in this study the dimensions of strategic planning itself is more spacious of dimensions compared to previous studies, while previous studies are concerned with one aspect of the strategy.

6.11.2 Practical Implication

The results of this study contribute to the practices of strategic management, especially on the on the strategic planning process and its relationship to performance, especially in MEs manufacturing sector. This study will be able to give more insight for owners/managers of MEs. The findings of this study would be able to help the owners/managers to understand how strategic planning will help them to make better decisions in the future.

Moreover, this study is hoped to give more enlightenment to the organizations in order to deploy their strategic planning by considering to enhance their ability to be innovative in terms of implementation of the strategic plan. Therefore, organizations have the capabilities to increase the effectiveness of the strategic planning which in turn leads to improve organizational performance.

In addition, by considering the importance of strategic planning, the findings of this study might be able to encourage the government to use the findings of this research as materials to develop strategic planning of MEs development, especially in Aceh. In addition, the finding of this study is hoped to encourage related agencies to provide training for MEs owner/managers in order to give them knowledge on how to develop good planning for their businesses, or else the government could be able to provide business consultation regarding strategic planning in MEs.

6.12 Limitation of the Study and Suggestion for Future Research

In spite of the contributions of this study to the literature, there are some limitations of this study, such as:

First, the scope of this study only on MEs manufacturing and not include other sector or businesses. This limitation might pertain the generalization of the result of the study. Hence, for further study, it is suggested to consider other sectors of MEs, such as trading, hospitality, services, etc.

Second, in addition, this study only in Aceh province. As known that Indonesia has 33 provinces, hence the result of this study only can illustrate the MEs manufacturing sector in Aceh province alone. Thus, for further understanding about the strategic planning, innovativeness, environmental uncertainty and performance, it is recommended to conduct further studies in others province in Indonesia, in order to make generalization of this matter.

Third, this study only focuses on the dimensions of strategic planning (the formality of strategic planning, the usage of tools of planning, employee participation in strategic planning, time horizon of planning and control) and excludes other dimensions of strategic planning. This study only puts emphasis on innovativeness in implementing strategies as mediating variables and environmental uncertainty as a moderating variable. Since, the previous study on innovativeness in implementing strategies is not much investigated, it is suggested to investigate in further study on its variable in different contexts and business sectors.

6.13 Summary of Chapter

This study gives new perspective in strategic planning and firm performance, especially in the MEs manufacturing sector. In addition, this study was the first effort to study empirically regarding the strategic planning process and firm performance, which was conducted in MEs sector in Aceh Province, Indonesia. Given the major objectives of this study which was developed to examine the relationship between strategic planning and MEs performance by measuring the mediating role of innovativeness in implementing strategies and moderating role of environmental uncertainty, it is hoped that it could be able to bridge the theoretical gap which still exists in the previous studies. Although, most of the studies confirmed the significant relationship between strategic planning and firm performance, still there is no agreement among the scholars. Some of the scholars found vice versa. Moreover, in the past studies, most of works on strategic planning studies examined the direct relationship between strategic planning and organizational performance. Even though some studies had an effort to investigate indirect relationship between the two variables, yet, more exploration in the indirect relationship is needed. Hence, this study attempts to fill this gap in the research by conducting direct relationship and indirect relationship between strategic planning and organizational performance in a single frame.

The results of this study confirmed the direct relationship between each dimension of strategic planning (the formality of strategic planning, the usage of tools of planning, employee participation in strategic planning, time horizon of planning and control) and MEs performance. Furthermore, this study shows that innovativeness in

implementing strategic partially mediate the relationship between strategic planning and MEs performance. Meaning that, by being innovative in implementing strategies, MEs could be able to improve the effectiveness of strategic planning and leads to enhance the organizational performance. Although this study keeps an effort to study the moderating role of environmental uncertainty on the relationship between strategic planning and MEs performance, this study could not able to show the moderating effect of environmental uncertainty. It means that, in this study the direct relationship between strategic planning and MEs was not moderated by environmental uncertainty.

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APPENDIXES

Appendix 1 Questionnaire in English

QUESTIONNAIRE

Dear Owners/Managers of **Medium Sized Enterprises**

First of all, I would like to thank you for your willingness to get involve in this research. I am really grateful for your willingness to spend approximately 10-15 minutes of your time to answer a list of enclosed questions. Your answers are very important to the success of this study.

I am a PhD student of Universiti Utara Malaysia (UUM) and I am doing this research in order to fulfill the PhD requirement of the university. The purpose of this study is to investigate the **"Strategic Planning and Medium Sized Enterprises Performance: Mediating Effect of Innovativeness in Implementing Strategies and Moderating Effect of Environmental Uncertainty.**

All the information gathered from your responses will be treated confidentially and all the data will be used for academic purposes alone.

Thanks you for your assistance and cooperation.

