

The Impact of the Degree of Business Strategy Implementation Planning on Organizational Performance: Georgian Based Manufacturing Companies

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Abstract

The aim of this article is to examine links between the degree of planning business strategy implementation and organizational performance in the manufacturing sector. The research addressed 108 Georgian-based manufacturing companies. A questionnaire was employed as a tool of this study. Respondents were top-level managers of Georgian based manufacturing companies. Research findings are based on hypothesis testing. More specifically stated, it resulted in that there is no strong relationship between strategy implementation effective planning and company outcomes in manufacturing organizations. Strategy planning driven Georgian based manufacturing companies pay less importance to the strategy implementation and effective planning.

Research results are important for the scientists studying the issue of strategic management as well as the managers of manufacturing organizations in Georgia who desire to be successful at the competitive market through the higher degree of planning strategy implementation process. This study will help them to identify and overcome the obstacles in the strategy implementation process.

Keywords: strategy, strategy implementation, strategic management

JEL: D29, L19, L60

Introduction

The effectiveness of strategic management is a key factor of any company's success. The emphasis given to the strategy formulation and implementation processes finds its reflection in organizational performance. Foreign experience shows that successful companies have a clear strategic choice and gradually achieve their goals. Therefore, they get desired results not only at the local but also international level.

Systematic literature review suggested that strategic management is mainly focused on answering the following question – What causes performance heterogeneity among competitors? (Rumelt, Schendel, & Teece, 1994; Khoshtaria, 2016). According to the existing view, the business strategy, the strategy formulation and implementation process determine heterogeneity between competitors' performance indicators (Mintzberg, 1990; Parnell, 1997). The following work is going to examine one of the aforesaid factors, the degree of planning strategy implementation and its impact on organizational performance. Organizational performance is identified using "objective achievement" and "competitive performance" measures. "Objective achievement" focuses on whether a company achieved its short and long-term goals while "competitive performance" considers factors concerning the market share, sales, profit and so forth.

Obstacles Arising in the Process of Strategy Implementation

Although there's significant theoretical and empirical literature available on the strategic management business strategy, the implementation process has not yet been studied widely enough. According to Noble and Mokwa (1999), strategy implementation is the most important link between a strategy formulation and a firm's performance. Nutt (1999) has conducted the research at both U.S. and Canadian organizations. He came to the conclusion that not even half of these organizations have fulfilled their goals because of the mistakes in the implementation process (Nutt, 1999). Some influential factors in the process of strategy implementation are identified below:

a) Inefficient team of top-level managers; b) unclear strategies and opposite priorities; c) "top to bottom" management or laissez-faire style; d) poor vertical communication; e) discrepancy between functions, activities and limits/boundaries; and f) incompetent and unqualified management (Beer & Eisenstat, 2000).

a) Strategic inertness; b) lack of stakeholder commitment; c) strategic inactivity; d) strategic depletion; e) strate-

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gic isolation; f) lack of progress understanding; g) depletion typical for undertaking strategy implementation; h) impatience; and i) success neglecting (Freedman, 2003);

a) Poor management; b) lack of function understanding; c) bad department management and imposing directions; d) bad planning of activities and important aims of implementation; e) lack of loyalty among workers; f) unqualified peripheral workers and lack of instructions; g) poor coordination between departments; h) lack of worker opportunities; i) unclear accountability; j) poor communication systems; and k) inefficient monitoring (Shah, 2005).

Processes Promoting Successful Strategy Implementation

A group of authors tried to identify the processes responsible for the positive impact on a strategy implementation process. Their works are listed in the table below:

