

Towards Strategic-Decision Quality in Flemish Municipalities: The Importance of Strategic Planning and Stakeholder Participation

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ABSTRACT *Legislation put forth by the Flemish government mandated Flemish municipalities to adopt strategic planning for their 2014-2019 policy cycle. The government's assumption is that strategic planning's approach to decision-making results in strategic-decision quality. Despite this assumption, it remains unclear whether and how strategic planning actually contributes to municipal decision-making. This study elucidates this issue. Drawing on survey data from 271 informants within 89 Flemish municipalities, we find that the systematic dimension of formal strategic planning and the participation of both core and peripheral stakeholders contribute to strategic-decision quality. However, the analytic dimension of formal strategic planning offers no significant contribution.*

KEYWORDS Strategic planning, decision-making, local government, stakeholder participation, empirical study

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INTRODUCTION

As a result of the New Public Management (NPM) paradigm, governments worldwide have mandated public organizations at all levels of government to adopt strategic planning (Alonso 2014, Poister 2010). Frequently discussed examples include the US Government Performance and Results Act and the UK Best Value Regime (Poister and Streib 2005, Bovaird 2008). Strategic planning has thus become one of the most widespread tools for strategic decision-making in the public sector. In line with said evolution, legislative requirements put forth by the Flemish government have also mandated Flemish municipalities to adopt strategic planning for their 2014-2019 policy cycle (Buylen and Christiaens 2014). As such, 308 Flemish municipalities were required to formulate a strategic plan for their municipality by January 2014 (Leroy 2011). The underlying motive for this legislative action roots in the fact that, according to NPM, strategic planning is assumed to contribute to municipal decision-making (Boyne 2001, Walker and Boyne 2006). More specifically, NPM expects that municipalities that adopt a systematic and analytic strategic decision-making process, characterized by stakeholder participation, will develop a more qualitative set of informed strategic decisions (i.e. a coherent and focused strategic plan) (Poister, Pasha, and Edwards 2013, Alonso 2014, Poister and Streib 2005). Thus, strategic planning's approach to strategic decision-making is argued to offer a counterweight to intuitive or political decision-making by ensuring that strategic decisions are formulated based on information and analysis as opposed to gut-feeling or purely political motives (Elbanna 2006, Boyne 2001).

Nevertheless, despite the assumed contribution of strategic planning to municipal decision-making, the effectiveness of strategic planning in public organizations is debated (Ugboro, Obeng, and Spann 2011, Milutinovic and Jolovic 2010, Bovaird 2008). Bryson, Crosby, and Bryson (2009) argue that this debate is fueled by the fact that empirical studies focused on strategic planning as an aggregated scale-variable in relation to indicators of organizational performance (e.g. Poister, Pasha, and Edwards 2013, Andrews et al. 2009). More specifically, previous research tended to interpret strategic planning as a fixed, mechanical process that directly results in organizational performance (Poister, Pitts, and Edwards 2010), thus illustrating a limited attention to 'who was involved', 'how the process was managed' and 'what consequences ensued' (Bryson, Crosby, and Bryson 2009, 173). Although these studies provided

valuable insights, they did not explicitly investigate the relation between strategic planning and decision-making and often did not include micro-activities such as stakeholder participation as constitutive elements of strategic planning in public organizations (Poister, Pitts, and Edwards 2010, Bryson, Berry, and Yang 2010, Bryson, Crosby, and Bryson 2009). Conclusively, to this day it remains unclear whether strategic planning will actually contribute to municipal decision-making and, if so, which micro-activities of strategic planning are responsible for said contribution. As such, the assumption of NPM and governments worldwide, including the Flemish government, that the adoption of strategic planning will contribute to municipal decision-making seems to be ‘a shot in the dark’ (Walker and Boyne 2006, 375).

This study seeks to address these issues by focusing on two micro-activities underlying strategic planning (i.e. independent variables): the degree of formality of the municipal strategic planning process (Poister, Pasha, and Edwards 2013, Walker et al. 2010) and the extent to which municipal strategic planning incorporates a variety of stakeholders (Elbanna 2008, Poister and Streib 2005). These micro-activities are investigated in relation to strategic-decision quality (i.e. dependent variable), which measures ‘the overall quality’ of strategic decisions, ‘the range of relevant issues’ addressed by strategic decisions and ‘the depth’ of strategic decisions (Olson, Parayitam, and Bao 2007, 207). Both strategic planning formality and stakeholder participation are micro-activities of strategic planning that are typically associated with positive decision-making outcomes (e.g. Blair 2004, Simpson and Bretherton 2010, Poister and Streib 2005). The relation between strategic planning formality and strategic-decision quality is hypothesized through rational planning theory (Elbanna 2006), which argues that a systematic and analytic approach to strategic decision-making, such as strategic planning, contributes to strategic-decision quality (Boyne 2001, Walker and Boyne 2006). The relation between stakeholder participation and strategic-decision quality is hypothesized through integrative stakeholder participation theory (Hendrick 2003), which argues that stakeholder involvement during strategic planning is positively related to strategic-decision quality (Elbanna 2008, Elbanna, Andrews, and Pollanen 2015). The defined hypotheses are tested using survey data from 89 Flemish municipalities. Single-informant survey data (n = 89 chief strategic planners) is used for the independent variables while multi-informant survey data

(n = 271 planning team members) is used for the dependent variable. A structural equation modelling technique (i.e. Partial Least Squares Path Modelling) is employed to test the hypotheses.

