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A brief analysis of strategy implementation process

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Abstract

The strategy implementation process is a critical approach whereby managerial objectives, methods, and policies are operationalized across growth initiatives, financial frameworks, and operational procedures. Effective execution of these strategies is paramount as failure to do so can significantly jeopardize organizational success. Proper implementation of strategic plans entails addressing potential challenges such as financial misallocation and the risk of reputational damage in case of failure. Fundamentally, this study underscores the importance of effectively executing strategy to enhance the achievement of the organization's mission and vision through the delivery of high-quality products and services, thereby expanding the customer base. Consequently, the findings emphasize the necessity for organizations to adopt robust strategies in order to effectively achieve their objectives and fulfill organizational goals.

Keywords: Strategy implementation, growth programs, financial plan

Introduction

Strategy implementation represents the operational phase of strategic management within an organization (Allio, 2005) [15], converting strategic plans into concrete actions. Despite the importance of strategic planning, executing these plans is notably challenging (Brinkschröder, 2014) [16]. Research underscores that successful implementation is crucial for business success (Lubis, Torong, & Muda, 2016) [17], emphasizing the necessity for thorough comprehension and acceptance of strategies by those tasked with implementation (Misankova & Kocisova, 2014) [17].

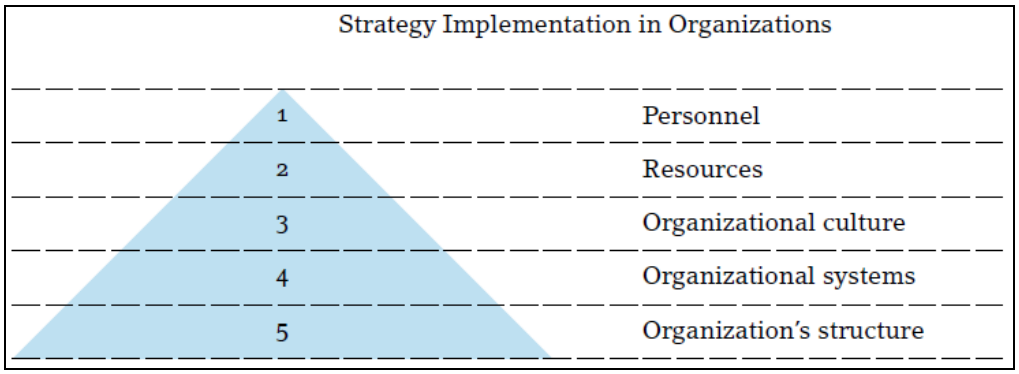

Fig 1: The factors of support the strategy implementation

Brinkschröder (2014) [16] highlights that despite significant investments of time and resources in strategic planning, successful implementation remains a challenge for organizations. This underscores its criticality to overall

business success (Lubis, Torong, & Muda, 2016) [17], necessitating careful attention to strategy comprehension and acceptance among implementers (Misankova & Kocisova, 2014, p. 865) [17]. Implementation addresses key questions of who, where, when, and how to achieve business objectives (Allio, 2005; Misankova & Kocisova, 2014, p. 862) [15, 17], requiring comprehensive organizational involvement to ensure collaborative operation.

According to Van der Kolk and Schokker (1995) [19], strategic management represents the most meticulous and challenging aspect of organizational oversight, demanding substantial input to foster organizational progress. This involves the development of inclusive plans to ensure the achievement of all organizational objectives.

In summary, this paper provides a concise overview of the strategy implementation process, examining critical aspects such as implementation factors, the implementation process itself, and key contributors to implementation failures. A lack of clear understanding and alignment regarding overall goals and plans is identified as a significant barrier to successful implementation (Brinkschröder, 2014) [16]. While organizational plans can be complex, a thorough understanding of the implementation process can lead to effective and successful outcomes (Brinkschröder, 2014) [16].

