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Original Article

Review and Study of the Main Crisis Factors in Implementation of Strategic Management on Organizations

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ABSTRACT

The strategic management process implies the management staff has at least three engagements: define, conduct and evaluate applied strategy. However, the most common reasons of firm bankruptcy are linked to wrong implementation and that's why implementation is often defined as the Achills heel of the strategic management process (Roney, 2004, p. 233). Unfortunately, most strategic planning efforts fail during this crucial phase and firms waste significant resources already invested. This paper examines the literature of strategy implementation and post a link between some critical points, important to reduce errors in strategy implementation and improve firm performance.

Keywords: Implementation Obstacles, Critical Implementation Factors, Key Performance Indicators.

Introduction

Alexander argued the key reason why implementation fails is that practicing executives, managers and supervisors do not have practical models to guide their actions during implementation. Without adequate models, they try to implement strategies without a good understanding of the multiple factors that must be addressed, often simultaneously, to make implementation work (Okumus, 2003, p. 871). Various studies support this view, for example: Popular Fortune research noted that less than 10% of well formulated strategies are effectively executed and conclude it is better to have a less excellent strategy which is fully implemented than to formulate an excellent strategy which is never or only partially executed (Rumelt, 2011); In another study in The Times 1000, 80% of directors said they had the right strategies but only 14% of them thought the strategies were implemented well (Cobbold I., Lawrie G., 2001), downloaded from http://www.slideshare.net/Petrilau/how-to-create-sustainable-competitive-advantage-using-strategy-mechanism, accessed 11-12-2012). The strategy of an organization consists of the moves and approaches made by management to produce successful performance. Management develops strategies to guide how an organization conducts its business and how it will achieve its target objectives. Good management is exhibited by good strategy and good implementation. The standards for judging whether an organization is well managed are based on good strategy-making combined with good strategy execution (Chaneta I., Strategic Management Process, Journal of Comprehensive Research, Volume 5, p. 17, available at http://jupapadoc.startlogic.com/compresearch/papers/JCR11-4.pdf, accessed 07-11-2012).

The strategic management process

To be able to identify difficulties in the implementation phase it is important to understand the entire process of strategic management. According to Wheelen and Hunger (2002), firm strategy passes four stages: environmental scanning, strategy formulation, strategy implementation and strategy evaluation. Investigating why even the best designed strategies are questionable opens a doubt about inconsistencies between formulation and implementation at first and later inconsistencies between strategy implementation and performance measurement. Formulation phase includes mission, goals and business policy determination while implementation includes activities, budgeting and procedures.

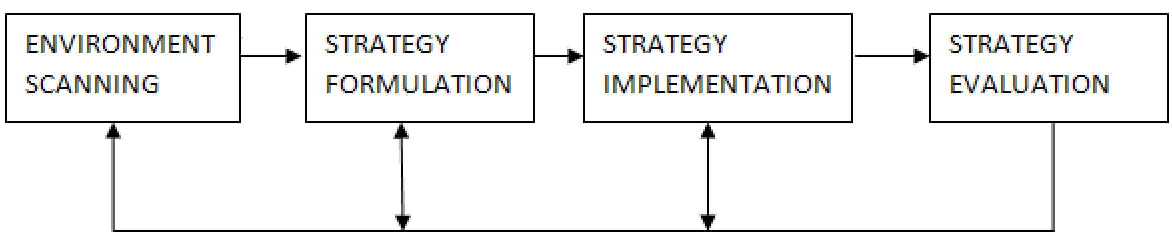


Figure 1. Components of Strategic Management Process

Components of strategic management process

Source: adapted according to Wheelen T.L., Hunger D., 2002

Between these phases emerge several confusions: who carry out the strategic plan, what must be done and how to work.

Strategy Implementation obstacles

Unfortunately, most managers know more about developing strategy than they know about executing it. Formulating strategy is difficult. Making strategy work, executing or implementing throughout the organization, is even more difficult. Without effective implementation, no business strategy can succeed (Hrebiniak, 2006, p. 12). The strategy implementation function consists in seeing what it will take to make the strategy work and to reach the targeted performance. It should be noted that in the strategic management literature there are more contributions on strategy making than strategy execution. In this chapter it will be discussed which are the potential implementation obstacles. Authors often in their research repeated factors or call them with different names but intend very similar thing. For example, Alexander L. (1985) mentioned 15 problems, Miller S. (1997) mentioned 10 critical factors, Al-Ghamdi S. (1998) 10 problems, Beer M. & Eisenstat R.A. (2000) identified six killers of strategy implementation, Kalali N.S., et al. (2011) mentioned 16 factors in four categories, while other authors have suggested more general categories. For example, some authors mention organizational structure as a critical factor while others mention communication, coordination, motivational and reward system separately.