The contributions of this article are threefold. First, we contribute to the debate on the effectiveness of municipal strategic planning by empirically testing the relation between strategic planning and strategic-decision quality in Flemish municipalities. Strategic-decision quality is a particularly relevant outcome because a key assumption underlying strategic planning's adoption by local governments is its contribution to decision-making (Boyne 2001, Walker and Boyne 2006). Second, we operationalize strategic planning as a multidimensional concept consisting of both the degree of strategic planning formality and the degree of stakeholder participation (Elbanna, Andrews, and Pollanen 2015), and use factor analysis to determine whether additional dimensions within these micro-activities can be identified. Finally, we focus on an institutional setting, namely a coerced strategic planning process in Flemish local government, which is similar to institutional settings worldwide and thus present findings relevant to a variety of local governments (Boyne 2001, Milutinovic and Jolovic 2010).

In what follows, we elaborate on the theoretical framework and present our hypotheses. Next, we discuss the methods employed including empirical setting, data collection, measurement of variables and exploratory factor analysis. Our analysis and results are also presented and we conclude with a discussion and implications. Factor analysis suggest that both strategic planning formality and stakeholder participation consist of two dimensions. A systematic and analytic dimension constitute strategic planning formality while a core and peripheral stakeholder dimension constitute stakeholder participation. Moreover, in our sample of 89 Flemish municipalities we find that the systematic dimension of strategic planning formality as well as core and peripheral stakeholder participation are positively related to strategic-decision quality.

STRATEGIC PLANNING FORMALITY AND STRATEGIC-DECISION QUALITY

Our first hypothesis addresses the relation between strategic planning formality and strategic-decision quality. Strategic planning formality is defined as the extent to which strategic planning is a systematic and analytic strategic decision-making process that includes systematically developing a formal strategic

plan, analyzing internal strengths and weaknesses and external opportunities and threats, and defining strategic goals based on said analyses (Poister, Pasha, and Edwards 2013, Alonso 2014). Rational planning theory argues that formal strategic planning offers information to decision-making due to its systematic and analytic nature (Elbanna 2006). Hence, through formal strategic planning an information-rich decision-making environment is created, which in turn results in strategic-decision quality (Boyne 2001, Walker and Boyne 2006). Formal strategic planning is thus deemed to allow ‘decisions between alternative strategies to be taken logically on the basis of comprehensive information, rather than intuitively on the basis of incomplete or inaccurate data’ (Boyne, 2001, p. 76).

Several scholars in public administration have argued the existence of a relation between strategic planning formality and decision-making in public organizations, without necessarily focusing on strategic-decision quality or presenting empirical evidence. For instance, Poister (2005, 1053) argues that formal strategic planning processes ‘provide overall direction for major decisions throughout the organization on an ongoing basis’. Additionally, Baker (1992) illustrates that through formal strategic planning, a rationality is injected into the decision-making process of a U.S. federal agency. Berry and Wechsler (1995) also indicate that 82% of their surveyed sample (i.e. US state agency directors) believe that formal strategic planning offers assistance to organizational decision-making. Ingman, Kersten, and Brymer (2002) stipulate that strategic planning is an essential instrument for the identification of strategic priorities during decision-making. Moreover, in the case of US municipalities, formal strategic planning seems to be perceived as an effective decision-making instrument and elements of a formal strategic planning process have been found to contribute to municipal management and decision-making (Poister and Streib 1989, 1994, 2005). Hence, based on the theoretical arguments of rational planning theory and the arguments of the above-mentioned public administration scholars, we hypothesize that:

H1: Strategic planning formality is positively related to strategic-decision quality.

STAKEHOLDER PARTICIPATION AND STRATEGIC-DECISION QUALITY

Our second hypothesis addresses the relation between stakeholder participation during strategic planning and strategic-decision quality. Applied to the Flemish municipal context, stakeholders include

the mayor and aldermen, the city council, the city manager, the financial manager, department heads and other senior managers, lower-level employees, citizens and other external stakeholders (Poister and Streib 2005, Milutinovic and Jolovic 2010, Alonso 2014). Integrative stakeholder participation theory argues that the inclusion of a variety of stakeholder during strategic planning offers crucial insights into the internal and external environment of the organization (Hendrick 2003), which in turn contributes to strategic-decision quality (Alonso 2014, Rixon 2010). More specifically, apart from information gathered through the formal strategic planning process, the inclusion of stakeholders offers information from key individuals and groups concerning the organization's environment and thus contributes to an information-rich decision-making environment (Elbanna 2008, Blair 2004, Hendrick 2003).