Strategy Implementation Process

Since the middle of the 1990s, academics in the field of strategic management have investigated the shift in conceptualization of strategy and probed the connection between strategy and MCS. A lot of people have been interested in studying the dynamic process that occurs during the formation of a strategy. Strategy management literature suggests that strategies may take on a wide range of forms and characteristics organically. Many scholars have claimed and described different ways to characterize the strategy process. The taxonomy of the process of strategy generation is one of its distinguishing features. Within the procedure of formulating a strategy, two separate yet concurrent processes are at work. For starters, let's look at the concept of "intended strategy" in the context of strategic planning. In this context, "strategy" is seen as a preemptive declaration with a formal structure and is formulated before any action or decision is After finishing the process of formulating a plan, the next step is to put that strategy into action. This is the sort of tactic that falls under the category of "planned tactic." An organization's intended strategy is the plan that ultimately drives the business and is the best bet for getting the job done. The core idea of this tactic is that every action must be followed by a suitable reaction. Here, "planned strategy" means that everyone in a company is on the same page, from the CEO on down.

If these three conditions are met, the intended plan may be put into action. Each member of staff must see business as a team effort, (ii) the business environment can only be effectively seen as a whole, and (iii) the success of a team effort depends on the absence of influence from many unpredicted factors such as politics, technology, and market power. Finding all three of these conditions is challenging, which means that plans are seldom carried out as originally conceived. Emergent strategy describes the second method through which a strategy is formed. This approach is the consequence of everyday decisions made by the middle management, the technicians, the sales force, and the finance department, all of which have a cumulative effect. Rather than being presented as a strategic choice, their decisions are often more tactical in nature. An emergent strategy is one that arises via trial and error or in response to an unanticipated external danger. An organization's everyday decisions might give rise to this kind of strategy, as can the unanticipated ideas of employees at lower levels.

Interactive control system: By keeping close tabs on management's priorities, an interactive diagnostic control system may be developed. Top-level management makes use of an interactive control system to guide the strategy development process in an informal manner by fostering personal participation, closeness, or relatedness with issues and commitment. For a system to be considered interactive, the top management must attest that he or she uses it often and that it has become a high priority for both the manager and his or her subordinates. In order to evaluate data and create action plans, this technique is utilized in regular meetings, which are typically done both by subordinate and other elements of an organization. Senior management may utilize any control system interactively if it has an acceptable uncertainty rate. In the meanwhile, the four aspects of (i) technology reliance, (ii) regulation, (iii) the complexity of value generation, and (iv) the reality of tactical reaction have a significant impact on the choice of interactive control system. Managers employ interactive control systems for a variety of purposes, including the following. (i)economics, where management time is a scarce and expensive resource; (ii) cognition, where every person's processing power has its limits; and (iii) strategic, where it is linked to active learning on strategic uncertainty and the collection of new plan actions.

When a company's management uses a planning method and a controlling procedure that allow them to actively monitor and intervene in the decision-making activity that happens continuously from their subordinates, the system is said to be interactive. Due to the nature of the system, interactive management control systems need constant attention from all employees at all levels of a business so that the top management team may argue, dispute, acquire, and plan effectively. A wide variety of control systems are used by today's businesses. If the current system gathers data on strategic uncertainty, the top manager will likely choose an interactive management control system. The senior management team will show how much they respect and appreciate everyone who weighs in on decisions by employing an interactive control system to keep tabs on strategic uncertainty. The purpose of any observation or surveillance operation is to look for anything that doesn't belong, so an organization's members may be guided through interactive management control to look for anything out of the ordinary. It's possible for the unexpected to become the preferred option or a game-changer for a company. Whenever a choice at the highest levels of an organization has far-reaching implications for its strategic direction and its ability to allocate resources, a new approach to making that decision is required. With the use of interactive control system controls, a company's top management may learn all they need to know about how a certain choice will affect every department.

Diagnostic Control System

A diagnostic control system is a kind of feedback system officially used to keep tabs on, analyze, and remedy any performance hiccups in an organization. A comprehensive financial strategy and plan will reflect the diagnostic control system. It's a kind of feedback used to monitor departures from the plan in extraordinary base. The development of a diagnostic control system will be impacted by evaluations of critical performance variables. If upper management isn't actively involved, operations and the classification system will be delegated to middle and lower management, and the classification system will become a diagnostic system that relies on data from other sections of the business. The system also provides feedback on critical factors, allowing management to zero in on what really matters: keeping an eye on the organization's course so that it may achieve its stated goals. Managers use diagnostic control systems for two primary motives: (1) efficient plan execution, and (2) less managerial involvement. Diagnostic controls systems that report on deviation information in key performance indicators are of interest to most managers because of the importance of ensuring that these metrics are met. Key performance indicators are linked to events that either increase the likelihood of a strategy's successful execution or provide maximum efficiency.

