

Chapter 59

Overcoming the Barriers of Strategic Planning, Implementation, and Monitoring in Turbulent Business Environment: A Qualitative Study on Finnish SMEs

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ABSTRACT

Strategic management has been highly emphasized in the literature as an enabler of competitive advantage. However, the managers and strategic leader often face challenges in systematic strategic planning, implementation and monitoring. Therefore, the objective of this research was to explore the current practices of strategic planning, implementation and monitoring, and pinpoint its barriers. The study has also given emphasis to identify the potential solutions in overcoming the barriers of strategic planning, implementation and monitoring. Likewise, the study has investigated the competencies of a good strategic planner. The study was conducted among the managers of Finnish SMEs. Methodologically the study adopts qualitative study following thematic and inductive approach. After a rigorous analysis of collected data and basing on resource based view and industry organization theory, a framework has been presented for systematic strategic planning, implementation and monitoring. Finally, the research limitation and future research possibilities have been discussed.

INTRODUCTION

Successful strategic planning and implementation has long been identified as one of the key aspect for firm's growth and survival. This is for a few reasons: first, strategies are the plan that drives organizational resources towards the desired goals (Azevedo, Almeida, van Sinderen, & Pires, 2015); second, strategy is a connecting bridge between the firm's operating environment and the firm (Grant, 1991;

DOI: 10.4018/978-1-5225-5481-3.ch059

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Ralston, Blackhurst, Cantor & Crum, 2015); third, the strategic plan provides organizational stability by assisting leaders and managers in managing the change (Bryson, 1988); and fourth, strategic plan helps a firm to neutralize or overcome the competitor's move. However, because of the constantly changing business environment and rapidly changing customer needs, the plan made today may become useless the day after without the notice of management. Therefore, to meet the challenges of rapidly changing business environment, frequently changing customer needs, and for better reaction to the competitors' move, a firm should have more sophisticated, flexible, and innovative framework for effective strategic planning, implementation and monitoring.

It is assumed in business practice, that firms having better capabilities in utilizing resources should have an advantage over their competitors which results in higher earnings. But gaining competitive advantage through resource deployment is almost impossible without a proper plan, policies, and commitment from the management. It has been argued in literature, that strategic planning helps to reposition the competitive landscape (Drucker, 1954); it is critical to competitive advantage and firm performance (Mintzberg, Ahlstrand, & Lampel, 2009; Sirmon, Hitt, & Ireland, 2007). Consistent with these views Scholes and Johnson (2005) argue that strategic planning and implementation allows better interaction between a firm and its operating environment, and provides an opportunity to reconfigure the firm's resource structure to overcome the challenges posed by the changing business environment. Despite this expectation, organizations often face challenges to keep up with the speed of change in the business environment. This might be due to:

1. Weak implementation of strategies (Waterman, Peters & Phillips, 1980);
2. Lack of a better strategy (Mankin & Steele, 2005).

Therefore, in turbulent times "the balance between operative measures and strategic direction setting becomes critical" (Naujoks, 2010, p. 104). In their study Higgs and Rowland (2005) found that almost more than 70% of changes in strategies were unsuccessful. Similarly, Franken, Edwards and Lambert (2009) claimed for 34% of failure rate in strategy implementation. On average companies achieve only 63% of the financial performance (strategic objectives) included in their strategic plan (Mankin & Steele, 2005). Likewise, the successfully-implemented strategies range between ten to thirty percent (Raps, 2005). In contrast, Cândido and Santos (2015, p. 237) argue that "it is often claimed that 50 to 90 percent of strategic initiatives fail.....they are controversial". However, the different claims made by the authors of previous studies are sound proof to argue that the success rate of strategic planning and implementation is not adequate. Therefore, both for academic researcher and business practitioner, it is interesting to investigate the reasons behind the failure of strategic planning and implementation at micro level. Here, the micro level means the barriers in terms of what, how and why questions. As for example: competencies of strategist (what?), the role of management or people's actions (how?), and strategic failure (why?).

Nevertheless, the knowledge of barriers in strategic planning and implementation will help an organization to develop a clear path in accomplishing organizational objectives, hence, contribute in improving the firm's performance. Specifically, this research attempts to address a few questions: What are the barriers in strategic planning and implementation? What is the process of strategic planning and implementation in practice (i.e. what does a strategic planner think and do in practice in the process of strategic planning and implementation)? Why do strategic planning and implementation fail in practice? By addressing these research questions the study aims to meet the following two objectives:

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