Stakeholder participation during strategic planning has long been a focal point of case studies in public administration research. Positive effects of stakeholder participation during strategic planning were for instance identified by the case studies of Kemp, Funk, and Eadie (1993), Spee and Jarzabkowski (2011) and Wheeland (1993). Although these studies do not explicitly focus on strategic-decision quality as outcome, they do find that stakeholder participation is a contributive element of strategic planning in public organizations. Moreover, a relation between participation and strategic-decision quality was presumed by Alonso (2014) who indicated that municipal strategic planning results in a set of decisions that strongly affect the public interest. Hence, in order to maximize the quality of said decisions, it is of critical importance that municipal leaders interact with key stakeholders during strategic planning and thus incorporate their insights into the final decisions (Alonso 2014). Although there seem to be several case studies discussing participation's contribution to strategic planning in public organizations, large-scale empirical evidence supporting this claim is scarce (Poister, Pitts, and Edwards 2010). One highly-cited study that does present such evidence was executed by Poister and Streib (2005) in US municipalities. More specifically, Poister and Streib (2005) found that external participation (i.e. citizens and other external stakeholders) and the participation of department heads and lower-level employees were positively associated with an outcome variable that includes enhanced decision-making. Hence, drawing on the arguments of integrative stakeholder participation theory as well as the research evidence

concerning the benefits of stakeholder participation in public-sector strategic planning, we hypothesize that:

H2: Stakeholder participation during strategic planning is positively related to strategic-decision quality.

METHODS

Empirical setting

Survey data was gathered in a sample of 89 Flemish municipalities. As a result of legislation, Flemish municipalities were required to formulate a strategic plan by January 2014. Said plan is expected to contain the strategic blueprint of the municipality's 2014-2019 policy cycle including strategic policy goals, action plans, financial impact assessments and performance indicators (Leroy 2011). The empirical setting of Flemish municipalities thus offers two methodological advantages. First, because of the compulsory nature of the above-mentioned legislation, the strategic planning processes in Flemish municipalities were performed in a similar coercive setting and within the same time-frame, which allows us to better compare empirical findings (De Bruijn and Van Helden 2006). Second, Flemish municipalities are characterized by a homogeneous institutional context, thus enabling us to control for certain institutional aspects and economic conditions (i.e. common political and constitutional system, common economic shocks, similar budgetary processes and identical electoral rules) (Goeminne and Smolders 2014).

Data collection

A three-step data-gathering procedure was employed. First, all 308 Flemish municipalities were contacted and asked to provide the contact information of their chief strategic planner (i.e. the individual responsible for formulating the municipal strategic plan). In most cases, the chief strategic planner was either the municipal manager or the financial manager. Second, each chief strategic planner was contacted and asked to identify other planning team members within their municipality (i.e. other individuals who were centrally involved in the development of the municipal strategic plan). Other planning team members include department heads, policy advisors, aldermen and, in some cases, the

city mayor. Third, an electronic survey was sent to the chief planner and to the other planning team members. Items concerning strategic planning formality and stakeholder participation were incorporated into the survey for the chief planner. Said key informant approach is also utilized by the authors who defined the original items of our independent variables (Poister, Pasha, and Edwards 2013, Poister and Streib 2005). Items concerning strategic-decision quality were sent to both the chief planner and other planning team members. This multi-informant approach is also incorporated by the authors who defined the original items of our dependent variable (Olson, Parayitam, and Bao 2007, Parayitam and Dooley 2009). The throughput time between the initial distribution of the survey and the final survey response was about one month (i.e. mid-March 2015 to mid-April 2015). In total, we gathered single (i.e. 89 chief planners) and multi-informant (i.e. 271 planning team members) survey data for 89 of the 308 Flemish municipalities thus resulting in a response rate of 28,90 per cent.

The survey was designed taking into account the recommendations of Lee, Benoit-Bryan, and Johnson (2012). In order to maximize commitment to fill-out the survey, we offered incentives to all respondents in the form of a research report and a chance to freely participate in a study day. To avoid complex, poor or irrelevant questioning in our survey, we tested the survey with an academic committee and a practitioners committee thus maximizing face validity (Andrews et al. 2009). Additionally, survey items were based on measures that were already tested and published by other scholars thus maximizing concurrent validity (Andrews et al. 2009). Potential problems with sample representativeness and probability sampling methods are scarce in our study. Our sample framework equals our population and almost 30 per cent of that population participated in our survey. Moreover, the distribution of specific socio-economic clusters of cities in our sample is rather similar to that of our population (Belfius 2007), albeit we have a bit more center cities in our sample compared to the percentage of center cities in our population. Finally, we controlled for nonresponse bias by comparing the answers of early and late respondents through time-trend extrapolation (Armstrong and Overton 1977). No significant differences emerged.

