

Strategy Execution Capability:

Case Study of Kebanoo Company

Dr. Esmail Hasanpour

Doctor of Strategic Management,

IRI, Islamic Azad University- Qeshm Branch, Faculty of Business Management

S_hasanpur@yahoo.com

Masoomeh Gorji

Master of Tourism Marketing Management

Abstract

Unfortunately most of the strategic management activities fail at Execution phase. Some reasons of failure relate to strategic planning, but most of reasons relate to strategy execution process and even to the lack of strategy execution capability. According to this, present paper's goal is to help to Iranian companies that are active in food processing industry. This goal will be achieved via developing a model for strategy execution capability.

From the stand point of data type, present research is a qualitative research. From the view point of research goal, this research is both descriptive and prescriptive research. Research strategy is descriptive case study.

Since the Kebanoo company's strategy execution capability is good, At the present research, researchers studied the strategic execution capability of this company comprehensively and deeply, and then introduced the findings as a strategy execution capability model.

This paper's model has three components: structure, culture, and strategy content. These component's Characteristics depends on environmental turbulence. That is, if environmental turbulence change, the quality and characteristics of three aforementioned components, necessarily must change according to environmental changes.

Key word: Strategy execution, Environmental turbulence, Structure, Culture, Strategy content, Kebanoo company.

Introduction

In today's dynamic super-competitive business environment, intelligent managers have rightly concluded that strategy execution is as important as the strategy codification, if not more important than it; and they consider the capability of organizations in strategy execution to be a competition vantage in the 21st century (Pryor et al., 2007). In spite of the importance of strategy execution in organizations' success and their achieving their goals, most of them fail to execute those strategies efficiently (Sterling, 2003, p.27). Numerous studies have been conducted on the success of execution in different organizations and industries, yet revealing that few have successfully implemented the logically designed strategies. According to the figures put out by the Fortune Magazine, 70 percent of managers have reiterated that their strategy failure had been caused by slender execution than by ill-designed strategies (Fortune Magazine, 21 June, 1999). In another study conducted on 200 giant British organizations, only 33 percent

of the managers have been successful in the execution of their well-designed strategies, and the rest have been unsuccessful in the execution stage (Cobbold & Irwin, May 2001). The Economist Magazine also states that 80 percent of the highly sophisticatedly designed strategies have faced failure in execution (Pryor et al., 2007, p.4). Although the magnitude of the strategic planning literature is very enormous and many different patterns are available, there are few discussions and patterns on strategy execution, and the comprehensive coherent models on strategy execution are very rare (Altonen & Ikavalko, 2002; Goold, 1997). Whereas the analytic and conceptual models of strategy codification are rapidly growing, such an effort in the realm of strategy execution seems scanty. That happens while even the best strategies are useless without coherent execution possibility models (Beer Eisenstat, 2000, p.29). Finally, it is worth noting that, considering the importance of strategic execution and strategy execution, the focus is now shifting toward the execution rather than the codification of strategy (Hussay, 1998; Lorang, 1998; Wilson, 1994).

On the other hand, Alexander points out that many organizations' leaders and managers object to the tumult of the strategic execution models and consider the chaos emanating from diversity and multitude of elements and processes in those models the main cause of unsuccessful strategy execution (Alexander, 1991). What the authors of the present article believe is in line with those scholars who maintain the lack of suitable execution models to be one of the main causes of inefficient strategy execution (Goold, 1991; Alexander, 1985; Altonen & Ikavalko, 2002). Therefore, designing a model for the possibility of strategy execution is the aim of the authors in the present article.

Unfortunately, many strategic management textbooks have considered strategy codification and execution as separate entities, failing to note their relationship sufficiently (Ikavalko & Altonen, 2002). There are many models who have designed the strategy execution via excessive emphasis on a single dimension or organizational role such as leadership, culture, organizational structure, human resources, the commitment of middle management, the quality of aims and plans, operation assessment, values, management processes, etc.