Sincerely,

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SECTION A: STRATEGIC PLANNING

Instruction: Using the scale of 1 – 6, please circle the appropriate number that best describe the level of formality of strategic planning in your organization

Very Low 1----------2----------3----------4----------5----------6 Very High

Level of emphasis on formality of strategic planning

FORMALITY							
1	Our firm has a short-range profit plan	1	2	3	4	5	6
2	Our firm has such a planning process that the final plans are acceptable by those responsible for their attainment.	1	2	3	4	5	6
3	There is a person or group whose prime responsibility is to coordinate a firm-wide strategy effort	1	2	3	4	5	6
4	The firm owner/manager has developed a climate in the firm, which supports the planning effort.	1	2	3	4	5	6
5	The firm owner/manager has developed a formal statement of what business the firm is in or wants to be in	1	2	3	4	5	6
6	The firm‘s plans are used to judge managerial performance	1	2	3	4	5	6

Instruction: Using the scale of 1 – 6, please circle the appropriate number that best describe the level of usage tools of strategic planning in your organization

Very Low 1----------2----------3----------4----------5----------6 Very High

Level of usage tools of strategic planning

TOOLS of STRATEGIC PLANNING							
1	SWOT analysis	1	2	3	4	5	6
2	Financial ratios	1	2	3	4	5	6
3	Competitor analysis	1	2	3	4	5	6
4	PEST	1	2	3	4	5	6
5	Budgeting	1	2	3	4	5	6
6	Benchmarking	1	2	3	4	5	6
7	Cost-benefit analysis	1	2	3	4	5	6
8	Focus group	1	2	3	4	5	6
9	Forcasting	1	2	3	4	5	6

Instruction: Using the scale of 1 – 6, please circle the appropriate number that best describe the level of employee participation in the strategic planning in your organization

Very low 1----------2----------3----------4----------5----------6 Very high

Level of employee participation in the strategic planning

EMPLOYEE PARTICIPATION							
1	Use of knowledge from different functions within the firms	1	2	3	4	5	6
2	Use of experience from different functions within the firms	1	2	3	4	5	6
3	Use of knowledge from different levels of staff	1	2	3	4	5	6
4	Use of experience from different levels of staff	1	2	3	4	5	6
5	Use of variety of motivational factors to encourage good planning	1	2	3	4	5	6
6	Assigning implementation responsibilities to specified individuals/groups	1	2	3	4	5	6
7	Seeking commitment to the long-range plan	1	2	3	4	5	6

Instruction: Using the scale of 1 – 6, please circle the appropriate number that best describe **the emphasis of time horizon** of strategic planning in your organization

Very Low 1----------2----------3----------4----------5----------6 Very High

Emphasis of time horizon

TIME HORIZON							
1	Less than 1 year	1	2	3	4	5	6
2	1 to 3 years	1	2	3	4	5	6
3	3 to 5 years	1	2	3	4	5	6
4	More than 5 years	1	2	3	4	5	6

Instruction: Using the scale of 1 – 6, please circle the appropriate number that best describe **the level of your agreement** on control of strategic planning in your organization

Very Low 1----------2----------3----------4----------5----------6 Very High

The level of your agreement on control of strategic planning

CONTROL							
1	Review and evaluation are important in our strategic planning process	1	2	3	4	5	6
2	There is continuous review and evaluation of the strategic plan	1	2	3	4	5	6
3	The long-term impacts of organizational strength and weakness are evaluated	1	2	3	4	5	6
4	There is wide participation by management in the review and evaluation of strategic plans.	1	2	3	4	5	6
5	Budgets for strategic plans are developed	1	2	3	4	5	6
6	Our organization has formal procedures for reviewing and evaluating strategies.	1	2	3	4	5	6

SECTION B: ENVIRONMETAL UNCERTAINTY

Instruction: Using the scale of 1 – 6, please circle the appropriate number that best describe the level of environmental uncertainty in your organization

Very Low 1----------2----------3----------4----------5----------6 Very High

Level of environmental uncertainty

ENVIRONMENTAL UNCERTAINTY							
1	Actual users of our product	1	2	3	4	5	6
2	Competitors for our supply of raw materials and parts	1	2	3	4	5	6
3	Competitors for our customers	1	2	3	4	5	6
4	Government regulations controlling our industry	1	2	3	4	5	6
5	The public‘s political views and attitudes towards our industry	1	2	3	4	5	6
6	Our relation with trade unions	1	2	3	4	5	6

SECTION C: INNOVATIVENESS in IMPLEMENTING STRATEGIES

Instruction: Using the scale of 1 – 6, please circle the appropriate number that best describe the level of innovativeness in implementing strategies in your organization

