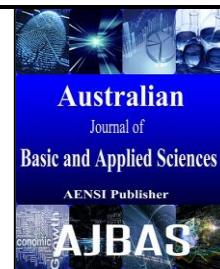




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Mediating Role of Organization's Continuous Commitment between Strategy Implementation and Organizational Performance in Libya's Industrial Sector

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ABSTRACT

Background: Libya is offering a unique place for the study of strategic management because it is still a developing nation. The problem exists on the issue and challenges faced by industrial companies operating in Libya where business practices remain severely underdeveloped. However, due to lack of the right strategy management practices, industries can achieve only 50% of the total production capacity in Libya. This suggests further investigation for the advancement of the industrial sector in Libya. **Objective:** This research aims to establish and verify the hypothesized relationship between strategy implementation and organizational success and the mediating role of organization's continuous commitment in Libya's industrial sectors. **Results:** A self-administered questionnaire was used to collect data from the 223 respondents through disproportionate stratified random sampling of employees working at the different industries in Libya. Structural equation modeling (SEM) was used to test the hypotheses. The results indicate that organization's continuous commitment fully mediates the relationship between strategy implementation and organizational success in the Libyan industry context. **Conclusion:** For proper implementation of strategic moves for Libyan industrial sector needs to confirm the proper practices and support from the senior managers towards implementation. This means significant amount of resources will need to be allocated for education and training. The vision of improving the Libyan industrial sector can be fully realized only if all the related professional bodies take the full responsibility and work together to attain this goal.

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INTRODUCTION

The practice of strategic management is important to evaluate why firms succeed or fail, and why do firms have varying levels of performance. It seems that organizations that use strategic management concepts and techniques do have higher levels of performance (Abu Bakar & Commer, 2011). If it impacts the organization's performance, then it is important to know something about strategic management. Today, organizations of all types and sizes continually face changing situations (Juan & Robert, 2010). These changes may be minor or significant, but there is an urgent need to cope with changes. Being able to cope effectively with these uncertainties in the external and internal environments and achieve expected levels of performance is a real challenge. By systematically following the strategic management process, strategic decision makers examine all the important aspects in order to determine the most appropriate

decisions and actions (David, 2009). The deliberate structure of the strategic management process forces organizational employees to examine relevant variables in deciding what to do and how to do it (Coulter, 2008).

Studies of the strategy decision process suggest that the way strategy is developing can make a difference in performance. For example, Mungai's (2007) study of strategic decision makers found that those who collected information and used analytical techniques made more effective strategic decisions than those who did not. He further noted that strategic management provides overall direction to the organization (Mungai, 2007). Thus, strategic management analyses situation and proceeding to develop and implement appropriate strategies.

As with other nation, developing a business strategy is essential for the success of any organization in Libya (Hokoma, 2010). Bureaucratic delays and red tape are major stumbling blocks for entrepreneurs, who have to operate and make

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decisions in real-time to stay competitive (Hokoma, Khan Hussain, 2006). Sadly, this still exist in Libya within the government and public sector where the “sense of urgency” is lacking (Hokoma, Khan Hussain, 2010) . Moreover, according to Anon World Report International (2008), some industrial companies and plants within Libya are operating below their potential, achieving only 50% of their full production capacity. The current status, taking into consideration all the facts, suggests opportunities exist to improve the manufacturing sectors in Libya (Hokoma, Khan Hussain, 2008).

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

Literature Review:

Strategy implementation is the process of performing all the activities necessary to do what has been planned (Carpenter & Sanders, 2009). Woods and Joyce (2003) argued that strategic implementation consider as a process which might involve changes according to the overall culture, structure and/or management system of the entire organization. David (2009, p. 260) states that “the strategic management never really ends. This means that the strategic management process does not end once an organization has selected a strategy or strategies. To be of value strategies have to be implemented successfully.” Strategy implementation includes developing a strategy-supportive culture, creating an effective organizational structure, redirecting market efforts, preparing budgets, developing and utilizing information systems, and linking employee compensation to organizational performance (David, 2009). Thompson (1994) noted that it is possible to view implementation as an activity that follows strategy formulation; where structures and systems are changed to accommodate changes in strategy, however, implementation, instead of following formulation, may be considered in depth at the same time as the proposed strategy is thought through and before final decisions are made.

