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STRATEGY IMPLEMENTATION : A STUDY OF CRITICAL FACTORS

A.M. Shah

The present paper explores into the factors contributing to the successful implementation of strategies. Based on data collected from 96 managers of a cross section of organisations, the study identifies 35 strategic factors/issues of critical importance under five dimensions. The managers accorded greatest importance to the strategy-making process followed by top management commitment, effective leadership, employees commitment and rewards and incentives for effective implementation of strategies. It is concluded that the failures of strategy implementation are inevitable when organisations fail to accord due importance to these factors during the process of the implementation of their strategies.

INTRODUCTION

Strategy implementation is a vital component of strategic management process. Implementation involves putting into action the logically developed strategies. It is the summation of activities in which people use various resources to accomplish the objectives of the strategy (Higgins and Vincze 1986). According to Steiner *et al* (1989) implementation of policies and strategies is concerned with the design and management of systems so as to achieve the best integration of people, structures, processes and resources in reaching organizational objectives. William (1991) describes implementation as the execution of tactics both internally and externally so that the

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organization moves in the desired strategic direction. Thus, implementation is the process of translating strategic plans and policies into results.

Although the literature on strategy implementation is growing, it is not so well developed as the literature on strategy formulation (Certo and Peter 1991). This is because strategy formulation has received considerable attention in the planning literature as compared to strategy implementation. Strategy implementation has only recently begun to receive research attention compared to that of strategy formulation (Galbraith and Kazanjian 1986; Hrebiniak and Joyce 1984; Lorange and Murphy 1984; Nutt 1986). However, the research available on the subject of whatever nature and magnitude corroborates the fact that the success of organizations depends on the effective implementation of strategies. It plays a vital role in the attainment of corporate objectives of a firm. Without the effective implementation of strategy organizations are unable to reap the benefits of performing an organizational analysis, establishing organizational direction and formulating organizational strategy. The most elegantly conceived, most precisely articulated strategy is virtually worthless unless it is implemented successfully.

Despite the fact that the organizations understand the significance of strategy implementation, it has been observed that in most of the organizations implementation often falls far short of the goals that organizations have set for themselves. This is because organizations and their managers forget this vital component of the strategic management process. They are not paying as much attention to planning the implementation of their strategies as they give to formulating them. Jauch and Glueck (1988) report that executive investment in implementation has been insufficient, e.g. executives spent 23 per cent of their time in developing a joint venture situation, but only 8 per cent of their time in setting up a management system to implement that particular strategy. This may be because the development and selection of strategies to be pursued is considered to be easier and less time consuming than implementing them. However, implementation deserves considerable attention for the success of strategies. According lesser importance to the implementation process results into poor implementation which brings the entire plan into disrepute. A survey

conducted by Fortune Magazine concluded that 90 percent of strategies do not work; implementation was believed to be the simple most important cause of that failure (Waterman *et al* 1988).

THE STUDY

Strategy implementation is an administrative task and inherently behavioural in nature (John and Richard 1986). The implementation tasks put to test the strategists' abilities to allocate resources, design structures, formulate functional policies and take into account the leadership styles required, besides dealing with various other issues. For planning the implementation of their strategies effectively strategists need to review and assess various factors/issues which affect the implementation process of their strategies. In the business world many strategies fail because of a lack of consistency among the chosen strategy and many other important factors such as the organisation's structure, reward system and capabilities (Dess and Miller 1993). Therefore, a study identifying strategic factors/issues and assessing their importance to the strategy implementation process assumes great significance. It is not possible to spell out all these factors because numerous and different factors affect implementation process in different situations. However, the identification of crucial and critical factors would be of great help in effective implementation of strategies. This paper is an attempt in this direction. It focuses on the identification of strategic factors/issues of critical importance in strategy implementation to help organizations to plan the implementation of their strategies effectively.

METHODOLOGY

The data for the present study were collected from 96 managers working in 34 industries representing a wide range of product mix and functions. The respondents belonged to different types of organizations including food, drugs, chemicals, machinery, electronics and textile industries and financial institutions. The nature of business and access to managers were the determining criteria in the selection of the organizations and as such randomness of the organization/sample could not be ensured. Over 70 percent of the respondents were from private sector industries, whereas the

rest represented public sector undertakings. A total of 125 managers were approached for data collection out of which 96 provided usable questionnaires, indicating a response rate of 76.8 per cent. Most of the respondents had bachelors degree in science, management and engineering. Besides, the respondents had a total working experience ranging from 6 years to 20 years and their ages ranged from 30 years to 52 years.

