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## Linking the main obstacles to the strategy implementation with the company's performance

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### Abstract

The purpose of this paper is to analyse the relationship between the main obstacles to the strategy implementation and the company's revenues. The main research question, to which the author sought an answer, was whether the individual elements hindering the strategy implementation were linked with the effects of the implementation. The studies covered 200 Polish companies, which had been awarded in best companies rankings (revenues on sales constituted one of the criteria for the awards) and thereby had achieved market success in implementing their development concepts.

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### 1. Introduction

The implementation of the strategy, which is the subject of this paper, is a timely and important issue due to the fast pace and the coverage of changes in the business environment, which force the necessity not only to develop but also to implement the strategy. The less stable the environment becomes, the greater the necessity for the implementation of the strategy that allows reaching the effectiveness and efficiency of the current operations and supports the achievement of the success in the future. The rationale for starting studies on the strategy implementation is the importance of the implementation actions and the assurance of consistency between the effects of executed implementation projects and programs and their operational results. The essential issue is especially the identification of the obstacles that hinder linking the current activities with their strategic implications. Therefore, the aim of this paper is to analyse the obstacles indicated in the literature of the subject as main killers of the strategy (Beer, Eisenstat, 2000). This is supplemented by an additional element associated with the participation of employees and their relation with the company performance measured by revenues on sales. For this purpose, an analysis of the literature in this

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field will be performed and research hypotheses will be built on this basis. The next stage will involve verifying the hypotheses and drawing conclusions.

## 2. Literature Review And Hypotheses

A change in the business environment is a reason that the elements associated with the strategy implementation, which were initiated by Mintzberg (1994), are still of priority importance from the viewpoint of the effective strategy implementation. In the strategic management concepts proposed in the literature, there clash two main trends, in which a stress is put on the exceptional importance of competences and resources - as the factors determining the strategy, and on the imperative principle of adapting to changes in the environment (Prahalad, Hamel, 1990; Collins and Montgomery, 1995), which remains in opposition. However, previous studies indicate that there is a danger of deepening the gap between day-to-day activities and the implementation of the strategic plan. Only 11% of managers is satisfied with the effects brought by strategic planning, despite the fact that 66% of them regularly take actions serving this purpose. Interestingly, 100% of the respondents declare making strategic decisions without taking account of the deadlines planned earlier (Mankins, Steele, 2006). The observed differences cause that the planned strategy varies significantly from the one which is implemented. As indicated by the research, up to 80% of the managing staff declare to have a correct strategy, but only 14% of them managed to implement it successfully (Cobbold and Lawrie, 2001). There are some mechanisms, which cause that managers monitor the progress in the implementation by analysing the indicators that show the level of current achievements and potential deviations (Simons, 1995). Thus, many proposals of tools to support the implementation and strategic control process have been created. A mention should also be made here about Balanced Scorecard (Kaplan, Norton, 1996) or the Strategic Execution Framework (SEF) model based on the project portfolio strategic management (Morgan, Levitt and Malek, 2007). However, the results of the most recent studies suggest that the efforts of the managing staff should focus not only on creating and monitoring the company performance indicators, but should also ensure the integration of elements such as effective communication and support for the employees (Ho, et. al. 2013). In order to perform a comprehensive analysis of these difficult to measure obstacles to effective implementation of the strategy, at first it is worth to base on the catalogue proposed by Beer and Eisenstat (2000), which describes six elements that are crucial from the viewpoint of the authors.

First of these elements is *top down or laissez – faire senior management style*. Hrebiniak (2005) and Brenes and Molina (2008) also pay attention to this fact, emphasizing that the engagement and active participation in the implementation of the strategy are key elements contributing to its success. Many authors point out to the role of an appropriate management style in implementation actions. It's crucial here to exert an influence on the employees so that they take actions desirable from the viewpoint of the strategy implementation (Speculand, 2009). As emphasized by Bushardt, Lambert and Duhon (2007), the task of managers should basically boil down to influencing the organizational culture rather than individual employees, because their behavior and involvement are just a derivative of the culture prevailing in a given company. The engagement of managers in the strategy implementation should therefore be the identification of the supporting factors as well as the factors that have a negative impact on building the culture of engagement (Bushardt, Glascoff, Doty, 2011). This allowed formulating the following research hypothesis:

*H1: There is a relationship between the senior management's failure to take actions supporting the strategy implementation and the results achieved by the company.*

The second element is *Unclear strategy or conflicting priorities*. Hrebiniak (2006) described this obstacle as poor or vague strategy. Giles (1991) also mentions the insufficient strategy definition. Lendel and Varmus (2011) emphasize the importance of defining strategic objectives, especially in the case of the innovation strategy implementation. According to Allio (2005), the ideas, which cannot be efficiently transposed into concrete actions, are useless for the company. Rasche (2008) also mentions about the vagueness of the created plans and the paradox of forming a strategy. As noted by Grundy (2012), managers have often problems associated with the lack of clarity about the strategy itself, while the course of the entire strategic management process is also unclear to them. Therefore, it is worth to verify the following research hypothesis:

*H2: There is a relationship between vaguely formulated assumptions of the strategy and the results achieved by the company.*

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