Considering what said above, the aim of this article is to design a model for the strategy execution feasibility that takes into account the environmental turbulence; other factors affecting the execution feasibility have also been considered.

Previous research into strategy implementation

Gravens (1998) has argued that coordinating between activities and people in organizations is the most important factor in strategy execution. Organizations for implementing their strategies effectively, should continuously coordinate interdependent activities like culture, structure, staff, and systems (Zagitta and Robinson, 2002). Skivington and Daft (1991) investigated the implementation of 57 decisions in integrated circuits, petroleum, and health care organizations. These authors first identified several factors; namely: intended strategy, structure, systems, interactions, and sanctions.

Organizations managers and leaders for successful implementation of their strategies need both inter functional thinking and action in a contemporary way (Braganza & Kakabodes, 2000). Pettigrew and Whipp (1991) introduce three factors as most important factors of strategy execution:

1. Environmental analysis,
2. Change leadership, and
3. Human resource.

Galbraith & Kazanjain (1986) argue that successful strategy execution depends on three factors that they are strategy, structure, and processes. From the Morgan, Levitt, & Mark's point of view (2007), for

implementing the strategy successfully, organizational culture and organizational structure should be changed. Roth et al. (1991) empirically examined the importance of international strategy on organizational design and its influence on the strategy implementation process. A quantitative research strategy was employed and data was collected from 82 business units competing in global industries. These authors identified six factors, which they argued should each be designed specifically in order to implement global or multi-domestic strategies. These factors are: coordination, managerial philosophy, configuration, formalization, centralization, and integrating mechanisms. Hrebiniak (1992) proposed a conceptual framework to implement strategies in global firms. He incorporated earlier work carried out by himself and Joyce in (Hrebiniak and Joyce, 1984), and suggested the following new specific implementation factors:

- leadership;
- facilitating global learning;
- developing global managers;
- having a matrix structure; and
- working with external companies.

Success of major innovations in organizations depends on some factors such as organizational learning, organization technology, flexible structure and strategy content (Sundboad Fuglsang, 2002, P.P. 57-72) Zangwill (1993) states that important factors in innovation success and strategy execution are: organizational technology, culture, managerial processes, and organizational structure. Important factors in strategic implementation are: declaring organizational key functions, strategy content, culture, staff and human resource, and finally organizational formal structure (Burgelman and et. al., 1996, p.727).

Another framework, consisting of four factors, was proposed by Yip (1992): organizational structure, culture, people, and managerial processes. Yip argued that these four factors and their individual elements determine the crucial organizational forces that affect a company's ability to formulate and implement strategies.

Feurer et al. (1995) found that Hewlett- Packard mainly followed a structured approach to formulate and implement strategy. In particular, the strategies in this company were developed by special cross-functional task forces, and then were implemented mainly by business units. Feurer et al. (1995) referred to the strategy development and implementation process in Hewlett-Packard as a learning process that was facilitated by the company's organizational structure and culture.

Further to reviewing previous implementation frameworks, most of which are cited above, Okumus (2001) identified a number of implementation factors and constructed a conceptual framework by categorizing those factors into four groupings:

1. content;
2. context;
3. process; and
4. outcome.

Six main factors affect heavily strategy execution results. Those factors are: operational planning, organizational structure, human resource, annual business plan, monitoring and control, and finally most important factor is coordinating afore mentioned components (Birnbaum, 2008).

From the stand point of Okumus (2003), a number of researchers on strategy implementation (Aaltonen and Ikavalko, 2002; Dobni, 2003; Freedman, 2003; Linton, 2002) identify similar implementation factors. These include:

- an organizational structure and culture that is receptive to change;
- the backing of senior executives, developing the management systems and skills for change;
- communication activities;
- the commitment of employees to the company's vision, providing incentives and achieving coalignment between implementation factors.