Very Low 1----------2----------3----------4----------5----------6 Very high

The level of innovativeness

INNOVATIVENESS in IMPLEMENTING STRATEGIES							
1	In our firm, creatively in implementing strategic is encouraged	1	2	3	4	5	6
2	In our firm, managers are encouraged to use original approaches when dealing with implementation of strategies in the workplace.	1	2	3	4	5	6
3	In our firm is open and responsive to changes in the implementation of strategies	1	2	3	4	5	6
4	In our firm, managers are always searching for fresh and new ways of looking at implementation of strategies	1	2	3	4	5	6
5	Our firm, establishes a realistic set of future goals to be implemented for itself.	1	2	3	4	5	6
6	Our firm effectively ensures that all managers and employees share the same vision to be implemented in the future.	1	2	3	4	5	6
7	Our firm conveys a clear sense of future direction to employees	1	2	3	4	5	6
8	Our firm has a realistic vision of the future to be implemented for all departments and employees	1	2	3	4	5	6
9	Our firm believes that higher risk is worth taking in implementation of strategies for high payoff	1	2	3	4	5	6
10	Our firm encourages innovation in the implementation of strategies, knowing well that some will fail	1	2	3	4	5	6
11	Our firm like to take big risk in implementation of strategies	1	2	3	4	5	6
12	In our firm, managers are constantly seeking new opportunities in implementation of strategies for the firm.	1	2	3	4	5	6
13	In our firm, managers take the initiative in an effort to find ways to successfully implement strategies.	1	2	3	4	5	6

SECTION D: ORGANIZATIONAL PERFORMANCE

Instruction: Using the scale of 1 – 6, please circle the appropriate number that best describe the level of performance of your organization during last three years.

Very low 1----------2----------3----------4----------5----------6 Very high

Level of performance for last three years

PERFORMANCE							
1	Sales growth rate	1	2	3	4	5	6
2	Return on investment (ROI)	1	2	3	4	5	6
3	Return on asset (ROA)	1	2	3	4	5	6
4	Market share	1	2	3	4	5	6
5	Employee satisfaction	1	2	3	4	5	6
6	Customer satisfaction	1	2	3	4	5	6
7	Improvement image	1	2	3	4	5	6

SECTION E: DEMOGRAPHIC INFORMATION

Gender ☐ Male ☐ Female

Your Education Level ☐ S3/S2 ☐ S1 ☐ SMA

☐ SMP ☐ SD

Age ☐ Below 30 ☐ 31-40 ☐ 41-50

☐ 51-60 ☐ Above 60

Age of your business ☐ Less than 5 Years ☐ 5-10 years

☐ 11-15 years ☐ More than 16 years

THANK YOU FOR YOR PARTICIPATION

Appendix 2 Questionnaire in Bahasa Indonesia

KUESIONER

Yang Terhormat Pemilik/Manajer Pengusaha Menengah

Pertama sekali saya mengucapkan terima kasih atas keikutsertaan Bapak/Ibu dalam penelitian ini. Saya sangat berterima kasih atas kesediaannya untuk meluangkan waktu 10-15 menit dalam menjawab sejumlah pertanyaan yang diajukan. Jawaban Bapak/Ibu sangat penting untuk menyukseskan penelitian ini.

Saya adalah seorang mahasiswi program S-3 di Universiti Utara Malaysia (UUM) yang sedang melakukan riset yang merupakan syarat untuk kelulusan dari universitas tersebut. Tujuan dari penelitian ini adalah untuk mengkaji **"Perencanaan Strategi dan Kinerja Perusahan Skala Menengah: Pengaruh Mediasi Inovasi dalam Melaksanakan Strategi dan Pengaruh Moderasi Ketidakpastian Lingkungan".**

Semua informasi yang dihimpun dari respon Bapak/Ibu akan dijaga kerahasiannya dan semua data akan digunakan untuk kepetingan akademik semata.

Terima kasih untuk bantuan dan kerjasamanya.

Hormat Saya,

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BAGIAN A: PERENCANAAN STRATEGIS

Petunjuk: Dengan skala 1 – 6, silahkan lingkari nomor yang paling sesuai dalam menggambarkan tingkat penekanan formalitas dari perencanaan strategis pada perusahaan Anda.

Sangat Rendah 1----------2----------3----------4----------5----------6 Sangat Tinggi

Tingkat penekanan formalitas dari perencanaan strategis

FORMALITAS (*FORMALITY*)							
1	Perusahaan kami memiliki perencanaan laba jangka pendek	1	2	3	4	5	6
2	Perusahaan kami memiliki proses perencanaan dimana rencana terakhir bisa diterima oleh yang bertanggung jawab dalam pelaksanaannya.	1	2	3	4	5	6
3	Terdapat seseorang atau kelompok yang memiliki tanggung jawab utama dalam mengkoordinasikan kebijakan strategis perusahaan	1	2	3	4	5	6
4	Pemilik/manajer perusahaan telah membentuk iklim dalam perusahaan yang membantu kegiatan perencanaan.	1	2	3	4	5	6
5	Pemilik/manajer telah membentuk pernyataan formal tentang jenis usaha yang menjadi dan akan menjadi domainnya.	1	2	3	4	5	6
6	Perencanaan perusahaan digunakan untuk menilai kinerja manajerial.	1	2	3	4	5	6

Petunjuk: Dengan skala 1 – 6, silahkan lingkari nomor yang paling sesuai dalam hal tingkat penggunaan instrument-instrumen dalam perencanaan strategis pada perusahaan Anda.

