

The Role of Strategy Implementation in the Relationship Between Strategic Planning Systems and Performance

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ABSTRACT

While substantial research has been done on strategic planning and performance, there is little research on the moderating role of strategy implementation. This study attempts to bridge this gap. The study adopted a descriptive cross-sectional survey with the firm as the unit of analysis. The findings indicate that strategy implementation moderates the relationship between strategic planning systems and market performance as well as internal business process performance but not on return on investment performance. In conclusion, the configuration of planning systems with its theoretical underpinning as resource bundles explain performance variations among firms. The study's implication for practice is that strategic planning systems should be emphasized by business firms as a configuration and not by its domains.

KEYWORDS

Performance, Strategic Planning, Strategic Planning Systems, Strategy Implementation

1. INTRODUCTION

Organizations which exist in the twentieth century face a myriad of challenges which require corporate strategic implementation for the organizations to remain competitive. Strategy implementation is a key challenge for today's organizations and most strategies stagger at the implementation stage (Li, Guohui, & Eppler, 2008; Coulson-Thomas, 2013). Strategy implementation is an integral component of the strategic management process, it is the process which turns strategy into a series of actions. While strategy implementation has attracted immense research interest in the Western world, the topic has not attracted much attention in the Middle East region (Rajasekar, 2014). Thompson and Strickland (2008) noted that strategy implementation focuses on results to ensure that the vision, mission, strategy and strategic objectives of the organization are achieved as planned. About 80% of firms have the right strategies, but only 14% have managed to implement them well (Cater & Pucko, 2010). Strategy leads to change, and about 70% of all change initiatives fail (Beer & Nohria, 2000). Other statistics state that nine out of ten strategies fail to be successfully implemented (Speculand, 2009).

Strategy implementation affects performance in business organizations. It is the ability to translate ideas into actionable assignments that are executed in a manner that fulfills the firm's objectives (Pearce II & Robinson, 2013). Even the most superior strategy will not succeed without effective implementation (Hrebiniak, 2006). A key premise in strategic management research is that managers play a dominant role in the implementation of an organization's corporate strategy (Westphal & Fredrickson, 2001). Jespersen and Bysted (2016) confirmed that managers play a

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critical role in determining the outcome of decisions made and the level of success in implementing strategies. Several scholars have noted that, even the most superior strategy is not beneficial and will not succeed without effective implementation (Ikavalko, 2002; Hrebiniak, 2006). Akinnubi and Oyeniran (2012) recommended that managers should be more committed to the implementation of strategies to realize better performance.

Strategic planning systems are multifaceted management systems which are contextually embedded. They consist of the people who do the planning as well as the mechanisms of planning (King, 1983). Ogbeide and Harrington (2011) defined strategy implementation as a complex process concerned with designing systems that achieve an integration between people, structures, processes and resources. Strategy implementation is a dynamic, iterative, integrative and complex process comprising of a series of activities and decisions that turn plans into reality to achieve organizational objectives (Jalali, 2012). Strategy implementation process serves as a vital link between a firm's strategic choices and the achievement of superior performance. Branuer and Schmidt (2006) study confirmed that over-performing firms displayed higher strategy implementation consistencies and are quicker in responding to unforeseen changes in the external environment.

There exist gaps in the moderating influence of strategy implementation and performance studies. Ramadan (2015) studied the influence of strategy implementation drivers on projects effectiveness in Warsaw, Poland. He established that strategy implementation drivers; leadership, culture, structure and resources allocation have strong positive impact on projects effectiveness. Strategic planning systems and performance implications are key areas of investigation in strategic management research. Scholars advocate for strategic planning as a basis of better performance. Armstrong (1982) argued that strategic planning enables firms to achieve an alignment with the environment. Empirical research has sought to elucidate the relationship, but the results are fragmented, contradictory and no consensus has emerged yet. The answer to the ongoing debate could lie in the moderating influence in this relationship. This paper seeks to establish how strategy implementation moderates the relationship between strategic planning systems and performance in the Kenyan EPZ.

This study makes a contribution to the resource-based theory by supporting the perspective that a firm's competitive advantage is a function of strategic planning systems and strategy implementation. The study established that strategic planning systems are valuable resource bundles. By showing that strategy implementation moderates the relationship proves that strategy implementation constitutes a valuable resource within an organization. Through the moderation of strategy implementation, the study demonstrated that sustained performance is a function of successful strategy implementation. This study contributes to business and public policy by providing evidence of the correlation between planning systems and the performance.

2. LITERATURE REVIEW

2.1. Theoretical Perspectives of the Concepts

Penrose's pivotal work in "bridging strategic management and organizational economic" took another approach in analyzing the behavior of firms. By focusing on internal capabilities as opposed to external factors, she proposed the idea of viewing the firm as a pool of resources (Kor & Mohoney, 2004, p. 183). Strategy theorists (Wernerfelt, 1984; Barney, 1991a, 1991b) were inspired by Penrose's work of viewing resources as bundles and advanced this concept to define a firm's "capabilities or competencies" as the value created from the unique combination of resources (Mazzucto, 2002, p. 2). Wernerfelt (1984) said "resources and products are two sides of the same coin" (p. 171). He outlined the differences between tangible and intangible assets while maintaining that resources should be available to the firm on a semi constant basis and difficult to replicate by others.

A resource is anything that a firm can use as a strength (Wernerfelt, 1984). Barney (1991) adds that resources are controlled by the firm and are essential in creating and implementing strategies

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