As Okumus (2003) has noted, unlike the above frameworks, several conceptual studies propose linear implementation models such as Vasconcellos (1990) ten-step, Noble (1999) four-stage, Galpin's (1997) six-stage, Bergada's (1999) four-step and De Feo and Janssen's (2001) ten-stage models. There are important similarities among these works in proposing certain tasks to be undertaken, or certain aims to be achieved at each stage of the implementation process. These studies also referred to similar implementation factors, including organizational structure, culture, planning, resource allocation, communication and incentives to be considered or used at different stages of the implementation process.

Toward a comprehensive framework

Based on the models studied so far, the three basic factors of structure, culture, and content of the organization's strategy were the factors on the importance of which, there is the greatest consensus. As can be inferred easily, structure and culture are the solely basic factors taken into account in the majority of in the strategic execution and the systematic innovation perspectives (being acceded by the writers of these lines due to its comprehensiveness). In addition, the strategy content is, based on the theoretical framework studied in this section, one of the factors relevant to strategy which plays an important role in strategy execution. Other factors common among models have not been introduced beside the tripartite factors of culture, structure, and content due to a variety of reasons:

1. A suitable model is the one that contains the least possible number, yet the most effective, of elements.
2. The three strategy elements of structure, culture, and content contain other elements. Relooking the 11 common elements in the literature review section, one can claim that the elements of strategy codification, operational planning, and control can be placed in the content of the strategies and plans. The leadership issues, the organizational culture, communications (informal communications), and employees can also be branched over the organizational culture. Finally, the resources' allocation and formal communications are among structural mechanisms. According to the view held by the advocates of the cultural and symbolic approach to organization, the organization's structure is the symbol of its culture, and the feasibility of strategy execution can be sufficiently assessed by only studying its culture. However, the researchers of the present article believe that in addition to the impression people can acquire from the values and culture, they sometimes act in contrast to their values and culture due to the structural obligations and rules. Therefore, the structural dimension must be viewed as a primary dimension of the strategy execution feasibility beside the cultural dimension, to be able to assess the former more comprehensively and precisely.
3. The model should be dynamic; therefore the conceptual model's connection with the environmental turbulence is also specified in it. Hence, the present model has a superiority over the models introduced in the literature review, that being the consideration of the environmental turbulence as an affective factor in the structural, cultural, and content characteristics of the organization. That is, the specification of proper strategy structure, culture, and content is meaningful in the environment context and not in isolation. This view is repeatedly confirmed in different strategic management schools such as the environmental school, the planning school, the systemic school, the expedience

school, and the complexity view (Lawrence and Lurch, 1967; Thompson, 1967). It is worth noting that the above-said argument has been supported in a part of this article titled the relationship between the environmental turbulence and the factors affecting strategy execution. It has been argued there that the dimensions of the strategy execution feasibility differ according to the environmental turbulence.

The research method

The aim is description and prescription; the data type is both quantitative and qualitative. The research strategy is case study. The data collection was performed on each stage in the following way:

The authors have first reviewed the literature related to the strategic execution model; they have then defined the strategy execution feasibility and surveyed its dimensions, and at the next step they have described the tripartite dimensions of strategy execution feasibility model (structure, culture, and strategy content) via investigating the theoretical texts. Accordingly, a case study was performed in an organization with a high strategy execution possibility, recognized the quality and quantity of the dimensions that form the initial model, and retested them via a close-ended questionnaire survey. Here's the rationale behind adopting a pluralistic approach to this research and the use of case study and close-ended questionnaire survey: the realistic nature of case study, the direct and unmediated data collection, the generalizability of the results, the ease of collecting assorted data, the statistical and mathematical precision of the quantitative analyses of the close-ended questionnaire. It should be mentioned that the researchers carried out the case study first and then performed the close-ended questionnaire survey to minimize the bias. The sequence was so selected, because if the survey was carried out first, the awareness of the outcome would have possibly created bias while performing the case study. Finally, the environment and its relation to the tripartite dimensions of the theoretical framework was investigated via the theoretical principles to prove that the results of this research (the tripartite dimensions and their quantity) are in line with the environment turbulence considerations, inasmuch as the components and their quantity could differ in a stable environment.