Sangat Rendah 1----------2----------3----------4----------5----------6 Sangat Tinggi

Tingkat penggunaan instrument-instrumen dalam perencanaan strategis

INSTRUMEN PERENCANAAN STRATEGIS (TOOLS of STRATEGIC PLANNING)							
1	Analisis SWOT (SWOT analysis)	1	2	3	4	5	6
2	Rasio keuangan (Financial ratios)	1	2	3	4	5	6
3	Analisis persaingan (Competitor analysis)	1	2	3	4	5	6
4	PEST analsis (political, economic, social, technological analysis)	1	2	3	4	5	6
5	Sistem penganggaran (Budgeting)	1	2	3	4	5	6
6	Standarisasi (Benchmarking)	1	2	3	4	5	6
7	Analisis kegunaan biaya (Cost-benefit analysis)	1	2	3	4	5	6
8	Focus group	1	2	3	4	5	6
9	Prediksi/Prakiraan (Forcasting)	1	2	3	4	5	6

Petunjuk: Dengan skala 1 – 6, silahkan lingkari nomor yang paling sesuai dalam hal tingkat partisipasi karyawan dalam perencanaan strategis pada perusahaan Anda.

Sangat Rendah 1----------2----------3----------4----------5----------6 Sangat Tinggi

Tingkat partisipasi karyawan dalam perencanaan strategis

PARTISIPASI KARYAWAN (*EMPLOYEE PARTICIPATION*)							
1	Melibatkan pengetahuan dari fungsi-fungsi yang berbeda dalam perusahaan.	1	2	3	4	5	6
2	Melibatkan pengalaman dari fungsi-fungsi yang berbeda dalam perusahaan	1	2	3	4	5	6
3	Melibatkan pengetahuan dari berbagai tingkatan staf	1	2	3	4	5	6

4	Melibatkan pengalaman dari berbagai tingkatan staf	1	2	3	4	5	6
5	Menggunakan berbagai factor motivasi untuk melahirkan perencanaan yang baik	1	2	3	4	5	6
6	Memberikan tanggung jawab pelaksanaan kepada seseorang atau kelompok tertentu.	1	2	3	4	5	6
7	Meminta komitmen dalam perencanaan jangka panjang.	1	2	3	4	5	6

Petunjuk: Dengan skala 1 – 6, silahkan lingkari nomor yang paling sesuai dalam hal penekanan jangka waktu dari perencanaan pada perusahaan Anda.

Sangat Rendah 1----------2----------3----------4----------5----------6 Sangat Tinggi

Penekanan jangka waktu

JANGKA WAKTU (*TIME HORIZON*)							
1	Kurang dari 1 tahun	1	2	3	4	5	6
2	1-3 Tahun	1	2	3	4	5	6
3	3 – 5 years	1	2	3	4	5	6
4	Lebih dari 5 tahun	1	2	3	4	5	6

Petunjuk: Dengan skala 1 – 6, silahkan lingkari nomor yang paling sesuai dalam hal tingkat kesetujuan anda terhadap kontrol dalam perencanaan strategis pada perusahaan Anda.

Sangat Rendah 1---------2---------3---------4---------5---------6 Sangat Tinggi

Tingkat kesetujuan anda terhadap kontrol dalam perencanaan strategis

KONTROL (CONTROL)							
1	Peninjauan kembali (review) dan evaluasi merupakan bagian penting dari proses perencanaan strategis	1	2	3	4	5	6
2	Terdapat review dan evaluasi yang berkelanjutan dari rencana strategis	1	2	3	4	5	6
3	Mengevaluasi dampak jangka panjang dari kekuatan dan kelemahan organisasi	1	2	3	4	5	6
4	Terdapat partisipasi yang luas oleh manajemen dalam melakukan review dan evaluasi rencana strategis	1	2	3	4	5	6
5	Dikembangkannya sistem penganggaran untuk rencana strategis	1	2	3	4	5	6
6	Organisasi kami memiliki prosedur formal dalam mereview dan mengevaluasi rencana-rencana.	1	2	3	4	5	6

BAGIAN B: KETIDAKPASTIAN LINGKUNGAN

Petunjuk: Dengan skala 1 – 6, silahkan lingkari nomor yang paling sesuai dalam hal tingkat ketidakpastian lingkungan di sekitar perusahaan Anda.

Sangat rendah 1----------2----------3----------4----------5----------6 Sangat tinggi

Tingkat ketidakpastian lingkungan

KETIDAKPASTIAN LINGKUNGAN (*ENVIRONMENTAL UNCERTAINTY*)							
1	Penguna sebenarnya dari produk kami	1	2	3	4	5	6
2	Persaingan dalam pasokan bahan baku dan suku cadang	1	2	3	4	5	6
3	Persaingan untuk mendapatkan pelanggan	1	2	3	4	5	6
4	Peraturan pemerintah yang mengontrol industry kami	1	2	3	4	5	6
5	Sikap politik dan persepsi publik terhadap industry kami	1	2	3	4	5	6
6	Hubungan kami dengan serikat dagang	1	2	3	4	5	6

BAGIAN C: INOVASI dalam PELAKSANAAN STRATEGI

Petunjuk: Dengan skala 1 – 6, silahkan lingkari nomor yang paling sesuai dalam hal tingkat inovasi dalam pelaksanaan strategi pada perusahaan Anda.