As a consequence, the strategy's implementation process will serve as the blueprint for how to carry out a given task inside the organization's diagnostic controls system. A formal piece of data is diagnostic if it allows you to go on with the plan, measure the output, compute the performance deviation, and utilize the deviation information as a feedback mechanism to get back to where you were. The balanced scorecard, load center budget, surveillance system, market share surveillance system, human resources system, and cost accounting standard are all examples of diagnostic control systems that may be used for performance assessment. For a diagnostic control system to be used effectively, a number of conditions must be met. These conditions include: purpose negotiation and execution; performance measurement integration; incentive design; examination of exceptional reports; considerable follow-up on exceptional situations. Additionally, there are dangers associated with diagnostic control systems, such as the possibility of measuring the wrong variable and introducing a gap in the goal. A diagnostic controls system is used to monitor and analyze key performance indicators based on a predetermined set of criteria. Management will save time by delegating tasks to lower levels of the business, freeing up upper-level executives to deal with less-than-ideal outcomes. Members of the organization will get insight from their own inappropriate answers as part of the educational process.

Interface between MSC and Strategy

Taking into account that an MCS is not a universal system but rather one that should be customized to a given situation, this literature review analyzes the interaction between MCSs and strategy and performance indicators in family companies. Variable cost structures (MCSs) in family enterprises are assumed to be modified in light of typologically determined eventualities (conservative or entrepreneurial). Differentiation strategies are studied extensively in the literature because they consider an organization's position in regard to its rivals, the reputation of its brands, and its connection to its target audience. This hints to the competitive setting of innovation, invention, and development, procedures, and, eventually, technology used in the innovation strategy for a certain product. MCSs have been assigned a number of roles, suggesting that they might help steer businesses toward better decision-making in areas including product innovation and accomplishing strategic goals. The study's findings, however, contradict the idea that MCSs work best when used together. Study after study, both on family and non-family enterprises, has focused on innovation (either as a process or an outcome). Family-owned enterprises may balance financial and social goals, allowing them to invest in new technologies in a steady, low-risk manner that ultimately boosts revenue. Beliefs systems, boundary systems, diagnostic control, and interactive control make up the backbone of the MCSs LOC architecture. An organization's core values and guiding principles are articulated via its belief system. Because the belief system conveys essential principles, it should encourage team members to think critically, innovate, and take responsible action. Beliefs in a family business may be traced down to the founder, the founder's heirs, or the company's ethos.

Family members sit down with the management team to go through the business's core beliefs, objectives, and strengths, areas of improvement, and external challenges and opportunities. By working together, a common understanding of the project's goals is formed. When a family begins a firm, its values and culture are often shaped by the values and culture of its founders. Therefore, one feature that sets family companies apart from others is the fact that they pass on values and traditions to subsequent generations. Boundary systems try to create norms of conduct for the acts of workers in the context of business prospects; they play a more restricting role, seeking to reduce risks; and they encourage compliance with regulations. This control system is operationalized via codified and institutionalized internal processes that provide access for all interested parties to a code of conduct, ethical code, and strategic planning systems.

As a family company evolves from one generation to the next, the role of the owner-founder inevitably changes and new management structures must be put in place. These alterations in management encourage a more competitive approach and highlight the need of tailoring management controls to the evolving nature of a firm. Because business knowledge, conventions, principles, and values are all held as family tenets, the engagement of the first and second generations in the administration of the firm allows for the transfer of knowledge and experience. According to Simons (1995) [19], diagnostic control systems are formal information systems used by managers to monitor outcomes and remedy variations from specified performance standards. Emerging challenges and possibilities in interactive control systems might undermine the foundation of the existing approach. In times of transition or crisis, when businesses are looking to reframe their policies, this method hopes to encourage learning in the workplace so that new approaches may be investigated.