Table 1. Works on Successful Strategy Implementation

Authors	Works
Pinto & Slevin (1987)	"Critical Factors in Successful Project Implementation"
Walker & Ruekert (1987)	"The Role of Marketing in the Implementation of Business Strategies: A Critical Review and Conceptual Framework"
Hambrick & Cannella, Jr. (1989)	"Strategy Implementation as Substance and Selling"
Lingle & Schiemann (1994)	"Is data scatter subverting your strategy?"
Schmidt (1994)	"The Case of the Sales-driven Company"
Al-Ghamdi (1998)	"Obstacles to Successful Implementation of Strategic Decisions: The British Experience"
Nutt (1998)	"Leverage, Resistance and the Success of Implementation Approaches"
Noble & Mokwa (1999)	"Implementing Marketing Strategies: Developing and Testing a Managerial Theory"
Beer&Eisenstat (2000)	"The Silent Killers of Strategy Implementation and Learning"
Dooley, Fryxell & Judge (2000)	"Belaboring the Not-So-Obvious: Consensus, Commitment, and Strategy Implementation Speed and Success"
Michlitsch (2000)	"High Performing, Loyal Employees: The Real Way to Implement Strategy"
Freedman (2003)	"The Genius is in the Implementation"
Hickson, Miller and Wilson (2003)	"Planned or Prioritized? Two Options in Managing the Implementation of Strategic Decisions"
Allio (2005)	"A Short Practical Guide to Implementing Strategy"
Shah (2005)	"The Foundations of Successful Strategy Implementation: Overcoming the Obstacles"

Revision of the above listed works in the Table 1 identified those factors which have to be taken into account by the companies in order to successfully implement chosen business strategy. However, it has to be mentioned that the list of factors is relatively long and hinders the research process. In order to facilitate the mentioned process, we prioritized two works of Miller (1997) and Hickson et al. (2003) although used by other strategy scholars.

After studying eleven strategic decisions implemented by six organizations belonging to the manufacturing and service sectors, Miller (1997) identified the following ten factors which were important for successfully implementing strategy decisions: 1) Backing; 2) Assessability; 3) Specificity; 4) Cultural Receptivity; 5) Propitiousness; 6) Familiarity; 7) Priority; 8) Resource Availability; 9) Structural Facilitation; 10) Flexibility. This study also found that the factors which have the most significant influence on the success of strategy implementation were backing, assessability, specificity, cultur-

al receptivity and propitiousness. Miller (1997) named this group of variables as realizers and the group consisting of the remaining five variables as enablers which support the success of implementation without taking an active role in realizing success.

Hickson et al. (2003) identified eight influential factors on strategy implementation process and classified them into two groups. The first group factors are based on experience and include: acceptability, resourcing, familiarity and specificity. The second group factors are based on readiness and include: structural facilitation, priority and receptivity. According to the authors, companies have only two options in successfully implementing the strategy. One is planned option and the other is prioritized option. Hickson et al. (2003) based on their research findings have concluded that those companies choosing to employ the integrated approach have better results in their performances.

Formulating a Hypothesis

In order to derive the hypothesis, works studying strategy implementation were reviewed. The table below includes the author and his/her research outcome:

Table 2. Results of Literature Review on Strategy Implementation

Authors	Findings
Wernham (1985)	Goals and strategies pursued by top management were not clearly perceived by the unit managers based at the periphery.
Skivington & Daft (1991)	Strategy implementation is strongly related to the organizational framework consisting of the structure and systems and the organizational processes including interaction (information processing behavior) and sanctions (use of power to provide support to new meanings and actions).
Kargar & Blumenthal (1994)	Banks with fewer problems during implementation were more successful than those which had more problems.
Miller (1997)	our factors, namely, backing, clear aims, planning and a conducive climate are crucial for the successful management of implementation.
Al-Ghamdi (1998)	Communication, management support and good information system are the key factors affecting the success of strategy implementation.
Nutt (1999)	Half of the decisions in organizations fail because of the following reasons: 1) Managers imposing solutions, 2) Limiting the search for alternatives; 3) Using power to implement plans.
Dooley, Fryxell & Judge (2000)	Decisions consensus helps build decision commitment which is in positive relationship with implementation success. Decision commitment slows down the implementation speed.
Okumus (2001)	Success of strategy implementation is dependent on strategy content, internal and external contexts and the strategy process. Internal context plays a key role in implementation.
Aaltonen & Ikavalko (2002)	One of the main problems of strategy implementation was poor communication. Lack of understanding the strategy was one of the obstacles of strategy implementation.
Hickson, Miller & Wilson (2003)	Reviewed in this paper

As it has already been mentioned, studies regarding strategy implementation are not represented in abundance. Moreover, the list shortens when it comes to studying strategy implementation and organizational performance linkages. Hickson et al. (2003) greatly contributed towards strategy implementation research process development and, accordingly, we are going to employ their conceptual approached (planned and prioritized option).