To gather the required data, a variety of data sources such as the available documents and deeds, unstructured, semi-structured, and structured interviews, direct and cooperative observation, and a close-ended questionnaire survey was used.

To perform the field study on the organization culture status of the Kedbanoo Company, interviews and direct and cooperative observation was used. But to study such variables as the personnel rate, job definition, performance evaluation, organization chart, etc, the corresponding documents and deeds were consulted.

To collect the data pertaining to the strategic content of the company, the corresponding documents and deeds were consulted along with the semi-structured interviews with the managers and employees and cooperative observation.

To analyze the data gathered by viewing the documents, interviews, and direct and cooperative observations, the qualitative data were converted into quantitative data, and both types of data of deeds, interviews, behaviors, and occurrences were analyzed.

As far as the reliability of the questionnaire is concerned, it was initially distributed among 5 employees for the pilot study, and the discovered errors were modified. And for the homogeneity of the perceptions of the researchers and the respondents, all the components were operationally defined in an index to the questionnaire.

Delpazir's History

The Kedbanoo Co., producer of Delpazir brand products started its activities in 1949 in a field with the area measurement of 17500 Square Meters, located at 57 Km from Tehran and in the outskirt of Karaj. At the beginning of establishment, this company only produced a few varieties of Compote and Jam. But after expanding its activities, the company produced the first sugar-free Jam in Iran. Then, it continued to produce other products such as different kinds of cold dressings (Mayonnaise and Salad dressings), hot dressings (various kinds of Hot and regular ketchup) and various meatless canned foods (Pasta sauces, kidney bean dish, etc.).

This company, considering the growth in its annual production capacity and the variety of its products, is a pioneer in Food industry and constantly tries to present its products to domestic and foreign markets by keeping its quality standards, using high quality primary ingredients, and following the best production methods. Receiving the most Standard Marks amongst similar companies from the Institute of Standard and Industrial Research of Iran (ISIRI), is the result of the continues efforts by the expert staff of this production unit. The Kedbanoo Co. was selected as the "Model Company" on the World Standards Day, and received the distinguished award from the Institute of Standard and Industrial Research of Iran (ISIRI). The Kedbanoo Co. supplies the market with diverse foods and in addition to distributing its products domestically, exports them to European, Asian and Middle Eastern countries. The constant growth of domestic and foreign annual sales indicates the high quality and popularity of this company's productions among consumers.

The honors of this company include receiving the "Food Industry Management & Engineering", "Top 100 Trademarks", "Distinguished Production Unit", "Heroes of Industry", "ISO", "Superior Packaging", "Heroes of Industry of 2008 and 2009", "Greatest Trademark", "Top 20 Trademarks", "Golden Apple", "Dr. Hedayat", "Marketing Administration", "Sales Management", and "The Award for the High Quality of the Superior Producer" certificates.