Sangat Rendah 1----------2----------3----------4----------5----------6 Sangat Tinggi

Tingkat inovasi

INOVASI dalam PELAKSANAAN STRATEGI (*INNOVATIVENESS*)							
1	Di perusahaan kami, dianjurkan melaksanakan strategi secara kreatif	1	2	3	4	5	6
2	Di perusahaan kami, manager dianjurkan untuk menggunakan pendekatan-pendekatan baru dan menarik ketika menghadapi pelaksanaan strategi di tempat kerja	1	2	3	4	5	6
3	Perusahaan kami terbuka dan mau mendengarkan perubahan-perubahan dalam pelaksanaan berbagai strategi	1	2	3	4	5	6
4	Di perusahaan kami, manager selalu mencari cara yang berbeda dan cara-cara baru pada pelaksanaan berbagai strategi	1	2	3	4	5	6

5	Perusahaan kami membangun serangkaian tujuan masa depan yang nyata untuk dilaksanakan oleh perusahaan kami sendiri	1	2	3	4	5	6
6	Perusahaan kami meyakinkan secara efektif bahwa semua manager dan karyawan mempunyai visi yang sama untuk dilaksanakan di masa yang akan datang	1	2	3	4	5	6
7	Perusahaan kami menyampaikan pemikiran yang jelas tentang arah masa depan untuk karyawan-karyawannya	1	2	3	4	5	6
8	Perusahaan kami memiliki visi yang nyata tentang masa depan untuk dilaksanakan di semua bidang dan karyawan	1	2	3	4	5	6
9	Perusahaan kami percaya bahwa resiko yang lebih tinggi merupakan sesuatu yang bernilai dalam pelaksanaan strategi demi mencapai hasil yang tinggi	1	2	3	4	5	6
10	Perusahaan kami mendukung inovasi pada pelaksanaan berbagai strategi dan juga mengetahui dengan baik bahwa beberapa di antaranya akan gagal	1	2	3	4	5	6
11	Perusahaan kami mampu mengambil resiko yang besar dalam pelaksanaan strategi	1	2	3	4	5	6
12	Di perusahaan kami, manajer selalu mencari peluang baru dalam pelaksanaan strategi bagi perusahaan	1	2	3	4	5	6
13	Di perusahaan kami, manajer mengambil inisiatif dalam upaya untuk menemukan cara menerapkan strategi dengan baik	1	2	3	4	5	6

BAGIAN D: KINERJA ORGANISASI

Petunjuk: Dengan skala 1 – 6, silahkan lingkari nomor yang paling sesuai dalam hal tingkat kinerja pada perusahaan Anda selama tiga tahun terakhir.

Sangat rendah 1----------2----------3----------4----------5----------6 Sangat tinggi

Tingkat kinerja selama tiga tahun terakhir

KINERJA *(PERFORMANCE)*							
1	Rata-rata pertumbuhan penjualan (Sales growth rate)	1	2	3	4	5	6
2	Return on investment (ROI)	1	2	3	4	5	6
3	Return on asset (ROA)	1	2	3	4	5	6
4	Pangsa pasar (Market share)	1	2	3	4	5	6
5	Kepuasan karyawan	1	2	3	4	5	6
6	Kepuasan pelanggan	1	2	3	4	5	6
7	Mengembangkan image	1	2	3	4	5	6

BAGIAN E: INFORMASI DEMOGRAFI

Jenis Kelamin ☐ Laki-laki ☐ Perempuan

Tingkat Pendidikan ☐ S3/S2 ☐ S1 ☐ Diploma

☐ SMA ☐ SMP ☐ SD

Umur ☐ Dibawah 30 Tahun ☐ 31-40 Tahun ☐ 41-50 tahun

☐ 51-60 tahun ☐ Diatas 60

Usia Perusahaan ☐ Kurang dari 5 tahun ☐ 5-10 tahun

☐ 11-15 tahun ☐ Lebih dari 15 tahun

TERIMA KASIH ATAS PARTISIPASI ANDA

Appendix 3 Demographic of Respondents

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	67	73.6	73.6	73.6
	Female	24	26.4	26.4	100.0
	Total	91	100.0	100.0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	S3/S2	5	5.5	5.5	5.5
	S1	42	46.2	46.2	51.6
	Diploma	12	13.2	13.2	64.8
	SMA	29	31.9	31.9	96.7
	SMP	3	3.3	3.3	100.0
	Total	91	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 30	5	5.5	5.5	5.5
	31-40	29	31.9	31.9	37.4
	41-50	38	41.8	41.8	79.1
	51-60	16	17.6	17.6	96.7
	60 above	3	3.3	3.3	100.0
	Total	91	100.0	100.0	

Firm age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 Years	15	16.5	16.5	16.5
	5-10 years	25	27.5	27.5	44.0
	11-15 years	11	12.1	12.1	56.0
	More than 15 years	40	44.0	44.0	100.0
	Total	91	100.0	100.0	

Appendix 4 Factor Analysis on Formality

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.763
Bartlett's Test of Sphericity	Approx. Chi-Square	225.711
	Df	15
	Sig.	.000