The questionnaire method was adopted as the primary tool for collecting information from managers. The questionnaire contained 42 factors/issues assumed to be important for strategy implementation. These factors/issues were grouped under the dimensions of strategy making process, top management commitment, effective leadership, employees commitment and rewards and incentives. They were identified on the basis of the review of literature and personal discussions with some key executives. For determination of critical factors respondents were asked to assess the importance of these factors on a five point scale with response categories "extremely important", "very important", "somewhat important", "not very important" and "not at all important". Means were computed by assigning the scale positions the values of 1 to extremely important, 2 to very important, 3 to somewhat important, 4 to not very important and 5 to not at all important. Ranks were assigned to the factors on the basis of mean scores.

RESULTS AND DISCUSSION

The results of the study are summarized in tables 1 to 6. Table 1 presents the strategic factors in strategy implementation and their importance. The results reflect that the respondents viewed all the five factors, viz., strategy making process, top management commitment, effective leadership, employees commitment and rewards and incentives as of critical importance for effective strategy implementation. The resultant mean score was closer to extremely important category in case of strategy making process thereby indicating this to be the most important factor. The means were near to very important category for the other factors. Top management commitment and effective leadership were accorded higher importance as compared to employees commitment and

rewards and incentives. A detailed examination of all these factors was undertaken for deriving authentic conclusions. In this context tables 2-6 present strategic factors and their importance under each of the dimensions of factors depicted in Table 1.

Strategy Making Process

The results of this research suggest that the first and the foremost important factor for effective strategy implementation is the strategy making process itself. A great majority of the respondents reported that organizations need to pursue the components of strategy formulation process effectively for formulating the strategies which are implementable. Table 2, indicating the ratings of strategic factors in strategy making process, reveals that all the respondents feel that selection of the best strategy is extremely important for effective strategy implementation. The table also shows that the majority of respondents were of the opinion that the issues external environmental analysis (94.79 per cent), formulation of specific objectives (83.33 per cent) and identification and evaluation of alternatives (87.50 per cent) were also very important. The resultant mean scores were closer to the extremely important category in all these factors. They ranged from 1.13 to 1.43. The mean responses in other factors i.e. internal environmental analysis in terms of strengths and weaknesses and preparation of operational plans were nearer to very important category ranging from 1.61 to 1.62. Thus, all the factors/components identified in Table 2 are of critical importance for developing effective strategies. A strategy formulated by planners with ivory towers perceptions and without considering these critical factors may itself not be implementable. It leads one to conclude that a well conceived strategy is one that takes into account issues of implementation during the strategy formulation process.

Top Management Commitment

Top management commitment refers to the involvement and support of top management to the implementation process. Managers surveyed accorded great importance to the top management commitment for effective strategy implementation. Table 3 summarizes the ratings of ten strategic factors assumed to be important and reflecting the top management commitment to

strategy implementation process. The results reflect that 87.50 percent and 92.71 per cent of the respondents respectively believed that the factors willing to put great deal of effort and allocating resources at appropriate time were extremely important for strategy implementation. These were followed closely by 80.21 per cent of managers according extreme importance to giving adequate support to implementation process, 73.96 per cent to building supporting system and 70.83 per cent to making necessary changes in organisational structures. 57.29 percent to 68.25 percent respondents viewed other factors as very important. A small number of managers ranging from 2.08 percent to 17.71 percent reported these factors as not important. Hence, all the factors identified in Table 3 are of strategic importance and the top management commitment to the strategy implementation process is essential. Without such commitment the whole process of strategy formulation and implementation is doomed to failure.

Effective Leadership

Leadership is the key determinant in the success or failure of any human institution. The leader's role in strategy implementation is critical because he provides the basic leadership and impetus for the implementation process. Effective leadership is required at all levels of the implementation process for decision-making, guidance, support and motivation of people involved in implementation. Organisations need to assess the factors which contribute towards effective leadership in implementation process. In this context Table 4 shows ten strategic factors reflecting effective leadership and their importance. Majority of respondents (ranging from 59.37 per cent to 84.37 per cent) reported all these factors as very important. The resultant means ranged from 1.48 to 2.27 . The two most important factors contributing to effective leadership were communicating implementation guidelines and developing successful implementation approach. These were followed by encouraging subordinates to take initiative and be independent, quick decision making and efficient management of crisis. The rest of the factors were of moderate importance. Less than 19 percent of the respondents believed that these factors where not important. Therefore, it can be concluded that the factors reported in Table 4

are of critical importance for making the leadership effective for successful implementation of the strategies.