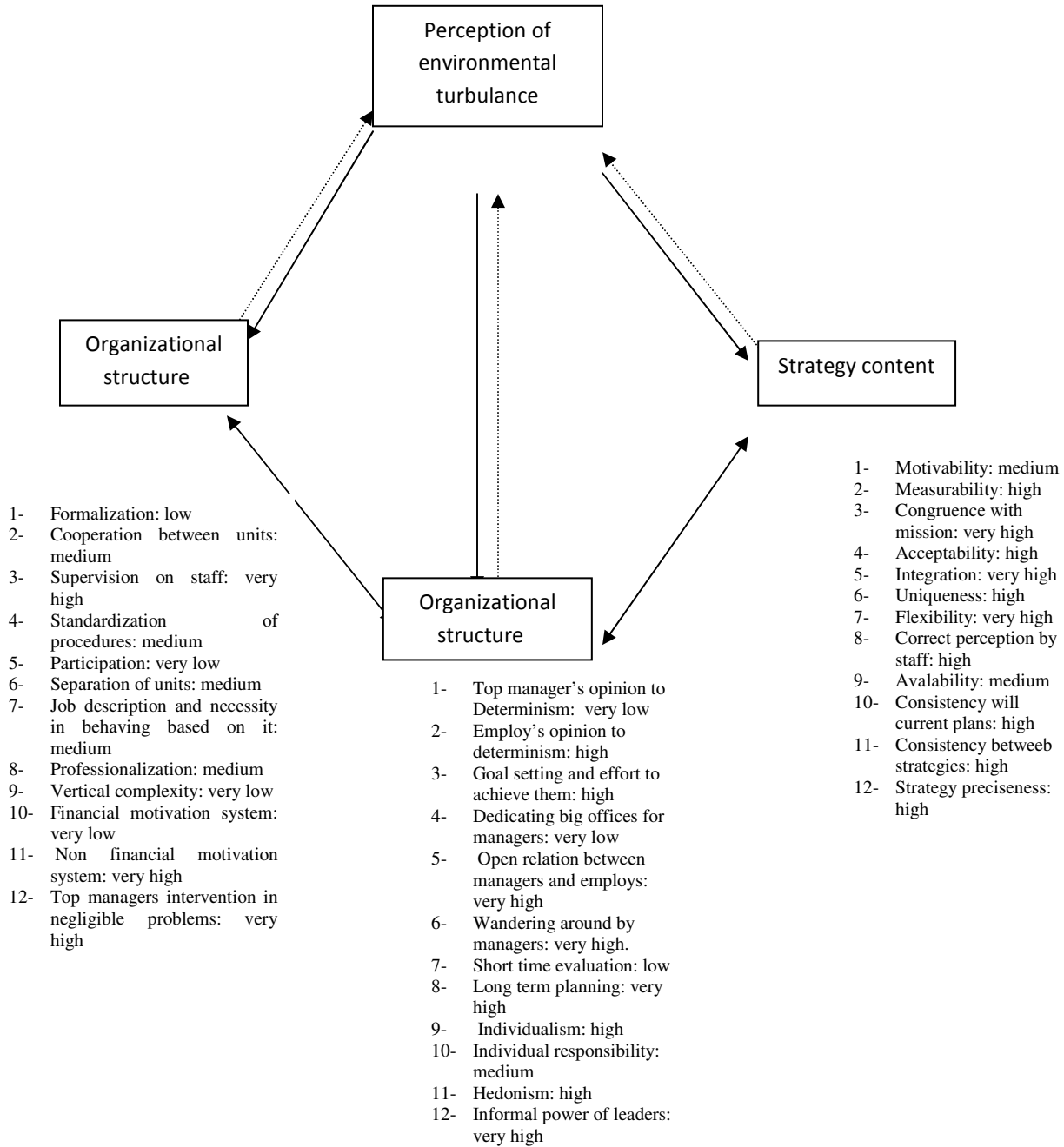
The Kedbanoo Co. hopes to advance by ever expanding the specialty level of the scientific and technical staff and the collective effort of the hard working employees, in order to elevate the quality of its products and to satisfy the consumers of Delpazir products constantly.

This company has been successful in execution of its growth, stability and decline strategies in a competitive environment. Some examples of its successes are as below:

1. Horizontal diversification strategy in 2003: 10 types of new products including cans like: Baked been an Baked been with mushroom have been launched according to its determined operational planning.
2. Forward vertical integration in 2004: this company in 2004, could acquire 100% of a distribution channel. By this strategy, company could distribute its products to hole sellers by itself.
3. Strategic alliance in 2006: because of full capacity production, this company outsourced the production of Tomato paste can ant Tuna fish can as two new products. Market share of these products in two years arrived to 3 percent.

