Journal of Economics and Sustainable Development www.iiste.org
ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online)
Vol.6, No.21, 2015

Strategy Implementation and Firm Performance among Manufacturing Firms in Kenya

Felishana Jepkosgei Cherop
School of Business & Economics, Moi University, P O Box 3900 Eldoret, Kenya

Prof. Michael Korir Prof. Daniel Kipkirong Tarus Kimutai Kevin Torois Kimutai Kevin Torois
School of Business and Economics, Moi University, Eldoret, Kenya

Abstract
This study was carried out to investigate the relationship between strategy implementation and firm performance among Kenyan manufacturing firms. The study targeted the manufacturing firms which are registered with Kenya Association of Manufacturers. Primary data was collected by use of structured questionnaires that were distributed to the CEOs and Managers. Out of 300 questionnaires that were distributed to the respondents, 264 datasets were returned and were all used for data analysis. Study results indicate that there is a significant relationship between strategy implementation and firm performance of the manufacturing firms. The study therefore concludes that strategy implementation has a greater effect on firm performance in Kenyan manufacturing firms.
Keywords: Strategy Implementation, Firm Performance

1.0 Introduction

Strategy implementation is an area that is valued by several organizations. The Kenyan government for example is under transitional process of implementing county integrative development plans as a major strategy of achieving national development goals. Generally, previous research studies revealed that firms which implement their strategies perform much better than those who have not (Omer *et al.,* 2006). Organizations however vary in degrees about strategy implementation for example (Andrews, 2010) regards strategy concept as a framework of decisions that guide an organization in achieving its set targets. Strategy is the outcome of formal planning; an analytical process, which establishes long term objectives, a process that is usually initiated by top management and undertaken by staff strategists and this is according to (Ansoff, 1965).

Although several studies have focused on strategy implementation, there seems to be widespread concurrence in literature regarding the nature of strategic planning, which involves strategy implementation. (Boyne & Walker, 2004) evaluated and criticized the relevance of Miles and Snow (1978) framework to public organizations. They criticized most prior research on strategy content for placing organizations in mutually exclusive boxes and assuming that each of them has only a single strategic orientation and is, for example, just a prospector or a defender. The authors argued that organizations' strategies are messy and complex rather than neat and simple. Therefore, a mix of strategies is likely to be pursued at the same time and so it is inappropriate to categorize organizations as belonging solely to a single type.

Scholars like Okumus (2001) argue that in the early 1980s, several frameworks have been developed that are largely conceptual and/or descriptive. For example the typology of evaluating implementation as indicated by Pressman's and Wildavsmky's (1984) which are still useful on the differences and complexity of ensuring successful strategy implementation. This model portrays a struggle over the realization of ideas which addresses an implementer's clear-cut guide to effectively implementing a strategy. This study then investigated the performance of Kenyan manufacturing firms and how their strategy implementation approach has enhanced their firm performance with a major objective to determine the relationship between strategy implementation and firm performance.

2.0 The Concept of Strategy Implementation

Strategy implementation has become a subject of interest for many scholars. Literature indicate that several studies have focused on strategy implementation however, there seems to be widespread concurrence regarding the nature of strategic planning which involves strategy implementation that present various models indicating the organizational characteristics in implementing strategy (Schaap, 1992). This study defines strategy implementation in terms of the method of implementing strategies, clear targets to implement strategies, review and piloting initially before implementing them in full. This view was adopted from Boyne (2011).

Other scholars including Li Chen (2005) have defined strategy implementation in strategic management perspective to require an appropriate model with overall steps. This kind of model has to be compatible as it aids in facilitating and managing the implementation of set plans. Literature show that firms have not been short of strategies but have fallen short of strategy implementation. It is estimated that 70% of CEOs fail due to bad execution (Charan & Colvin, 1999). A European business review revealed that, many European firms have been faced with increasing uncertainty and complexity over few years and the chief strategic officer has had little known about its role in contributing to curbing the challenges (Markus, 2013).

With regard to effective & ineffective leader behavior & strategy implementation, (Schaap, 1992) overall results show strong support and statistically significance results. It is clearly evident that employees who understand and agree with the company strategic plan will most likely have a higher commitment to the firm's success than employees who do not know or agree with it. Likewise, employees who know the firms SBU strategy will have higher commitment to the organization than employees who don't know the firms SBU strategy. The author noted that the strategy implementing/strategy executing task is easily the most complicated and time consuming part of strategic management.