Interface between MCS and Performance Measures

The circumstances in which MCS use is linked to output indicators may be explained and predicted by means of contingency theory. The reliance in context was predicted and explained with the use of performance metrics as independent factors. One possible cause of underwhelming results is a failure to adequately monitor and oversee key aspects of the business. Loss or impairment of assets, lost revenues, unnecessary expenditures, inaccurate reports, and records are among the most common results of a lack of operational controls, as are ineffective countermeasures, legal consequences, and company disruptions. MCSs aid with monetary and non-monetary metrics at the strategic level, where choices are often long-term and connected with top management. Managers may employ interactive and diagnostic performance measurements to enhance their organization's capabilities. Financial and non-financial data is necessary for companies of all sizes, including family-run enterprises, to create a sustainable revenue and expense framework. A wide range of research on family companies has utilized financial and economic indicators to gauge success. Balanced Scorecard (BSC) indicators were reported as a data source in another research focusing on family companies.

The effects of using management control systems on performance

The management literature is replete with empirical studies on the processes and factors that aid in the development of strategies. Administrators carry out a series of operations assisted by a few instruments to guarantee the execution of work plans, allowing for the comparison of actual results to the intended performance and the subsequent implementation of remedial measures. Management Control Systems (MCS) are accountable for this task since they are the ones that develop the models and systems that underpin the strategic planning process. Many scholars have argued that MCS should be used to ease the process of putting a plan into action and improve the efficiency of businesses because of the theoretical backing they give. However, there is a lack of comprehensive empirical study on the ways in which various companies employ management control systems (MCS) to build capabilities that improve their performance. Management control systems (MCS) are the means by which leaders guarantee the organization's goals are met via the efficient and effective use of its available resources. Success factors and failure reasons may be gleaned from MCS, providing valuable strategic insight. The growth of MCS over the last two decades has been exponential, and many companies are devoting significant resources to his continued improvement and upkeep. As a result, there is a pressing need for research into the function of MCS and its application to the satisfaction of management requirements. This study's results might inform management's decisions on which kinds of MCS usage should be promoted in order to raise the prevalence of strategic orientations and, by extension, affect firm performance. This study is a response to calls for a broader examination of MCS and is in line with theories that see these systems as more than just mechanical instruments. The purpose of this study is to rigorously test the hypothesized relationship between the two latent variables, Diagnostic and Interactive Uses, for MCS, which combines four previously unproven uses (monitoring, legitimizing, attention focusing, strategic decision-making).

It's important to note that in each of these examples, the researchers only draw on a subset of the available studies to bolster their findings. The purpose of this study is to investigate the relationship between these functions and two organizational skills of firms-learning and entrepreneurial orientations (LO and EO)-that have been shown to improve business performance across a range of company sizes. When seen from a resource-based viewpoint, MCS (resources) do not produce utilities directly but are instead a byproduct of how those resources are put to use. That is, the MCS's many applications may help grow an organization's skillset. We shall argue, from a survey of relevant research and theoretical conceptualizations, that learning orientation (LO) and entrepreneurial orientation (EO) are significant predictors of success (EO). While it is commonly accepted that capabilities help boost corporate performance, little is understood about the drivers of EO and LO and how they work together to affect performance through capabilities. Even though it is assumed that MCS may be used for a variety of purposes, there has been a dearth of actual study exploring these applications.

The various MCS applications may stimulate the growth of strategic business capabilities, which in turn may affect performance, based on findings from performance literature and the fact that the influence of MCS on capabilities remains unknown. It's worth noting that several studies have investigated whether or not MCS has any impact on performance, with conflicting findings. There are three research questions in this study: What effects do the various applications of MCS have on efficiency? And second, how can MCS applications positively influence corporate performance by strengthening internal resources? Do the symptoms of MCS have an impact on performance? This research relies on a model proposed by Henri (2006) [20], which linked two MCS uses drawn from (diagnostic and interactive usage) with four capability elements in an effort to investigate the relationship between MCS use, strategic capabilities, and performance (entrepreneurship, innovativeness, market orientation, and organizational learning). In contrast to other studies, we build our hypotheses by considering the whole spectrum of MCS applications in relation to the diagnostic and interactive uses described by Simons (1995) [19]. We develop further by using EO and LO ideas that are more comprehensive, with a five-item scale for the former and a four-item scale for the latter. Finally, a new method of assessing performance is presented as a further addition to this study. Our study proposes a more comprehensive six-indicator approach to measuring organizational success, as opposed to the traditional three-indicator framework based on sales volume, ROI, and profits. We compare the actual results of the prior twelve months to the plans and forecasts made at the beginning of the year across a wide range of metrics, including financial, operational, customer, and staff satisfaction.