The challenge that most organizations face is the

transition from strategy formulation to strategy implementation. David (2009, p. 38) draws attention to the fact that, “the transition from strategy formulation to strategy implementation requires a shift in responsibility from strategists to divisional and functional managers”. In other words, strategy implementation is the communication, interpretation, adoption and enactment of strategic plans (Ehlers & Lazenby, 2007). Hence, it is clear that strategic implementation deals with translating thought, or the strategic plan into action. Therefore, a leader must ensure that the strategy is integrated to avoid confusion.

Therefore, strategy should respond to the change in external and internal factors that have an influence on the organization. Thompson and Strickland (2003: 1989) stated that “good strategy execution involves a strong fit between the way things are done internally and what it will take for the strategy to succeed.” Hence, a series of tight fits must be created between strategy and an organization’s competences, capabilities, policies and structure; between strategy and budgetary allocation; between strategy and internal support system; between strategy and the reward structure and between strategy and the corporate culture (Grant, 2000; Thompson, 1994; Webb, 1989).

In the context of industrial sector, the role of top management as strategy makers has greater impact for implementing the strategy and they have authority in decision making that influence the whole organization structure (Jiang & Alis, 2009). The managerial skill is crucial for management to implement strategy correctly and appropriately. Indeed, successful strategies depend on effective implementation (Carpenter & Sanders, 2009).

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

- H1: There is a significant positive relationship between strategy implementation and organization’s continuous commitment.
- H2: There is a significant positive relationship between organization’s continuous commitment and

Besides, to reconfirm the construct validity, confirmatory factor analysis (CFA) was carried out. For assessing the measurement model for strategy implementation (SI), organization's continuous commitment (OCC) and organizational success (OS),

confirmatory factor analysis was conducted basing on the items extracted through EFA. Few items were deleted from the CFA. Finally, through the use of SEM, the hypothesized model was specified.

Table 3: Items Dimensions

Items	SI	OCC	OS
In my company, the decision making process is very effective	.709		
My association established long term objectives	.745		
Establishing long-term objectives for my association is very important		.776	
My association is very successful in generating strategies to deal with issues		.737	
My association subject strategies to address issues that confront the association		.714	
It is very important to address issues that confront the association		.778	
Association Policies are updated on a regular basis		.764	
I strongly support to formal policy development and implementation		.692	
Our Board of Directors are very committed to providing financial resources to support the implementation of strategic initiatives		.724	
Our staffs are well motivated to maintain and support the implementation of strategic initiatives		.740	
Current structure of our association is appropriate to support the implementation of strategic initiatives		.677	
If an incompatibility with the given plan occurs during a routine check-up of the project implementation, we carry out operational changes	.727		
The strategic management model of our association is very relevant and suitable	.721		
Co-ordination among the group members were very effective	.632		
The changes are incorporated into the project when the previous project result analyses show incompatibility with the original prognosis	.645		
Our Board of Directors are well motivated to maintain and support the implementation of strategic initiatives	.663		
Capabilities of employees involved were enough	.569		
Problems requiring top management involvement were communicated early enough	.646		
All the employees participate in strategy evaluation in our company		.621	
Achieved the initial goals of the decision		.709	
Achieved the financial results expected		.713	
Was carried out within the resources initially budgeted		.737	
Key formulations of the strategic decision did play an active role in implementation		.724	
Took less time than originally allocated		.572	
Major problems surfaced which had not been identified earlier		.618	
Overall goals were well understood by employees		.618	
Cronbach's Alpha coefficient	.918	.830	.857

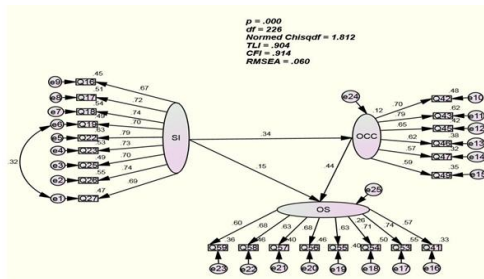


Fig. 1: Hypothesized Model.