Research Methodology

Aim of the Study – The following study is concentrated on researching the degree of planning strategy implementation employed by Georgian-based manufacturing companies and their impact on performance. For this purpose, a hypothesis has been formulated which checked the strategy implementation planning and company performance: H1 - Companies focusing on strategy implementation planning have better results in their performances.

Research Strategy - The following research undertook a quantitative strategy through a deduction approach. Hypothesis was formulated from the existing knowledge, which has been tested using the primary data collected from administering the questionnaire. A random sample of manufacturing organizations was selected for this study and the findings were generalized. Due to the above stated reasons, the quantitative research strategy is the most appropriate for this study. The hypothesized relationships between variables are tested using appropriate statistical techniques in order to assess and model the relationships.

Survey Instrument - The questionnaire was constructed to investigate the relationship between the strategy implementation and organizational performance. Already existing measures were employed to test the hypothesis mentioned in this chapter. Questionnaires were distributed accordingly and responses were collected through an internet survey tool. The survey instrument was divided into two strategy implementation and performance related (objective achievement and competitive performance) sections. The survey tool contained 23 Likert scale questions. Taking into account the number of the questions and the fact that top-level managers' lack of time, respondents were allowed sufficient time to fill it in. Table 3 illustrates constructs and measurement scales for this research and the studies where these were drawn.

Table 3. *Constructs and Measurement Scales*

Model Component	Construct	Source
Strategy implementation	Degree of planning whilst implementing	Hickson, Miller & Wilson (2003); Nandakumar, Ghobadian & O'Regan, (2011); Richard & Helms, (2006).
Organizational performance	Objective fulfillment, Competitive Performance	Ramanujam, Venkatraman & Camillus(1988); Nandakumar, Ghobadian & O'Regan, (2011); Richard & Helms, (2006).

This research used performance measures of Nandakumar et al. (2011), which not only employs traditional financial measures but also is focused on non-financial measures. This performance measurement includes two constructs: objective achievement and competitive performance.

Sample Selection and Survey Execution - Research population of manufacturing companies for this research has been derived from the database of the National statistics office of Georgia. Companies were chosen from D (manufacturing) section with the 1.5 million of yearly production and 50 and more employees. However, the initial number of the companies in Section D is 1750 whereas research population is estimated by top 455 companies after the afore-

mentioned characteristics. Preliminary research suggested that the majority of mid-sized and particularly small companies do not have or maintain any strategy process. The questionnaire was sent to all 455 firms and responses were collected via the internet based survey instrument. 108 responses were obtained, which is 24 more than the sample size intended. Response rate for this survey was calculated according to *Sunders et al. (2005)* estimated by 22.85 % which is acceptable for business research.

Sampling Techniques - According to *Salant and Dillman (1994)*, the minimum sample sizes can be estimated at 95% confidence level and +/- 10% sampling error for business research studies. Consequently, a simple random sample of 455 organizations was generated, which consists of 80 companies. Contact information about 455 manufacturing companies was inquired from the National statistics office of Georgia and received within 7 working days.

Reliability and Validity of The Measures – Reliability assesses the degree of consistency between multiple measurements of variable. Mainly, there are two methods used in empirical studies: test-retest reliability and internal consistency. Internal consistency approach is the mostly commonly used one. This approach assesses the consistency between variables in a summed scale (*Hair et al, 2006*). One method of assessing the internal consistency is to test the correlation of each item to the summed scale score in order to check the correlation significance. Another method is the reliability coefficient or *Chonbach's Alfa* which checks the whole scale consistency (*Cronbach, 1951*). *Chonbach's Alfa* was used for this study to determine the reliability of the scales. According to many authors, the lower limit of acceptability for *Cronbach's alpha* value is 0. 7, in exploratory research 0.6 is also acceptable (*Robinson, Shaver & Wrightsman, 1991*).

Table 4. *Scales Reliability*

Questionnaire Component	Constructs	Reliability Coefficient (Cronbach's Alpha)	Cronbach's Alpha of Prior Studies
Strategy	Degree of planning strategy		• 0.867
Implementation	implementation (planned and prioritized options)	• 0.928	• 0.817
Organizational	Objective achievement	• 0.908	• 0.748
Performance	Competitive performance	• 0.924	• 0.953

Analytical Techniques - Data analysis techniques were adopted by this research are those previously use by other studies on strategy processes, namely correlation and regression analysis

Hypothesis Testing

H1: Companies focusing on strategy implementation planning have better results in their performance.