Measurement of variables

Our dependent variable (i.e. strategic-decision quality) was measured with the six items presented by Olson, Parayitam, and Bao (2007). In a similar approach to that of Carmeli, Tishler, and Edmondson (2012), we asked the chief strategic planners and the other planning team members to focus on the formulated municipal strategic plan as a set of recent strategic decisions. Moreover, we asked our informants to focus on the most recently formulated municipal strategic plan, which needed to be finalized by January 2014 as a result of Flemish legislation. Thus, in our study strategic-decision quality measures the perception of chief planners and planning team members concerning the strategic-decision quality of the coerced municipal strategic plan. This perceptual measurement provides reliable results when more objective measures or not at hand (Dess and Robinson 1984). Moreover, positive perceptions of management towards the strategic plan have been identified as crucial factors in successful strategic plan implementation (Yang, Sun, and Eppler 2009), which further emphasizes the importance of our dependent variable. The six items focused on the overall quality of the plan, the effect and results of the plan so far, the range of issues addressed by the plan, whether the plan was well structured, clearly elaborated and expressed in depth (Olson, Parayitam, and Bao 2007).

Our first independent variable (i.e. strategic planning formality) was measured with the four items presented by Poister, Pasha, and Edwards (2013). We included a fifth item, namely the extent to which the municipality conducted an analysis of its external opportunities and threats during plan development, because this typical element of formal strategic planning was absent in the original four items. Similar to the approach of Poister, Pasha, and Edwards (2013), the items concerning strategic planning formality were asked to a key informant, namely the chief strategic planner. We asked the chief planner to focus on the strategic planning process that was followed to develop the most recent municipal strategic plan, which needed to be finalized by January 2014. Our second independent variable (i.e. stakeholder participation) was measured partially through the six items formulated by Poister and Streib (2005) but also through items recommended by the academic and practitioner committee. This resulted in a list of eight stakeholder groups relevant to the Flemish municipal context: city mayor and aldermen, city council, city manager, financial manager, department heads and other senior management, lower-level employees, citizens, and other external stakeholders. Again, as was the approach of Poister and Streib

(2005), chief strategic planners were asked to indicate the degree to which their municipality involved these stakeholder groups during the development of their most recent municipal strategic plan.

Exploratory factor analysis

As the selected operationalizations of the independent variables have, to date, only been included in a limited number of empirical studies and have not been used in the same research model (Poister, Pasha, and Edwards 2013, Poister and Streib 2005), we decided to perform an exploratory factor analysis (EFA), extraction method principal component analysis and rotation method varimax with Kaiser normalization, to identify possible underlying relationships between the measured independent variables. Table 1 lists the results of the analysis.

[Insert Table 1 about here]

The conducted EFA suggests that a structure of four latent constructs, and not two as expected, is underlying the battery of measured independent variables. The four factors explain 63,47 per cent of the variance. The identified structure seems robust as only two variables (item 1 and item 7) crossload (loading of .32 or more) on two or more factors (Tabachnick and Fidell 2013). However, as the variables do not load strong ($\geq .50$) on each factor, the crossloadings are not considered troublesome (Costello and Osborne 2005). In addition, all variables display moderately to strong communality with the exception of item 7, which failed to reach the desirable factor loading of at least 0.50 (Costello and Osborne 2005).

With respect to the content of the factor analysis, it was expected that, based on previously used measures, two factors would be identified. However, the EFA identified a factor structure containing four factors. The EFA indicates that the expected construct ‘strategic planning formality’ consists of two factors. One factor, which we label as the ‘analytic dimension’ of municipal strategic planning, groups the items that measure the degree to which the municipal strategic planning process consists of analyzing strengths and weaknesses, analyzing opportunities and threats and defining strategic goals based on said analysis. A second factor, which we label as the ‘systematic dimension’ of municipal strategic planning, groups the items that measure the degree to which the municipal planning process was a systematic

planning process that resulted in a formal strategic plan. The identified two factors correspond with rational planning theory, which argues that strategic planning processes are typically both systematic (i.e. following a stepwise approach that results in a formal strategic plan) and analytic (i.e. conducting analysis in order to gather information and then converging said information into strategic goals) in their very nature (Poister, Pasha, and Edwards 2013, Boyne 2001, Andrews et al. 2009).

The EFA also suggests that the construct ‘stakeholder participation’ consists of two factors. We labelled these factors as ‘core stakeholder participation’ and ‘peripheral stakeholder participation’. Stakeholder theory typically argues that different groups of stakeholders exist based on interest and power, and managers should be aware of this distinction in order to keep stakeholder participation ‘manageable’ (Ackermann and Eden 2011). Hence, the factor ‘core stakeholder participation’ consists of those stakeholders who are actively involved in municipal strategic planning and represent the top layer of policy and administration within the municipality. This includes (a) the mayor and aldermen, who are responsible for the policy of the municipality, (b) the city manager, who is responsible for the general management of the municipality, (c) the financial manager, who is responsible for the financial management of the municipality, and (d) department heads and other senior managers, which include senior policy advisors or heads of HR, communication and so on. Because these stakeholders are typically also responsible for formulating and implementing the municipal plan (Leroy 2011, Milutinovic and Jolovic 2010, Poister and Streib 2005), we label them as ‘core stakeholders’ who should be actively involved in municipal strategic planning (Elbanna, Andrews, and Pollanen 2015).