From Figure 1, it can be seen that the goodness-of-fit indices of the hypothesized model indicates that the model fits well. The Normed chi-square (CMIN/DF) falls within the required level of less than 3 (for this study is 1.812). This supports that the data used in this study is consistent. The RMSEA

value has to be below 0.08 (Hair et al., 2010). In this study, the value is 0.060. Finally, the CFI (0.914) and TLI (0.904) also show that the required level is achieved for the revised model. Hence, it can be assumed that the proposed model fits well.

Table 4: Hypothesis Testing.

			Estimate	S.E.	C.R.	P
Organization's Continuous Commitment	<---	Strategy implementation	.340	.124	4.221	***
Organizational Success	<---	Strategy implementation	.149	.066	1.934	.053
Organizational Success	<---	Organization's Continuous Commitment	.436	.053	4.553	***

From Table 4, it is observed that path coefficient between strategy implementation (SI) and organization's continuous commitment (OCC) is 0.340 with a p value of 0.000. Therefore, the path is statistically significant as the $p \leq 0.05$. This indicates the statistical significance between organization's continuous commitment (OCC) and organizational success (OS). Thus, H1 is accepted.

However, the path coefficient between strategy implementation (SI) and organizational success (OS) is also very low (0.149) with a p value of 0.53. Therefore, the path is also not statistically significant as the $p \geq 0.05$. This indicates the statistical

insignificance between strategy implementation (SI) and organizational success (OS). Thus, H2 is rejected.

The path coefficient between organization's continuous commitment (OCC) and organizational success (OS) is 0.436 and the p is ≤ 0.05 . This indicates the statistical significance between organization's continuous commitment (OCC) and organizational success. Thus, H3 is also accepted.

Finally, this study has examined the mediating effect of organization's continuous commitment (OCC) between strategy implementation (SI) and organizational success (OS). Byrne (2010) noted

that to see whether there is mediation, first, this has to be confirmed that the direct relationship between the IV and DV is significant. Furthermore, to test the mediation effect, one must add all the relationships to see whether all the paths are significant or not (Zainudin, 2012). The result indicates that the model fits well (TLI = 0.904, CFI = 0.914, Normed ChiSq = 1.812 and RMSEA = 0.060). However, the path coefficient between SI and OS is only 0.15 and thus, statistically not significant ($p \geq 0.05$). However, the relationship between SI and OCC is significant (path coefficient is 0.340) and the relationship between OCC and OS is also significant (path coefficient is 0.436). In this case, this study confirms that full mediation occurs as only the indirect relationship is statistically significant. Therefore, H4 is also accepted.

Conclusion:

The findings from this study signifies that giving much attention to the strategy implementation components in the Libyan organizational context can help in implementing strategies with much better way which may in turn lead to more positive outcomes in the organizations. Indeed, successful strategies depend on effective implementation. Hence, for proper implementation of strategic moves for Libyan industrial sector needs to confirm the proper practices and support from the senior managers towards implementation. The executive management body should take serious actions through applying a clear strategy towards most of the areas that are considered as being crucial in any effective implementation of the new strategic practices. Lack of a detailed plan towards achieving the full implementation is not an option. Sharing the vision of fulfilling the implementation process with all the related employees and ensuring the required resources for effective implementation of these practices become mandatory. This means significant amount of resources will need to be allocated for education and training. The vision of improving the Libyan industrial sector can be fully realized only if all the related professional bodies take the full responsibility and work together to attain this goal.

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