Determining variables: According to the hypothesis, planning strategy implementation is an independent variable whereas organizational performance, which is represented by objective achievement and competitive performance, is a dependent one.

Analytical method for H1: Correlation and bivariate linear regression analysis.

Table 5. *Correlation between the Degree of Planning Strategy Implementation and Company Performance (Objective Achievement and Competitive Performance)*

The degree of planning strategy implementation	1.000	.121	.131
Objective achievement	.121	1.000	.792**
Competitive performance	.131	.792**	1.000

** . Correlation is significant at 0.01 level (two-tailed).

Correlation analysis was performed between the degree of planning strategy implementation and company performance (objective achievement and competitive performance). As it can be observed from Table 5, the correlation coefficient between variables is not significant at 0.01 level. The correlation coefficient between the degree of planning strategy implementation and objective achievement and competitive performance is 0.121 and 0.131 relatively. Also, regression analysis was preferred to test the hypothetical relationship between the variables.

Table 6. *Model Summary of the Degree of Planning Strategy Implementation and Objective Achievement*

R	Adjusted R Square	adjusted R ²	Std. Error of the Estimate
.121 ^a	.015	.005	.7715802

As we can see from the Table 6, the R square is 0.015, meaning that 1.5 % variation in objective achievement is caused form the degree of planning strategy implementation.

Table 7. *Model Summary of the Degree of Planning Strategy Implementation and Competitive Performance*

R	Adjusted R Square	adjusted R ²	Std. Error of the Estimate
.131 ^a	.017	.008	.7720585

As we can see from Table 7, R square is 0.017 that 1.7 % variation in competitive performance is caused by the degree of planning strategy implementation.

According to bivariate linear regression and correlation analysis, hypothesis H1 is not supported.

Conclusion

The purpose of this study was to examine the links between the degree of planning strategy implementation and organizational performance. Systematic literature review contributed towards formulation of hypothesis H1, which was tested based on primary data collected from the survey.

Findings and recommendations H1: Companies focusing on strategy implementation planning have better results in their performances. According to bivariate linear regression and correlation analysis, hypothesis H1 is not supported. In other words, there are no strong links established between the degree of planning strategy implementation and organizational performance. The findings of this research carry theoretical as well as practical implications. From the theoretical point of view, this study makes a significant contribution to existing literature by exploring the strategy implementation process within Georgian based manufacturing companies and addressing inconclusiveness of the results of generic strategies, particularly strategy implementation and organizational performance. Also, the findings of this research have important practical importance for chief executive managers and other top level personnel responsible for organizational development through strategic planning. Although, there are no strong ties between the higher degree of strategic planning and organizational performance in Georgian based manufacturing companies, top-level managers should collaborate closely with their subordinates in the process of strategy implementation thus being supportive of the generic strategy chosen by an organization. The relationship between strategy implementation and organizational performance has to be neatly communicated with the employees so that they understand the importance of implementation process towards superior organizational performance.

Research limitations. There are two basic limitations to this research. Firstly, the study looked at Georgian manufacturing industry holistically, which means that food, alcohol or non-alcohol beverage as well as cigarette manufacturers were examined with the same approach. However, there is a doubt that companies operating in different sectors might have different practices in formulating strategic choices as well as planning and implementing them. The second limitation might be connected with the research process itself. In other words, respondents were only executives, those who could not be fully engaged in the process of strategy implementation. It might be better to interview those managers who are having closer touch with execution processes.

Future research. Some concerns arouse in the process of making the research. Namely, that there might be some other influential factors apart from what is discussed in the article. The following questions were delivered to be examined in future research through careful evaluations: Does an organization's structural arrangement have an effect on the strategy implementation process resulting in heterogeneity of organizational performance? Does an organizational environment have a moderating effect on the strategy implementation process overall resulting in better organizational performance? Those questions carry significant importance. Furthermore, the limitation of this study must be addressed. Also, a combined research strategy might be useful through quantitative and qualitative approaches. Answering the aforementioned questions and eliminating the limitations will give a clearer picture of the state of the impact of strategy implementation on organizational performance of Georgian-based manufacturing companies.

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