Final model and conclusion

Four dimensions of present article's model (organizational culture, organizational structure, strategy content, and environmental turbulence) have been chosen based on literature models. The components of three dimensions (organizational culture, organizational structure, strategy content) are determined up on Kedbanoo company's condition. That is, this model is a descriptive model of the quality of important factors of strategy execution in studied co. Its worthy to notice that the components of this three dimensions depends on managers perception of environmental turbulence. So, if in manager's perception environmental turbulence change, the quality of components of this model will surely change.



Its worthy of mention that variables of this model's components are based on information acquired by survey (has been used questionnaire, had closed questions with five scales: very low, low, medium, high, and very high. Each question measures on component of each dimension) and deep case study of company. This increases the validity and reliability of findings. Although the transferability of findings because of the nature of case study remains not as much as to transfer to other different organizations, but we can generalize the finding to some similar organizations in same environment like IRI.

References

1. Aaltonen, P., Ikavalko, H. (2002), "Implementing strategies successfully", *Integrated Manufacturing Systems*, Vol. 13 No.6, pp.415-18.
2. Alexander, L.D. (1985), "Successfully implementing strategic decisions", *Long Range Planning*, Vol. 18 No.3, pp.91-7.
3. Alexander, L.D. (1991), "Strategy implementation: nature of the problem", in Hussey, D. (Eds), *International Review of Strategic Management*, John Wiley & Sons, Chichester/New York, NY, Vol. 2 No.1, pp.73-96.
4. Bartlett, C.A., Ghoshal, S. (1987), "Managing across borders: new strategic requirements", *Sloan Management Review*, Vol. 28 No.2, pp.7-17.
5. Bryson, J., Bromiley, P. (1993), "Critical factors affecting the planning and implementation of major projects", *Strategic Management Journal*, Vol. 14 No.2, pp.319-37.
6. De Feo, J.A., Janssen, A. (01), "Implementing a strategy successfully", *Measuring Business Excellence*, Vol. 5 No.4, pp.4-6.
7. Freedman, M. (03), "The genius is in the implementation", *Journal of Business Strategy*, No.March-April, pp.26-31.
8. Galbraith, J., Kazanjian, R. (1986), *Strategy Implementation: Structure Systems and Process*, 2nd ed., West Publishing Company, New York, NY, .
9. Hrebiniak, L. (1992), "Implementing global strategies", *European Management Journal*, Vol. 10 No.4, pp.392-5.
10. Hrebiniak, L., Joyce, W. (1984), *Implementing Strategy*, Macmillan, New York, NY, .
11. Hussey, D. (1998), "Strategic management: past experiences and future directions", in Hussey, D. (Eds), *The Strategic Decision Challenge*, John Wiley & Sons, Chichester/New York, NY, pp.1-28.
12. Kotter, J.P. (1995), "Leading change: why transformation efforts fail", *Harvard Business Review*, Vol. 73 No.2, pp.59-67.
13. Lorange, P. (1998), "Strategy implementation: the new realities", *Long Range Planning*, Vol. 31 No.1, pp.18-29.
14. Miller, A., Dess, G. (1996), *Strategic Management*, International ed., McGraw-Hill, New York, NY, .
15. Miller, D. (02), "Successful change leaders: what makes them? What do they do that is different?", *Journal of Change Management*, Vol. 2 No.4, pp.359-68.
16. Miller, S. (1997), "Implementing strategic decisions: four key success factors", *Organization Studies*, Vol. 18 No.4, pp.577-602.
17. Mintzberg, H., Ahlstrand, B., Lampel, J. (1998), *Strategy Safari*, Prentice-Hall, London, .
18. Okumus, F. (2001), "Towards a strategy implementation framework", *International Journal of Contemporary Hospitality Management*, Vol. 13 No.7, pp.327-38.
19. Okumus, F., Roper, A. (1999), "A review of disparate approaches to strategy implementation in hospitality firms", *Journal of Hospitality and Tourism Research*, Vol. 23 No.1, pp. -38.
20. Pettigrew, A.M. (1987), "Context and action in the transformation of the firm", *Journal of Management Studies*, Vol. 24 No.6, pp.649-70.
21. Pettigrew, A.M. (1992), "The character and significance of strategy process research", *Strategic Management Journal*, Vol. 13 No.1, pp.5-16.
22. Pettigrew, A.M. (1997), "What is a processual analysis?", *Scandinavian Journal of Management*, Vol. 13 No.4, pp.337-48.
23. Pettigrew, A.M., Whipp. R. (1991), *Managing Change for Competitive Success*, Basil Blackwell, Oxford,
24. Roth, K., Schweiger, M., Morrison, J. (1991), "Global strategy implementation at unit level: operational capabilities and administrative mechanisms", *Journal of International Business Studies*, Vol. 22 No.3, pp.369-402.