Employees Commitment

Employees commitment refers to the willingness of employees to put great deal of effort and work with sincerity and dedication and in cooperation with others. Employees commitment has been rated as a very important factor in effective strategy implementation by sample managers with a mean score of 2.00 (Table 1). The strategic factors reflecting employees commitment and their importance have been portrayed in Table 5. The table shows that over 82.00 per cent of the respondents rated the factors willing to put great deal of effort, willing to co-operate with each other and working with sincerity and dedication as extremely important for strategy implementation. The factors willing to spend maximum possible time in work related activities, openness to new experiences and ideas and willing to receive guidance from leaders were reported as very important by majority of the respondents. Respondents ranging from 4.17 percent to 12.50 percent placed these factors in the not important category. The factors willing to support organizational change and constantly striving to do the best recorded the mean score closer to somewhat important category. However, 45.83 percent and 41.67 percent of the respondents respectively rated these factors as very important. Thus, for judging the degree of employees commitment towards the strategy implementation process the factors highlighted in Table 5 assume critical significance.

Rewards and Incentives

The most significant opportunity to improve the rate of success of strategy implementation is to tie rewards and incentives to successful strategic plan implementation. When rewards and incentives are tied to successful implementation of strategies, managers come to see improved performance as a necessary and normal part of their jobs. In the absence of effective linkage between rewards and performance people get demoralized, suspicious and lose the excitement of contribution. Therefore, organizations should design effective rewards and incentive schemes for motivating their people to contribute their best to the implementation process. In

this context Table 6 reflects the various schemes of rewards and incentives and their importance. The results reveal that cash rewards are accorded highest importance by respondents, followed by out-of-turn promotions and advance increments. A sizeable majority of respondents ranging from 57.29 per cent to 83.33 per cent reported these schemes as very important. However, in this context it needs to be mentioned that while it would be very easy for companies to tie financial rewards to better performance, giving out of turn promotions may not be acceptable to all employees. Therefore, the scheme of out-of-turn promotion may be implemented only after seeking the support of all people of the organization. The table further reveals that the resultant mean responses in other schemes was closer to some what important category. It ranged from 2.69 to 3.16. However, 29.17 per cent to 46.88 per cent of the respondents also reported these schemes as very important. Thus, firms can use monetary incentives and other schemes to focus the attention of their managers and other employees on key elements of strategy implementation to achieve success. However, for any performance based incentive system to work, the affected employees must understand the relationship between performance and rewards.

CONCLUSION AND IMPLICATIONS

The success of organizations today mainly depends upon the successful implementation of well conceived strategies. Successful implementation requires that the strategy, the organization, the people and their relationships, the systems and the measures all must be aligned and made to work towards a common goal. In this context the identification of strategic factors/issues and assessment of their importance in strategy implementation process assumes great significance. This paper is addressed to this vital subject. It spells out strategic factors/issues of critical importance under the dimensions of strategy making process, top management commitment, effective leadership, employees commitment and rewards and incentives.

The research results of this study paint a striking picture of the importance of the strategy making process itself for effective strategy implementation. The respondents believed that organizations should develop best strategies after scanning their external and internal

environments thoroughly. A poorly developed strategy is not implementable itself and is an exercise in futility. Similarly, a great majority of respondents accorded considerable importance to the top management commitment towards the implementation process. The critical tasks for the top management team are strategic allocation of resources, the appointment of leaders, the staffing, the development of the organisations and monitoring of performance. Moreover, the top management, because of its knowledge of both the external environment and the overall business, is in the best position to define the broad strategic direction. In a similar way leaders's role in the strategy implementation has been identified as critical. This is because he provides the basic leadership and impetus for the implementation process. However, the top management and the leaders cannot do it alone. They need the active support and commitment of the people working at lower organizational levels who are deeply involved in actually implementing strategies. Furthermore, the managers also reported that rewards and incentives play a significant role in motivating people to contribute their best. When financial rewards are tied to the successful implementation of strategies, employees come to see better performance as a necessary and normal part of their jobs.

Thus, the overall results of the study indicate that the factors/ issues identified in this study are of critical importance in the implementation of strategies. Organisations need to focus on these factors/issues meticulously while planning the implementation of their strategies and during the course of their execution. Failure of strategy implementation are inevitable when organizations fail to accord due importance to these factors during the process of implementation. However, each factor/issue identified in this study needs further detailed examination for exploring various dimensions of its relationship with the implementation process. This subject is beyond the scope of this study. However, it assumes great significance and therefore should command an increased amount of attention of researchers in the field. A series of studies need to be undertaken to assess in detail the influence of each factor on the implementation process. The findings of the present study would be of great help in this context. Although it would be inappropriate to claim that the results of the study have universal validity, but the fact that the organisations and managers surveyed were selected

carefully to cover a wide cross section of them enhances the generalizability of the findings.