Communalities

	Initial	Extraction
Formality1	1.000	.394
Formality2	1.000	.712
Formality3	1.000	.600
Formality4	1.000	.537
Formality5	1.000	.589
Formality6	1.000	.538

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
Formality1	.628
Formality2	.844
Formality3	.774
Formality4	.732
Formality5	.767
Formality6	.733

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.842	.842	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Formality1	22.9451	19.008	.498	.397	.838
Formality2	22.9011	15.912	.749	.637	.788
Formality3	22.8022	16.983	.640	.579	.812
Formality4	22.9341	18.396	.598	.399	.821
Formality5	23.0000	16.044	.647	.513	.812
Formality6	22.9451	18.097	.600	.479	.820

Appendix 5 Factor Analysis on Tools of Strategic Planning

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.856
Bartlett's Test of Sphericity	Approx. Chi-Square	341.911
	Df	36
	Sig.	.000

Communalities

	Initial	Extraction
Tools1	1.000	.703
Tools2	1.000	.484
Tools3	1.000	.610
Tools4	1.000	.387
Tools5	1.000	.541
Tools6	1.000	.727
Tools7	1.000	.627
Tools8	1.000	.756
Tools9	1.000	.686

Rotated Component Matrix[a]

	Component	
	1	2
Tools1	.800	
Tools2	.612	
Tools3	.781	
Tools4		
Tools5	.694	
Tools6	.795	
Tools7	.630	
Tools8		.849
Tools9		.805

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.866	.867	8

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Tools1	31.6484	30.319	.707	.572	.838
Tools2	31.7692	33.868	.587	.419	.853
Tools3	31.6593	33.449	.523	.373	.859
Tools5	31.7253	32.535	.627	.468	.848
Tools6	31.4396	30.316	.769	.648	.832
Tools7	31.6264	30.103	.706	.549	.838
Tools8	32.1209	31.641	.518	.412	.863
Tools9	31.7033	33.900	.524	.411	.859

Appendix 6 Factor Analysis on Employee Participation

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.777
Bartlett's Test of Sphericity	Approx. Chi-Square	291.492
	Df	21
	Sig.	.000

Communalities

	Initial	Extraction
Participation1	1.000	.589
Participation2	1.000	.721
Participation3	1.000	.630
Participation4	1.000	.614
Participation5	1.000	.442
Participation6	1.000	.347
Participation7	1.000	.394

Component Matrix[a]

	Component
	1
Participation1	.768
Participation2	.849
Participation3	.794
Participation4	.783
Participation5	.664
Participation6	
Participation7	.628

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.833	.848	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Participation1	21.9011	17.579	.646	.607	.800
Participation2	21.8022	16.916	.773	.695	.778
Participation3	22.1978	16.049	.693	.630	.787
Participation4	21.9670	17.632	.672	.602	.797
Participation5	21.9451	18.030	.473	.274	.833
Participation7	22.2747	16.179	.494	.306	.842

Appendix 7 Factor Analysis on Time Horizon

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.707
Bartlett's Test of Sphericity	Approx. Chi-Square	172.235
	Df	6
	Sig.	.000

Communalities

	Initial	Extraction
Horizon1	1.000	.461
Horizon2	1.000	.832
Horizon3	1.000	.817
Horizon4	1.000	.535

Component Matrix[a]

	Component
	1
Horizon1	.679
Horizon2	.912
Horizon3	.904
Horizon4	.732

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.822	.822	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Horizon1	11.5714	13.003	.474	.406	.846
Horizon2	11.6923	10.238	.804	.684	.704
Horizon3	11.8022	9.538	.795	.671	.701
Horizon4	11.8462	11.154	.545	.451	.826

Appendix 8 Factor Analysis on Control

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.762
Bartlett's Test of Sphericity	Approx. Chi-Square	384.527
	Df	15
	Sig.	.000

Communalities

	Initial	Extraction
Control1	1.000	.592
Control2	1.000	.700
Control3	1.000	.630
Control4	1.000	.704
Control5	1.000	.756
Control6	1.000	.539

Component Matrix[a]

	Component
	1
Control1	.769
Control2	.837
Control3	.794
Control4	.839
Control5	.870
Control6	.734

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.893	.893	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Control1	20.8462	31.554	.665	.803	.882
Control2	20.9890	30.255	.756	.827	.868
Control3	21.0440	32.198	.694	.574	.878
Control4	21.1099	30.343	.753	.606	.868
Control5	21.0440	29.665	.797	.723	.861
Control6	21.4505	32.428	.622	.580	.888

Appendix 9 Factor Analysis on Environmental Uncertainty

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.741
Bartlett's Test of Sphericity	Approx. Chi-Square	105.534
	Df	15
	Sig.	.000

Communalities

	Initial	Extraction
EU1	1.000	.120
EU2	1.000	.413
EU3	1.000	.527
EU4	1.000	.405
EU5	1.000	.671
EU6	1.000	.398

Component Matrix[a]

	Component
	1
EU1	
EU2	.642
EU3	.726
EU4	.637
EU5	.819
EU6	.631

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.726	.736	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
EU2	16.1319	14.094	.401	.207	.712
EU3	15.6264	15.303	.528	.308	.682
EU4	16.1648	12.873	.444	.270	.700
EU5	16.4505	11.228	.671	.455	.596
EU6	16.3297	13.490	.452	.238	.693