Using this more detailed model, we can examine the connection between MCS use, strategic capabilities, and performance, which should provide light on why we've seen conflicting findings in the past. In addition, we employ

structural equation modeling (SEM) to verify the hypothesized connections between variables. With SEM, you may get a comprehensive picture of the model as a whole as opposed to a superficial one based on a superficial inspection of its pieces. We implement this empirical application across a wide range of industries and company sizes to better comprehend how distinct MCS applications might provide a competitive advantage via the cultivation of organizational capabilities (manufacturing, services, trade, and banking). Only manufacturing companies have been included in the 100-300 person samples utilized in the previous research. Additionally, no comparisons have been made between small and big businesses, and no research was conducted in SMEs.

MCS and capabilities and performance

The effect of capabilities on performance has also been explored using an RBV strategy, which sheds light on the connection between MCS, capabilities, and overall performance. Some research indicates that MCS has a secondary effect on organizational performance via its influence on strategic competences crucial to achieving competitive advantages. This inferred connection has been supported by research on the links between market competitive capabilities and performance. Researchers have discovered that this connection may be explained via the medium of accounting data. In addition, many researches in the field of management accounting have shown a favorable correlation between MCS and financial outcomes. According to these analyses, MCS's ability to deliver accurate accounting data helps with resource management and boosts economic output. Using MCS has been shown to increase capabilities, which in turn affect performance. Both diagnostic and interactive applications of MCS have favorable effects on performance, and, furthermore, diagnostic usage seems to be the most constructive explanatory variable for capabilities, and hence performance. Even while studies that have looked at the connection between MCS and performance have shown favorable results, there are still counterarguments and ideas that urge MCS be linked with capabilities in order to be efficient and consistent with performance. Some empirical researches have also failed to discover proof of a causal link between MCS and productivity. Due of the internal and external aspects involved in economic performance assessment, several studies have stated that seeking for a clear correlation between MCS and performance can be deceptive.

MCS, according to RBV arguments, are not always strategic resources that enable a firm to retain a lasting competitive advantage, since they do not always create sustainable rents beyond those resources that may be bought and sold between businesses. As a result, it's possible that using MCS won't really improve efficiency. Others argued that it is impossible to establish a direct causal link between MCS performance and any one of a number of parameters. One's empirical studies address this link in the capabilities-performance and MCS literatures, and the few that do seem to produce inconsistent conclusions. As a result, it is unclear whether or not there is a causal link between MCS usage and performance, because the literature provides neither adequate theoretical backing nor sufficient preceding empirical data. Therefore, this research proposes hypotheses supporting a direct link between the usage of MCS and performance in order to learn more about these associations; also, the influence between MCS and performance will be investigated indirectly via capacities.

Conclusion

The strategic implementation process is pivotal to the success of any organization. This review examines key facets of strategic implementation, focusing on factors influencing its execution, the process itself, and common causes of failure. Effective business strategy implementation hinges on five critical factors: the dedicated implementation team, requisite resources, organizational culture, systems, and structure. Weaknesses in these areas can significantly jeopardize business outcomes. The strategic implementation process is delineated into five essential steps: strategy evaluation, establishment of implementation frameworks, development of supportive programs and policies, budget allocation, and operational execution. Additionally, the review underscores factors contributing to implementation failures, notably poor leadership, inadequate communication, unclear plans, lack of team ownership, and strategic misalignment. Ultimately, this study underscores the critical importance of strategic implementation in achieving organizational success.

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