The factor ‘peripheral stakeholder participation’, on the other hand, aggregates stakeholders who do not necessarily play an active role but who are consulted during the strategic planning process. While the inclusion of these stakeholders as core actors of the strategic planning process might be troublesome and unmanageable (Ackermann and Eden 2011), they still represent an important source of environmental information (Alonso 2014). More specifically, lower-level employees are frequently in contact with the actual service users of the municipality and are thus aware of the needs of said users. Additionally, citizens and other external stakeholders are directly impacted by the municipal plan and could provide information that aligns the plan to their specific needs. Peripheral stakeholder

participation thus ties in with the service-dominant approach to municipal management, which argues that lower-level employees, citizens and other external stakeholder are sources of information on the needs of service users and should be consulted during municipal decision-making (Osborne, Radnor, and Nasi 2013).

The low loading of item 7 on either of the stakeholder factors (cf. supra) implies that we cannot include the city council in our core or peripheral stakeholder dimensions. Although the city council is formally required to approve the municipal plan (Agentschap Binnenlands Bestuur 2013), it does not seem to belong to either the core or peripheral stakeholders of strategic planning in Flemish municipalities based on our EFA. Besides the fact that item 7 does not load strongly on any of the two factors, item 7 is also not strongly related to the other items of the two respective factors as apparent from the low level of communality. Therefore, we decide to drop item 7 (i.e. involvement of the city council) from the analysis.

DATA ANALYSIS AND RESULTS

The analyses were conducted using R version 3.1.3 with the package for Partial Least Squares (PLS) Path Modelling. PLS, which is a structural equation modelling (SEM) technique, was selected as it offers several advantages. First, PLS is a component-based approach and as such places minimal requirements on sample size and residual distributions to achieve sufficient statistical power making this method advantageous when used with small sample sizes (Hair, Ringle, and Sarstedt 2013, Hair et al. 2012). Chin (1998), for example, suggested that the number of paths leading to the endogenous construct with the most paths, multiplied by 10, provides an indication of the minimal sample size required. In the proposed model four paths (from the four factors identified in the EFA) lead to our dependent variable (i.e. strategic-decision quality), meaning that a minimum sample size of 40 would be sufficient ($n = 89$). Second, PLS is a statistical method that allows the use of latent variables and thus simultaneously assess measurement and structural models (Hair, Ringle, and Sarstedt 2013, Hair et al. 2012, Chin 1998). Therefore, PLS enables us to not only assess the paths between our latent constructs but also to further test the validity of the factor structure identified in the EFA.

As indicated, PLS requires the construction of a latent variable model to test the hypothesized relationships between the constructs of interest. The actual analysis follows a two-step approach (Sanchez 2013). In the first step, confirmatory factor analysis (CFA) is used to assess the fit of the measurement model to the data. In the second step, the relationships between the constructs are estimated and a structural model is constructed.

Measurement model, descriptive statistics and correlations

The psychometric properties of the reflective measurement model were assessed by conducting PLS analysis. As expected, based on the previously conducted EFA, the confirmatory factor analysis produced five distinct factors: four factors relating to strategic planning formality and participation, and one factor aggregating the items related to strategic-decision quality. Table 2 lists the PLS item loadings and cross-loadings. Item loadings and reliabilities were considered acceptable as the majority of the items scored above 0.70 (Fornell and Larcker 1981).

[Insert Table 2 about here]

Although some authors advise to drop items with factor loadings lower than 0.70, we decided to not omit these items. None of the items in question display an item loading lower than 0.40, which is deemed acceptable by Hair, Ringle, and Sarstedt (2013) for exploratory studies and there was no indication of cross-loadings (i.e. all items loaded higher on the expected construct than on the other constructs). The reliability of the measurement model was further tested by calculating the composite reliability scores (CR) and the average variance extracted (AVE). Table 3 indicates that the constructs have acceptable internal consistency as all CR scores exceed the required threshold of 0.70 (Hair, Ringle, and Sarstedt 2013). In addition, the fact that all constructs have an AVE of ≥ 0.50 indicates convergent validity and provided further proof that the composite measurement items have adequate item reliability (Elbanna, Child, and Dayan 2013).

[Insert Table 3 about here]

As discussed earlier, the fact that all items included in the study load more strongly on their corresponding construct than other constructs is a first criterion indicating discriminant validity (see

Table 2). A second criterion for discriminant validity requires that the square root of the AVE scores of each variable should be higher than the bivariate correlations involving the construct (Fornell and Larcker 1981). Table 4 shows that all constructs meet this requirement.