25. Schmelzer, C., Olsen, M. (1994), "A data-based strategy-implementing framework for companies in the restaurant industry", *International Journal of Hospitality Management*, Vol. 13 No.4, pp.347-59.
26. Skivington, E.J., Daft, L.R. (1991), "A study of organizational framework and process modalities for the implementation of business level strategic decisions", *Journal of Management Studies*, Vol. 28 No.1, pp.45-68.
27. Stonich, P. (1982), *Implementing Strategy: Making Strategy Happen*, Ballinger, Cambridge, MA, . Thompson, A., Strickland, A. (1999), *Strategic Management Concepts and Cases*, 11th ed., McGraw-Hill/Irwin, Boston, MA, .
28. Zongwill, Willard, I. (1993). *Lightning strategies for innovaition*. Maxwell macmillan inc.
29. Sterling, J. (2003). translating strategy into effective implementation. *strategy leadersdip* , 31 (3), 27-34.
30. Reason, P. & Bradbury, H. (2001). *Handbook of Action Research: Participative Inquiry and Practice*. Thousand Oaks: CA: Sage.
31. Ferkins, L., Shilbury, D. & McDonald, G. (2009). Board involvement in Strategy: Advancing the Governance of Sport Organizations. *Journal of Sport Management* , No. 23, 245-277.
32. Chanadler, A. (1995). *Strategy and structure*. MIT press.
33. Dess, G., Beard, D. W. (1984). Dimensisions of oganizationaln task environment. *Administrative science quartely*. (29).
34. Emery, F., trist, E. K. (1965, Februry). The causal texture of organizational environment. *Human relations*.
35. Waterman, R.H., Peters, T.J., Phillips, J.R. (1980), "Structure is not organization", *Business Horizons*, Vol. 23 No.3, pp.14-26.
36. Yip, G.S. (1992), *Total Global Strategy*, Prentice-Hall, London, .
37. Hrebiniak, Lawrence G.(2005).*Making Strategy Work: Leading Effective Execution and Change*, first Edition , Wharton School Publishing.
38. Johnson, Gerry; Scholes, Kevan(1999). *Exploring corporate strategy*, fifth edition, prentice Hall.
39. Altonen, p and Ikavalko, h.(2002), *Implementing strtegies successfully*, *Integrated manufacturing systems*, 13(6):415-418.
40. Alexander.L, D.(1985), *successfully implementing strategic decisions*, *long range planning*, 18(3):91-97
41. Alexander.L, D.(1991), *strategy implementation: nature of the problem*, *international review of strategic management*, 2(1):73-91
42. Goold, M (1991), *strategic control in the decentralizd firm*, *sloan management review*, 32(2):69-81.
43. Sterling, J. (2003), *translating strategy into effective Implementation*, *strategy leadersdip*, 31(3):27-34