Survey results of the White Paper of Strategy Implementation of Chinese Corporations 2006 indicate that strategy implementation has become "the most significant management challenge that all kinds of corporations face at the moment". It established that a discouraging 57 percent of firms were unsuccessful at executing strategic initiatives over the past three years, where a survey of 276 senior operating executives in 2004 were done. The survey also reported that 83% of the surveyed companies failed to implement their strategy smoothly, and only 17% felt that they had a consistent strategy implementation process Allio, (2005).

3.0 Strategy Implementation and Firm Performance

The upper echelons theory by (Hambrick and Mason, 1984) has widely been used as a theory of outcomes. The theory is basically for top management teams who are the key people in formulating and implementing strategies. Firm performance is an outcome of strategy implementation and some scholars like V.L. Crittenden and WF. Crittenden (2008) stated that it is unfortunate that after considerable research studies in several decades, teaching and consulting interactions with firms suggest that strategy implementation has become a catchall of phrases and recommendations without clarity as to what entails the necessary cornerstone for a capable organization.

Related literature indicates a strong support with regard to effective and ineffective leader behavior and strategy implementation. (Schaap, 1992) established that employees who understand and agree with company strategic plan will most likely have a higher commitment to the firms' success than employees who do not know or agree with it and this is likely to contribute to positive or negative firm performance. Likewise, Mankins and Steel (2005) reported that majority of firms only realize 63% of their financial performance promises by their crafted strategies. Also, Kaplan and Norton (2005) attribute strategy to performance gap, in part to the fact that approximately 95% of firms' employees are not aware or do not understand their firms' strategy. Consistent with Johnson (2004), 66% of corporate strategy is never implemented. Based on these findings, there exists a gap between strategy implementation and firm performance and this can be linked to the process of implementing strategies as cited by various scholars in this study.

Borrowing from Bonoma anad Crittenden (1988), the authors suggested that strategy execution shapes the next round o strategy formulation and hence weakening the formulated strategy. It is worth to note that overall neglect of strategy implementation leads to serious poor firm performance and whenever this occurs, it is very challenging in determining if weak performance is caused by implementation of a bad strategy or otherwise the result of poor implementation of a good strategy.

Conceptual Model

Based on the objectives and theoretical and conceptual backgrounds of this study, the above model was developed and is grounded in this study. We then defined our null hypothesis as: **H_1:** there is no significant relationship between strategy implementation and firm performance.

4.0Methods

4.1 Population and Sample

The target population for this study was the CEOs and managers of manufacturing firms in Kenya. The CEOs are the key persons in organizations and responsible for formulating and directing implementation of strategies. The CEOs and managers were the population elements and were identified for this study.

4.2 Data Collection and Respondents Profile

A survey was conducted in manufacturing firms and data were obtained from the CEOs and Managers examining the methods of implementing strategies in their firms and on their firm's outcomes. The main reason for including the managers in the study was because managers at all levels of organizations participate in implementing strategies and also they play a greater role in leadership whenever or at points where the CEOs are out of their offices. 300 Self-administered questionnaires were distributed to the respondents out of which 264 were returned and were used in data analysis.

The respondents of this study comprised 170 Managers and 94 Chief Executive Officers (CEOs). A majority of the respondents (67%) were males and (33%) were females. As for education, the majority of the respondents holds bachelor degree (68.9%) and master degree holders (16.7%). With regards to age, 44.3% of the respondents were between 40-49 years old. In terms of tenure, the majority of them (34.5%) had between 11-15 years of experience. As for the profile of the manufacturing firms of this study, the firms were from different industries including food and beverage, plastic, pharmaceutical, chemicals and others.

4.3 Measures

4.3.1 Independent Variable: To measure strategy implementation, we used an instrument with subjective measures utilized by (Musteen *et al,* 2010). This measure contains three dimensions including rational planning, logical incrementalism and absence of implementation style. The study only utilized four items that are based on the rational planning dimension and the respondents were asked to rate them in a 5 point Likert scale.

4.3.2 Dependent Variables: Firm performance was measured using six (6) subjective measures developed by Powell and Dent-Mitcallef (1997) and subjective measures of performance have been widely used and most studies find high convergent validity with objective measures such as publicly available accounting data (e.g., Powell and Dent-Micallef, 1997; Hart and Banbury, 1994; Dess and Robinson, 1984; Venkatraman and Ramanujam, 1987). The respondents were asked to rate them in a 5 point Likert scale.