It is necessary to mention two extensive studies about the problems in the implementation strategy:

- Noble C.H. (1999): The Eclectic Roots of Strategy Implementation Research. Noble as a conclusion of the literature review says this field is too little explored and that's why is required a deeper reflection on the meaning of critical factors and certain aspects to define a useful implementation framework for practitioners. To start, he suggests there are two general dimensions in strategy implementation: the structural view (firm structure and control mechanisms) and the interpersonal process view (strategic consensus, behaviours, organizational climate, communication and interaction processes). In another article: Building the strategy implementation network, the same author suggests several managerial levers (goals, organizational structure, leadership, communications and incentives) essential in carrying out the implementation across the next implementation stages: pre-implementation, organizing the implementation efforts, Management the implementation process and maximizing cross-functional performance. Research in the article making strategy work- A literature review on the factors influencing the implementation strategy wrote by Y. Li, Guohui S., and Eppler MJ (2008) yielded the following conclusions. Individual factors that influence strategy implementation are divided into: soft factors (people oriented factors: communications, consensus and commitment), hard factors (institutional factors: organizational structure and administrative system) and mixed factors (strategy formulation, SBU relationship among different hierarchical levels and strategy etc.). Spontaneously, emerges the first hypothesis.

H1. The identification of implementation Crisis Factors allows to set up a list of critical factors in implementation of Strategic Management on Organizations.

The following table chronologically shows which problems arise from different surveys on strategy implementation from 1980s to nowadays.

All of these factors suggest an inconsistency between planning and implementation. Probably, in the planning phase these factors were not sufficiently explored and clarified. It is necessary to study each category separately in order to set up an adequate roadmap of targets for strategy executors. More frequently mentioned problems are related to organizational structure, the lack of resources and leadership problems. The first five categories mentioned in the table above refers to internal factors, while the sixth category ilustrate the impact of external factors. The following table shows how factors are sorted and grouped in each category.

Table 1. Highlighted problems in strategy implementation

Authors and work (chronological order)	Time	Organization structure	Organization culture	Resources	Leadership	Uncontrollable external factors
Waterman RH, Peters TJ, Phillips JR (1980): Structure Is not organization		•		•	•	
Wernham R (1984): Bridging the Awful Gap between Strategy and Action		•		•		
Alexander L. (1985): Successfully implementing strategic decision	•	•		•	•	•
Eisenstat R. (1993): Implementing strategy: ddeveloping a partnership for change		•		•	•	
Wessel J. (1993): The strategic human resource management processin practice		•		•	•	
Schmidt J. (1994): The case of the sales-driven company		•				
Sandelands E. (1994): All talk and no action? Perish the thought	•					
Miller S (1997): Implementing Strategic Decisions: Four key Success Factors		•	•	•		
Al-Ghamdi, S. (1998): Obstacles to successful implementation of strategic decisions	•	•		•		•
Beer, M., Eisenstat R.A. (2000): The silent killers of strategy implementation and learning		•		•	•	
Allio M.K. (2005): A short, practical guide to impleementing strategy		•		•		
Hrebiniak L.G. (2006): Obstacles to effective strategy implementation	•	•	•	•		
Kalali, N.S., et al. (2011): Why does strategic plans implementation fail? A study in the health service sector of Iran		•	•	•		•