[Insert Table 4 about here]

Structural model

The second step of the data analysis process examined the significance and strength of each of the hypothesized effects by running, in R, a PLS structural model using bootstrapping (5000 bootstrap samples). The analysis results indicate that the included exogenous variables explain 32.8% (R^2) of the variance of strategic-decision quality. Table 5 provides detailed information about the analyzed paths.

[Insert Table 5 about here]

With respect to the effect of strategic planning formality on strategic-decision quality, the study results indicate that the systematic dimension of formal strategic planning has a positive relationship with strategic-decision quality (path = .37, $t = 3.67$, $p < .001$) while the analytic dimension of formal strategic planning is not significantly related with strategic-decision quality (path = -.03, $t = -.29$, $p > .10$). As such, the analysis results only partially support H1. Our results also indicate that stakeholder participation is positively related with strategic-decision quality. More specifically, the results show that involvement of core stakeholders (path = .18, $t = 1.77$, $p < .10$) and peripheral stakeholders (path = .29, $t = 2.82$, $p < .01$) is positively related with strategic-decision quality. H2 is thus fully supported. Although the non-bootstrapped path coefficient for the path between core stakeholders and strategic-decision quality is only significant at the $p < 0.10$, the fact that the 95% bootstrapped confidence interval for the path coefficient does not include zero, provides support for the significance of this path.

DISCUSSION

This article investigates the relation between strategic planning and strategic-decision quality in Flemish municipalities. This relation is one of the key assumptions underlying the New Public Management (NPM) paradigm and has resulted in the widespread, and often coerced, adoption of strategic planning

by local governments worldwide (Walker and Andrews 2015, Boyne 2001, Poister, Pitts, and Edwards 2010). Two micro-activities of strategic planning were included in our analysis, namely strategic planning formality and stakeholder participation during strategic planning. Based on exploratory and confirmatory factor analysis, we found that, in the case of Flemish municipalities, two additional dimensions underlie strategic planning formality (i.e. a systematic and analytic dimension) as well as stakeholder participation (i.e. a core and peripheral stakeholder dimension). By constructing a PLS structural model, our findings suggest that NPM's assumption (i.e. strategic planning contributes to strategic-decision quality) seems to hold truth, but is contingent on the systematic dimension of strategic planning and the extent to which both core and peripheral stakeholders are involved in the strategic planning process. Based on these findings, several implications for public administration theory can be discerned.

Typically, empirical research on strategic planning's effectiveness in public organizations has incorporated one aggregated scale variable to measure strategic planning (e.g. Poister, Pasha, and Edwards 2013, Andrews et al. 2009) and one aggregated scale variable to measure stakeholder participation (e.g. Hendrick 2003, Elbanna, Andrews, and Pollanen 2015). Based on exploratory and confirmatory factor analysis, our study suggests that, in practice, additional dimensions could underlie these aggregated scale variables. First, the five items that measure strategic planning formality were further reduced to two items that focus on the systematic dimension of strategic planning and three items that focus on the analytic dimension of strategic planning. Second, the eight items that measure stakeholder participation were further reduced to four items that focus on core stakeholder participation and three items that focus on peripheral stakeholder participation. This finding ties in with the theoretical perspectives of rational planning theory and stakeholder theory, which suggest that (a) strategic planning is indeed both systematic and analytic in its very nature and (b) the division between core and peripheral stakeholders ensures the manageability of stakeholder participation (Ackermann and Eden 2011, Boyne 2001). Hence, these results suggest that the usage of one aggregated scale variable to measure strategic planning or stakeholder participation might disregard the dimensions of these two micro-activities that

emerge in practice, and factor analysis should be incorporated to identify said dimensions (Hair, Ringle, and Sarstedt 2013).

Whereas rational planning theory argues that strategic planning formality is positively related to strategic-decision quality (Boyne 2001, Walker and Boyne 2006), our findings only partially support this statement. More specifically, we uncovered evidence that developing the municipal plan through a systematic planning process as well as perceiving said plan as an actual formal strategic plan (i.e. the systematic dimension of formal strategic planning) contributes to strategic-decision quality in Flemish municipalities. However, we did not uncover evidence for the contribution of analyzing strengths, weaknesses, opportunities, threats and defining strategic goals during plan development (i.e. the analytic dimension of formal strategic plan). Nevertheless, the emphasis of Flemish legislation has been on the formulation of strategic policy goals based on environmental analysis (Agentschap Binnenlands Bestuur 2013). A possible rationale for this finding could be that while formulating strategic policy goals in a municipal plan based on analysis was an issue of compliance (i.e. coerced by Flemish government), systematically developing a formal strategic plan was not. Hence, we argue that municipalities that considered the legislative requirements as an opportunity to systematically develop a formal strategic plan for their municipality, as opposed to a compliance exercise centered uniquely on the formulation of strategic policy goals based on environmental analysis, are more likely to experience a positive relation between the coerced strategic planning process and strategic-decision quality (Taylor 2011). The individual perceptions of chief strategic planners on whether the coerced municipal strategic planning process was a systematic process and the resulting plan was actually considered a formal strategic plan are thus a contributing factor in achieving strategic planning's assumed benefits. Hence, the attitudes of staff, such as chief strategic planners, towards the coerced strategic planning process cannot be neglected (Boyne and Gould-Williams 2003).