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Table 1 : Strategic Factors in Strategy Implementation and their Importance.

Factors/issues	Mean Score	Rank
Strategy making process	1.39	1
Top management commitment	1.90	2
Employees commitment	2.00	4
Effective leadership	1.91	3
Rewards and incentives	2.47	5

Note : Mean score in each strategic factor has been calculated by taking the average of mean response of factors grouped under the dimensions of that factor.

Table 2 : Strategic Factors in Strategy Making Process and their Importance

Factors/issues	Percentage Response by Category			
	Very important	Some what important	Not important	Mean Response
External environmental analysis (identification of threats and opportunities)	94.79	05.21	-	1.16
Formulation of specific objectives	83.33	12.50	4.17	1.43
Internal environmental analysis (evaluation of strengths and weaknesses)	80.21	11.46	8.33	1.61
Identification and evaluation of alternatives	87.50	10.42	2.08	1.39
Selection of the best strategy	100.00	-	-	1.13
Preparation of operational plans	81.25	8.33	10.42	1.62

Notes: 1- Very important category represents the sum of percentage responses for the extremely important and very important categories.

2- Not important category represents the sum of percentage responses for not very important and not at all important categories.

Table 3 : Strategic Factors Reflecting Top Management Commitment and Their Importance.

Factors/issues	Percentage Response by Category			
	Very important	Some what important	Not important	Mean Response
Willing to put great deal of effort	87.50	10.42	2.08	1.42
Understanding responsibility for managing the implementation process	68.75	21.87	9.38	2.03
Allocating resources at appropriate time	92.71	07.29	-	1.22
Ready to make necessary change in organisational structure	70.83	16.67	12.50	1.99
Giving adequate support to implementation process	80.21	11.46	8.33	1.69
Building supporting systems	73.96	21.87	4.17	1.86
Responding quickly to implementators suggestions	57.29	28.13	14.58	2.15
Responding quickly to implemenators difficulties	62.50	20.83	16.67	2.21
Involving competent people in implementation	62.50	19.79	17.71	2.23
Monitoring the performance continuously	57.33	26.04	15.63	1.69

Table 4 : Strategic Factors Reflecting Effective Leadership and Their Importance.

Factors/issues	Percentage Response by Category			Mean Response
	Very important	Some what important	Not important	
Communicating implementation guidelines	84.37	11.46	04.17	1.49
Developing successful implementation approach	83.33	10.42	06.25	1.48
Taking decisions quickly	76.04	08.33	15.63	1.78
Managing crisis efficiently	70.83	19.79	09.38	1.82
Using power with caution	64.58	16.67	18.75	2.10
Willing to take risks	61.46	23.96	14.58	2.17
Guiding subordinates continuously	60.42	23.96	15.62	2.12
Optimistic and realistic outlook towards subordinates	62.50	19.79	17.71	2.27
Motivating subordinates for better performance	59.37	25.00	15.63	2.21
Encouraging subordinates to take initiative and making them independent in thinking and action	79.17	12.50	08.33	1.69

Table 5 : Strategic Factors Reflecting Employees Commitment and Their Importance.

Factors/issues	Percentage Response by Category			Mean Response
	Very important	Some what important	Not important	
Willing to put great deal of effort	87.50	12.50	-	1.40
Willing to co-operate with each other	83.33	10.42	06.25	1.45
Willing to spend maximum possible time in work related activities	69.79	21.88	08.33	1.89
Willing to support organisational change	45.83	35.42	18.75	2.57
Working with sincerity and dedication	82.29	13.54	04.17	1.49
Openness to new experiences and ideas	66.67	20.83	12.50	2.21
Willing to receive guidance from leaders	62.50	26.04	11.46	2.28
Constantly striving to do the best	41.67	27.08	31.25	2.73

Table 6 : Rewards and Incentives : Strategic Schemes and their Importance

Factors/issues	Percentage Response by Category			Mean Response
	Very important	Some what important	Not important	
Advance increments	57.29	29.17	13.54	2.22
Out-of-turn promotions	79.17	12.50	08.33	1.73
Cash rewards	83.33	16.67	00.00	1.37
Awards of excellence	31.25	37.50	31.25	3.16
Commendation letters	29.17	41.67	29.16	3.06
Appreciation and public recognition	42.71	33.33	23.96	2.79
Stock-related schemes	36.46	39.58	23.96	2.77
Fully-pay leave related schemes	46.88	27.07	26.04	2.69