Source: author own work

Table 2. The most mentioned aspects of each critical implementation factor

Critical factors	Aspects
Time	- Took more time than originally allocated - Took more time than the formulation phase - Inconsistencies in translating long range plans into short term objectives (changes not introduced in daily routines)
Organization structure	Means improper organizational design which includes: lack in communication, coordination, monitoring and incentive systems. Improper coordination: -Activities and tasks not sufficiently defined (inefficient operation planning) -Poor coordination across functions or divisions -Inadequate alignment between process' phases Improper communication: -Poor vertical and horizontal communication (between different hierarchical levels and functions) -Poor information and knowledge transfer (MIS) Improper monitoring and incentive system: - Poor responsibilities determination - Inefficient incentive programs - Lack in measuring performance
Organization culture	- Poor implemented beliefs and values system - Conflicting strategy principles - Inability to overcome resistance to change
Resources	This categoryincludestangible andintangible resources. Butmost authorsrelate to human resources: Quantitative indicators: - Too few people involved in implementation Qualitative indicators: - Inadequate employee skills and capabilities - Inadequate training and instructions - Goals and target not well understood - Responsibilities not clearly defined - Lack of employee commitment - Not exist or inadequate measures of employee engagement - Not exist or inadequate reward system Onphysical resources referredonly Alexander, Wernham and Miller (researchfrom the '80s-90sprobably influenced by the RBV theory).
Leadership	Authorsrefer to theknowledge andleadership skills. The most mentioned problems are: - Vague strategy formulation - Leaders consider theirjob is donewhen they finishedwith the planning - Left the organization during the implementation - Implementation tasks and activities not defined enough detailed - Top and middle management conflicting goals and priorities- middle management tasks modification - Inadequate leadership style: top down or laissez fair senior management, not collaborative management
Uncontrollable external factors	Alexander,AlGhamdiandKalaliin their studies emphasize theimpact ofexternal factors onbusiness operations. Firms shouldadapt tothe environment and with its strengths take what is goodand avoid what is negative. The most mentioned factors belongs to: political, economic, social andtechnological environment

Source: author own work

Besides these factors, some of the mentioned authors (Alexander, Wessel, AlGhamdi, Kalali and Allio) noted the impact of an additional factor which they called “distractors” indicating a deviation from the original plan objectives. Referring to this category, usually, are mentioned short term competing activities that distracted attention from planned implementation targets.

Still important to note that internal factors have a direct impact on strategy implementation while the impact of environmental factors usually have a moderating or mediating effect on strategy performance which implies the following hypothesis:

H2. A comprehensive view of the impact of critical implementation factors on firm performance must be examined from two aspects: endogenous (internal) and exogenous (external)

Strategy-making and strategy-implementation do not guarantee superior organizational performance continuously. Even well managed organization can sometimes hit the skills for short periods because of adverse conditions beyond management's ability to foresee and react to the environment changes. It is management's responsibility to adjust negative conditions by undertaking strategic defenses and managerial approaches that can overcome adversity. However, the essence of good strategy-making is to build a strong and flexible position to provide successful performance despite the impact of unforeseeable and unexpected external factors. The task of strategizing is always an ongoing exercise. "The whats?" of an organization's mission and long-term objectives, once chosen, may remain unaltered for several years. But the "hows" of strategy evolve constantly, partly in response to an ever-changing. Strategic management process depend partly from the managers' efforts to create new opportunities, and partly from fresh ideas about how to make the strategy work better (Chaneta I., Strategic Management Process, Journal of Comprehensive Research, Volume 5, p. 18-19).

The impact of critical implementation factors on the firm performance

Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and corrective actions when necessary. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives. Any successful evaluation begins with defining the parameters that must be measured. These parameters should match the goals set in the strategy formulation and the activities in the execution phase. Many researchers discussed about the metrics coherent with strategy formulation and implementation principles. One of the most mentioned concept is the balanced scorecard proposed by Kaplan and Norton in the 1990s. Every firm adopts a specific set of key performance indicators. These indicators measure whether driving activities led to the expected results. Performance indicators must follow critical implementation factors what include: 1. measuring necessary time for strategy execution, 2. organizational structure adequacy, 3. organizational culture adequacy, 4. resource planning and 5. Leadership. For external factors, it is important to set up a detailed assessment of their occurrence and impact.