Our findings support integrative stakeholder participation theory because the participation of both core and peripheral stakeholders during strategic planning is positively related to strategic-decision quality (Hendrick 2003). Core stakeholders represent the top politicians and managers within the municipality (e.g. mayor, city manager). The importance of including this top layer of the municipality during

strategic planning can be explained through the literature on vertical strategic alignment (Andrews et al. 2012). More specifically, strategic planning is a time- and resource-consuming practice for top layer politicians and managers in the municipality. By actively involving these individuals as core stakeholders during strategic planning, municipalities ensure that the strategic planning process as well as the municipal plan ‘fit the management style of the organization’ (Ugboro, Obeng, and Spann 2011, 110). As such, strategic planning is injected with insights into the requirements of both top politicians and managers within the municipality, which, in turn, contributes to the strategic-decision quality of the municipal plan. On the other hand, peripheral stakeholders represent lower-level staff, citizens and other external stakeholders. The importance of including peripheral stakeholders during strategic planning can be explained through the service-dominant approach to public management (Osborne, Radnor, and Nasi 2013). More specifically, Flemish municipalities deliver a range of services to citizens and other external stakeholders. The first point of contact between the municipality and these service users often takes place through lower-level staff. Hence, in order to ensure that the needs of service users are injected into the municipal plan, both lower-level staff, citizens and other external stakeholders need to be consulted. Thus, by including these three groups of stakeholders, strategic planning ‘generates basic information about current and future needs that can then support policy formulation’ (Osborne, Radnor, and Nasi 2013, 142).

Future research avenues could contribute to the understanding of strategic planning’s effectiveness in local government. First, other decision-making outcomes could be tested in relation to strategic planning (e.g. strategic-decision commitment, strategic-decision understanding). These outcome variables are particularly relevant because of the assumed contribution of strategic planning to municipal decision-making and because of the crucial role these decision-making outcomes play in achieving successful strategy implementation (Boyne 2001, Walker and Boyne 2006, Yang, Sun, and Eppler 2009). Second, apart from strategic planning formality and participation other micro-activities of strategic planning (e.g. strategic planning flexibility, strategy tools employed) or contingency factors of the organization (e.g. expertise in strategic planning, presence of internal planning department) can be incorporated (Poister, Pitts, and Edwards 2010, Bryson, Berry, and Yang 2010). Finally, while our model focuses on main

effects, mediated models could identify whether decision-making outcomes of strategic planning mediate its relation with organizational performance and moderated models could elucidate whether micro-activities of strategic planning might interact with each other in their relation to strategic planning outcomes.

LIMITATIONS

Although our study contributes to the debate on the effectiveness of strategic planning in local government, some limitations need to be acknowledged. First, while our representative sample ensures that our findings are generalizable to the population of Flemish municipalities, the typical Flemish context might impede the generalizability of our findings to municipalities in other regions or countries. Second, our study is based on a cross sectional survey, longitudinal data could complement our findings and offer more robust empirical evidence. Finally, although we collect survey data from both chief strategic planners and other planning team members, this is still perceptual data. By incorporating archival data, future research could anticipate some of the issues associated with the usage of perceptual data to measure both the dependent and independent variables.

CONCLUSION

The study at hand focuses on strategic planning's effectiveness in local government by investigating the relation between strategic planning formality, stakeholder participation during strategic planning and strategic-decision quality in a sample of 89 Flemish municipalities. Factor analysis indicates that a formal strategic planning process consists of a systematic and analytic dimension while stakeholder participation consists of a core and peripheral stakeholder dimension. By constructing a PLS structural model, we found that (a) the systematic dimension of formal strategic planning contributes to strategic-decision quality but the analytic dimension does not, a finding which opposes the arguments of rational planning theory, and (b) both core and peripheral stakeholder participation contribute to strategic-decision quality, a finding which supports the arguments of integrative stakeholder participation theory. Further research could identify whether these results will hold in other local government contexts. However, for now, our findings suggest that strategic planning can indeed contribute to strategic-

decision quality in municipalities, as argued by NPM, but this contribution is contingent on the systematic dimension of strategic planning and the involvement of both core and peripheral stakeholders in the strategic planning process.