Appendix 10 Factor Analysis on Innovativeness in Implementing Strategies

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.918
Bartlett's Test of Sphericity	Approx. Chi-Square	761.866
	Df	78
	Sig.	.000

Communalities

	Initial	Extraction
Innovativeness1	1.000	.652
Innovativeness2	1.000	.685
Innovativeness3	1.000	.655
Innovativeness4	1.000	.677
Innovativeness5	1.000	.595
Innovativeness6	1.000	.694
Innovativeness7	1.000	.744
Innovativeness8	1.000	.796
Innovativeness9	1.000	.627
Innovativeness10	1.000	.419
Innovativeness11	1.000	.705
Innovativeness12	1.000	.685
Innovativeness13	1.000	.608

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.916	.918	10

Rotated Component Matrix[a]

	Component	
	1	2
Innovativeness1	.749	
Innovativeness2		
Innovativeness3	.790	
Innovativeness4	.781	
Innovativeness5	.721	
Innovativeness6		.775
Innovativeness7		.812
Innovativeness8		.820
Innovativeness9		
Innovativeness10		
Innovativeness11		.806
Innovativeness12	.728	
Innovativeness13	.676	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Innovativeness1	38.7363	54.663	.692	.605	.908
Innovativeness3	38.7802	55.951	.640	.597	.911
Innovativeness4	39.1099	53.988	.687	.577	.908
Innovativeness5	38.9560	56.220	.655	.509	.910
Innovativeness6	38.9780	55.466	.696	.617	.908
Innovativeness7	39.2637	53.085	.711	.657	.907
Innovativeness8	39.0989	51.290	.748	.678	.904
Innovativeness11	39.3846	52.728	.648	.540	.911
Innovativeness12	38.7912	54.034	.754	.657	.904
Innovativeness13	38.7692	54.668	.699	.586	.907

Appendix 11 Factor Analysis on Performance

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.779
Bartlett's Test of Sphericity	Approx. Chi-Square	292.252
	Df	21
	Sig.	.000

Communalities

	Initial	Extraction
Performance1	1.000	.463
Performance2	1.000	.831
Performance3	1.000	.843
Performance4	1.000	.659
Performance5	1.000	.698
Performance6	1.000	.701
Performance7	1.000	.661

Rotated Component Matrix[a]

	Component	
	1	2
Performance1	.666	
Performance2	.900	
Performance3	.892	
Performance4		
Performance5		.768
Performance6		.801
Performance7		.813

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.799	.801	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Performance1	23.1758	10.791	.482	.323	.785
Performance2	23.2198	10.107	.594	.640	.759
Performance3	23.1648	10.428	.652	.668	.748
Performance5	22.9451	10.030	.616	.532	.753
Performance6	22.8571	10.390	.616	.533	.754
Performance7	22.8791	11.374	.386	.254	.806

Appendix 12 Pearson Correlation Analysis

Correlations

		Performance	Formality	Tools	Participation	Horizon	Control	SP
Performance	Pearson Correlation	1	.624**	.648**	.523**	.479**	.669**	.691**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	91	91	91	91	91	91	91
Formality	Pearson Correlation	.624**	1	.789**	.713**	.638**	.627**	.869**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	91	91	91	91	91	91	91
Tools	Pearson Correlation	.648**	.789**	1	.642**	.571**	.676**	.849**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	91	91	91	91	91	91	91
Participation	Pearson Correlation	.523**	.713**	.642**	1	.562**	.753**	.853**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	91	91	91	91	91	91	91
Horizon	Pearson Correlation	.479**	.638**	.571**	.562**	1	.606**	.811**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	91	91	91	91	91	91	91
Control	Pearson Correlation	.669**	.627**	.676**	.753**	.606**	1	.873**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	91	91	91	91	91	91	91
SP	Pearson Correlation	.691**	.869**	.849**	.853**	.811**	.873**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	91	91	91	91	91	91	91

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix 13 The Regression on the Relationship between Strategic Planning and MEs Performance

Correlations

		Performance	SP
Pearson Correlation	Performance	1.000	.697
	SP	.697	1.000
Sig. (1-tailed)	Performance	.	.000
	SP	.000	.
N	Performance	91	91
	SP	91	91

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.697[a]	.486	.480	.45857	2.012

a. Predictors: (Constant), SP

b. Dependent Variable: Performance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.694	1	17.694	84.145	.000[b]
	Residual	18.715	89	.210		
	Total	36.410	90			

a. Dependent Variable: Performance

b. Predictors: (Constant), SP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.160	.271		7.968	.000
	SP	.565	.062	.697	9.173	.000

a. Dependent Variable: Performance

Appendix 14 The Regression on the Mediating Effect of Innovativeness in Implementing Strategies on the Relationship between Strategic Planning and MEs Performance

Correlations

		Innovativeness	SP
Pearson Correlation	Innovativeness	1.000	.763
	SP	.763	1.000
Sig. (1-tailed)	Innovativeness	.	.000
	SP	.000	.
N	Innovativeness	91	91
	SP	91	91