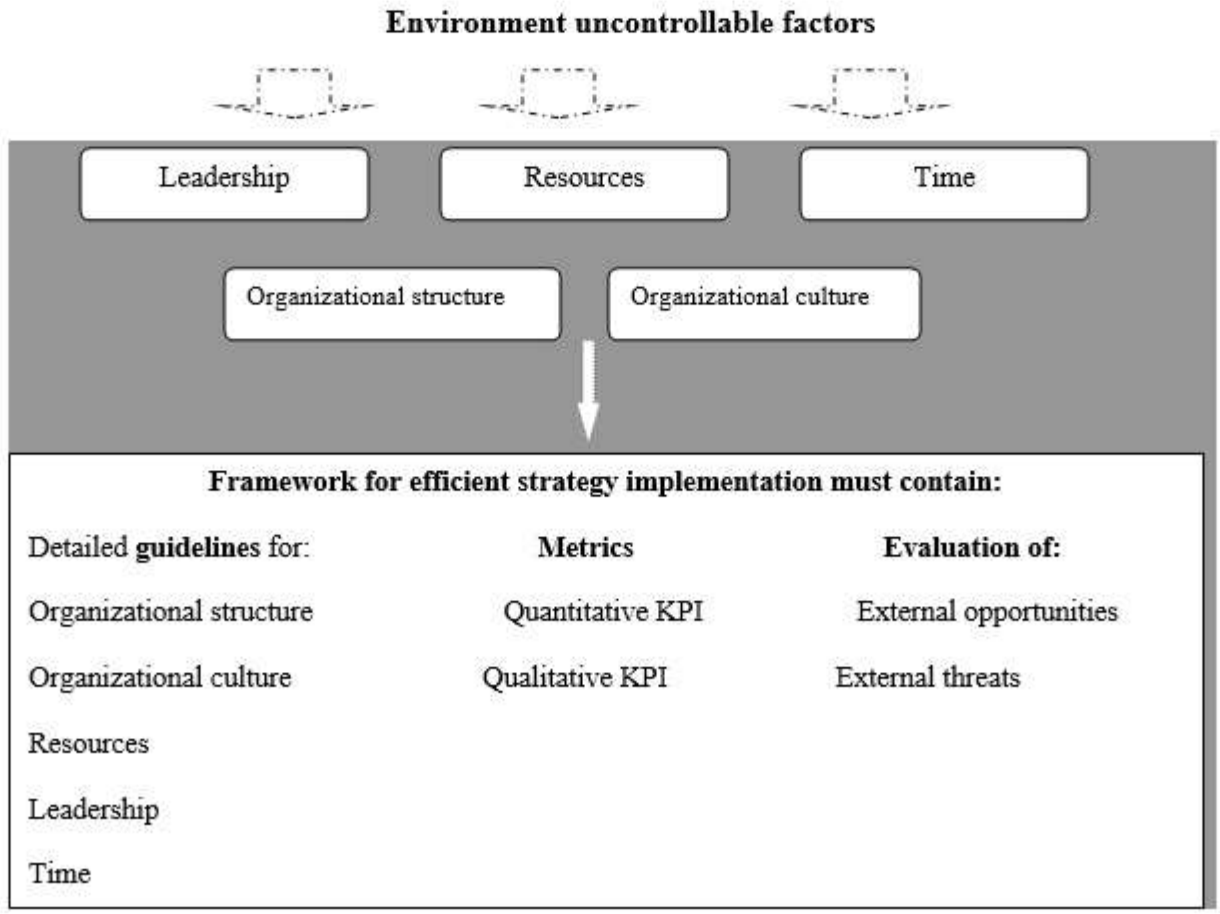
It is also important to apply quantitative and qualitative indicators. Detailed studies of critical factors will result in a series of indicators important to monitor the improvement of related activities, crucial for successful implementation.

To develop an implementation framework, I propose the last two hypotheses.

H3. Critical implementation factors allow to define a hypothetical framework for effective and efficient strategy implementation;

H4. A hypothetical framework for strategy implementation is important to fix who, what, where and when undertake activities related to implementation.

The following model summarizes critical implementation factors important to propose a framework for efficient strategy implementation. Without guidelines, execution becomes a labyrinth. Without guidance, individuals do the things they think are important, often resulting in uncoordinated and divergent outcomes. Without the benefit of a logical approach, execution suffers or fails because managers don't know what steps to take and when to take them.



Source: author own work

Figure 1. Basic framework for strategy implementation

Having a roadmap positively affects execution success, but not having it leads to execution crisis and frustration.

Conclusion

Strategic management process is a very complex and long term process which requires to define, conduct and evaluate applied strategy. The article started with the identification of implementation critical factors and ended with an implementation framework all strategy executors must understand and be able to apply in own work in order to reduce unexpected and unexplained effects. Critical factors can be grouped into several categories, and it is necessary to analyze the specificity of each category in order to determine whether the error refers to the planning stage or the implementation phase and if there are installed correct monitoring mechanisms. So, next studies should elaborate what is essential in each category and how to measure that. Besides quantitative data, for deep analysis, it is important to include qualitative data, too. It is possible to conclude the implementation phase predicts to analyze the following key factors: leadership, organizational structure, organizational culture, resources, time and the impact of environmental variables.

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