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TABLES

Table 1: Exploratory factor analysis of independent variables

Independent variables	Factor 1	Factor 2	Factor 3	Factor 4
<i>Strategic planning formality</i>				
Item 1: We developed our municipal plan through a systematic planning process.	,459	,008	,136	,631
Item 2: Our municipal plan was a formal strategic plan or an update of a formal strategic plan.	-,065	-,040	,067	,878
Item 3: During plan development, we conducted situational analyses of our municipality's strengths and weaknesses.	,889	,214	,160	-,061
Item 4: During plan development, we conducted situational analyses of our environment's opportunities and threats.	,853	,276	,191	-,017
Item 5: During plan development, we established strategic goals and used them to drive decisions and actions throughout our municipality.	,718	,172	,093	,226
<i>Stakeholder participation</i>				
Item 6: The mayor and aldermen have been centrally involved in the development of our municipal plan.	,247	,271	,542	-,007
Item 7: The city council has been centrally involved in the development of our municipal plan.	,120	,323	,450	-,099
Item 8: The city manager has been centrally involved in the development of our municipal plan.	,169	-,123	,714	,034
Item 9: The financial manager has been centrally involved in the development of our municipal plan.	-,189	,058	,824	,169
Item 10: Department heads and other senior managers have been centrally involved in the development of our municipal plan.	,271	,119	,593	,134
Item 11: Lower-level employees have been centrally involved in the development of our municipal plan.	,107	,634	,209	-,016
Item 12: Citizens have been centrally involved in the development of our municipal plan.	,169	,865	,014	,116

Independent variables	Factor 1	Factor 2	Factor 3	Factor 4
Item 13: Other external stakeholders have been centrally involved in the development of our municipal plan.	,278	,821	,027	-,125
Cumulative variance (%)	19,832	36,657	53,389	63,474

Note: n = 89 Flemish municipalities

Table 2: PLS factor loadings

Item	SD	AD	CS	PS	SDQ
Item 1	.99	.40	.33	.14	.46
Item 2	.42	.04	.10	-.10	.07
Item 3	.30	.94	.35	.40	.24
Item 4	.31	.95	.39	.46	.32
Item 5	.42	.75	.26	.30	.23
Item 6	.26	.33	.79	.37	.37
Item 8	.22	.24	.66	.10	.16
Item 9	.15	.05	.66	.06	.17
Item 10	.26	.37	.68	.22	.27
Item 11	.12	.30	.25	.54	.13
Item 12	.13	.36	.28	.92	.33
Item 13	.07	.43	.29	.92	.38
Item 14: Our municipal plan has had a positive effect on our municipality.	.24	.20	.36	.46	.81
Item 15: Relative to what I expected, the results of our municipal plan have been positive.	.31	-.04	.21	.02	.61
Item 16: Overall, I feel that the quality of our municipal plan was good.	.55	.26	.34	.27	.85
Item 17: Our municipal plan covered the maximum range of relevant issues.	.26	.29	.29	.34	.87
Item 18: Our municipal plan was well structured and reflective of interrelations and intrarelations among the relevant issues.	.42	.35	.36	.33	.91
Item 19: Our municipal plan was expressed in depth.	.35	.24	.24	.25	.77

Note: Figures in boldface represent the loadings of individual items on their corresponding factors. SD = systematic dimension of formal strategic planning, AD = analytic dimension of formal strategic planning, CS = core stakeholder participation, PS = peripheral stakeholder participation, SDQ = strategic-decision quality

Table 3: Descriptive statistics

	Theoretical range	Actual range	Mean	St. dev.	CR	AVE
Systematic dimension ^a	6	4	4,938	1,002	-	-
Analytic dimension	6	5	5,611	1,080	.91	.78
Core stakeholder participation	6	3,25	6,388	,672	.79	.52
Peripheral stakeholder participation	6	5,33	4,247	1,200	.85	.66
Strategic-decision quality	6	3,16	4,867	,594	.92	.65

Note: n = 89 Flemish municipalities

^a Because the construct 'systematic dimension' is measured with only two items, it is not advisable to calculate the CR or AVE.

Table 4: Inter-construct Correlations and Average Variance Extracted (AVE).

	1	2	3	4	5
1. Systematic dimension	.^a				
2. Analytic dimension	.38***	.78			
3. Core stakeholder participation	.33**	.39***	.49		
4. Peripheral stakeholder participation	.12	.45***	.32**	.66	
5. Strategic-decision quality	.45***	.30**	.38***	.37***	.65

Note: n = 89 Flemish municipalities

Off-diagonal elements are correlations, *p < 0.05, **p < 0.01, ***p < 0.001.

Bold face diagonal values are the square root of the average variance extracted (AVE). Values should be larger than off-diagonal elements in order to satisfy discriminant validity requirements.

^aThe latent variable 'systematic dimension' consists of two variables, which does not allow to reliably calculate the AVE.

Table 5: PLS path modelling results

Path from:	Path coefficient	t-value	p-value	95% Bootstrapped Confidence Intervals	
				<i>Low</i>	<i>High</i>
Systematic dimension	.37	3.67	.00**	.04	.54
Analytic dimension	-.03	-.29	.77	-.23	.19
Core stakeholder participation	.18	1.77	.08 ⁺	.04	.36
Peripheral stakeholder participation	.29	2.82	.01*	.14	.43

Note: n = 89 Flemish municipalities

Reported p-values are one tailed: ⁺Significant at .10, *Significant at .05, **Significant at .001.