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.763[a]	.582	.577	.52948	.582	123.866	1	89	.000	1.683

a. Predictors: (Constant), SP

b. Dependent Variable: Innovativeness

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.726	1	34.726	123.866	.000[b]
	Residual	24.951	89	.280		
	Total	59.678	90			

a. Dependent Variable: Innovativeness

b. Predictors: (Constant), SP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.903	.313		2.884	.005
	SP	.792	.071	.763	11.130	.000

a. Dependent Variable: Innovativeness

Correlations

		Performance	Innovativeness
Pearson Correlation	Performance	1.000	.636
	Innovativeness	.636	1.000
Sig. (1-tailed)	Performance	.	.000
	Innovativeness	.000	.
N	Performance	91	91
	Innovativeness	91	91

Model Summary[b]

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.636[a]	.405	.398	.49350	.405	60.501	1	89	.000	2.126

a. Predictors: (Constant), Innovativeness

b. Dependent Variable: Performance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.734	1	14.734	60.501	.000[b]
	Residual	21.675	89	.244		
	Total	36.410	90			

a. Dependent Variable: Performance

b. Predictors: (Constant), Innovativeness

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.456	.282		8.722	.000
	Innovativeness	.497	.064	.636	7.778	.000

a. Dependent Variable: Performance

Correlations

		Performance	SP	Innovativeness
Pearson Correlation	Performance	1.000	.697	.636
	SP	.697	1.000	.763
	Innovativeness	.636	.763	1.000
Sig. (1-tailed)	Performance	.	.000	.000
	SP	.000	.	.000
	Innovativeness	.000	.000	.
N	Performance	91	91	91
	SP	91	91	91
	Innovativeness	91	91	91

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.716[a]	.512	.501	.44933	.512	46.170	2	88	.000	2.045

a. Predictors: (Constant), Innovativeness, SP

b. Dependent Variable: Performance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.643	2	9.321	46.170	.000[b]
	Residual	17.767	88	.202		
	Total	36.410	90			

a. Dependent Variable: Performance

b. Predictors: (Constant), Innovativeness, SP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.984	.278		7.143	.000
	SP	.411	.093	.507	4.400	.000
	Innovativeness	.195	.090	.250	2.168	.033

a. Dependent Variable: Performance

Appendix 15 The Regression on the Moderating Effect of Environmental Uncertainty on the Relationship between Strategic Planning and MEs Performance

Correlations

		Zscore (Performance)	Zscore(SP)	Zscore (Environment)	ZSPXZEU
Pearson Correlation	Zscore(Performance)	1.000	.697	.108	.017
	Zscore(SP)	.697	1.000	.238	-.101
	Zscore(Environment)	.108	.238	1.000	.124
	ZSPXZEU	.017	-.101	.124	1.000
Sig. (1-tailed)	Zscore(Performance)	.	.000	.155	.437
	Zscore(SP)	.000	.	.011	.171
	Zscore(Environment)	.155	.011	.	.121
	ZSPXZEU	.437	.171	.121	.
N	Zscore(Performance)	91	91	91	91
	Zscore(SP)	91	91	91	91
	Zscore(Environment)	91	91	91	91
	ZSPXZEU	91	91	91	91

Model Summary[d]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.697[a]	.486	.480	.72096802	.486	84.145	1	89	.000	
2	.700[b]	.490	.478	.72248525	.004	.627	1	88	.431	
3	.707[c]	.499	.482	.71978721	.010	1.661	1	87	.201	1.994

a. Predictors: (Constant), Zscore(SP)

b. Predictors: (Constant), Zscore(SP), Zscore(Environment)

c. Predictors: (Constant), Zscore(SP), Zscore(Environment), ZSPXZEU

d. Dependent Variable: Zscore(Performance)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.738	1	43.738	84.145	.000[b]
	Residual	46.262	89	.520		
	Total	90.000	90			
2	Regression	44.065	2	22.033	42.209	.000[c]
	Residual	45.935	88	.522		
	Total	90.000	90			
3	Regression	44.926	3	14.975	28.905	.000[d]
	Residual	45.074	87	.518		
	Total	90.000	90			

a. Dependent Variable: Zscore(Performance)

b. Predictors: (Constant), Zscore(SP)

c. Predictors: (Constant), Zscore(SP), Zscore(Environment)

d. Predictors: (Constant), Zscore(SP), Zscore(Environment), ZSPXZEU

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.388E-15	.076		.000	1.000
	Zscore(SP)	.697	.076	.697	9.173	.000
2	(Constant)	2.189E-15	.076		.000	1.000
	Zscore(SP)	.712	.078	.712	9.079	.000
	Zscore(Environment)	-.062	.078	-.062	-.792	.431
3	(Constant)	-.023	.078		-.295	.768
	Zscore(SP)	.726	.079	.726	9.203	.000
	Zscore(Environment)	-.078	.079	-.078	-.982	.329
	ZSPXZEU	.097	.075	.099	1.289	.201

a. Dependent Variable: Zscore(Performance)