4.4 Reliability and Factor Analysis

Firm Performance	Factor
Over the past three (3) years, our financial performance has been outstanding	.687
Over the past three (3) years, our financial has exceeded our competitors	.703
Over the past three (3) years, our sales growth has exceeded our competitors	.707
Our firm is usually satisfied with employee growth	.752
Our firm is usually satisfied with market share growth	.864
Our firm is usually satisfied with return on sales	.722
Cronbach alpha	.832
Total variance explained	54.9
Eigen value	3.298
Bertlett's test of sphericity	555.541
F Sig. Change	.00

Reliability analysis was conducted on the two variables to determine the internal consistency of the data measured instrument. Cronbach's alpha was used to test the reliabilities of the various constructs. The results for firm performance and strategy implementation had reliability of .832 and .889 respectively as shown in Table.1 above. The coefficients were then greater than .50 indicating high reliability. For purpose of validity, we tested firm performance variable constructs using factor analysis and the variable had six (6) constructs which loaded in one component indicating a convergent validity of >.50 with Eigen values > 1.0. The total variance explained was 76.7% indicating good measures for the scales and these were used in the testing of the hypothesis.

Strategy Implementation	Factor
We use of business plan to implement strategies	.939
Clearly defined tasks when implementing strategies	.906
Regular review progress against targets	.893
Piloting strategies initially before implementation	.730

The strategy implementation variable constructs were also tested and the results are shown in table 2 above. The firm performance variable had only six (4) constructs. The Cronbach alpha was .889 and Barlett Test of Sphericity, it was 716.170. After conducting the factor and reliability analyses, correlation and regression analyses were run to achieve the objectives of the study.

5.0 Data Analysis, Results, Discussion and Conclusions

5.1 Data Analysis and Results

The study conducted correlation and regression analyses to determine the relationship between the strategy implementation and the firm performance. The objective of the study was to determine whether strategy implementation influence firm performance.

Table 3: Correlations Analysis: Strategy Implementation with Firm Performance	
Strategy Implementation & Firm Performance	.718**
**. Correlation is significant at the 0.01 level (2-tailed).	

Based on the correlation results in Table 3 above, the results clearly indicate that there is a strong correlation between the predicting variable strategy implementation and the outcome variable firm performance. The Pearson Correlation Coefficient (r=is 718, $p<0.01$) which indicates that; strategy implementation has a strong relation with firm performance. This therefore implies that the firms consider business plans to be ideal for implementing strategies as well as defining tasks prior to implementation. Similarly, regular review of progress against targets is important and piloting the strategies before implementation.

Table 4: Regression Analysis: Strategy Implementation with Firm Performance

	Regression Coefficient (β)
Independent Variable	
Strategy Implementation	.778
R	.718
R^2	.516
Adj.R^2	.514
R^2 Changes	.516
F Change	279.063
F Sig Change	.00

Table 4 above display the regression results of strategy implementation with firm performance. It is clearly evident that the interactions between strategy implementation variable constructs explain 51.6% of the variability on firm performance. The beta coefficient for the predicting variable (β=.778, $p<.01$). This implies that when the value of the predicting variable increases, the outcome variable greatly and significantly increases. The study therefore infers that when strategy implementation increases by one unit, firm performance greatly increases by .778 units. Based on the results above, it can be concluded that, strategy implementation has a strong relationship with firm performance and therefore we reject the null hypothesis.

5.2 Discussions, Conclusions and Recommendations

The results of this study indicate that strategy implementation has a positive significant effect with firm performance. This implies that, when strategy implementation is observed, a firm is able to achieve better performance. While scholars have acknowledged that strategy implementation failure rate (Charan & Colvin, 1999), there is reason to believe that business plans are ideal for implementing strategies as well as defining tasks prior to implementation. Similarly, regular review of progress against targets and piloting the strategies before implementation. Consistent with these results, (Ibrahim *et.al*, 2012) established that strategy implementation has a strong correlation with firm performance. (Yang Li *et al.,* 2008) established that although formulating a consistent strategy is a difficult undertaking for decision makers, making it work throughout the organization is even more difficult and subsequent difficulties usually arise during the implementation process. This concurs with (Charan & Colvin, 1999) that firms have not been short of strategies but have fallen short of strategy implementation. (Arasa & Obonyo, 2012) established the existence of a relationship between strategic planning and firm performance. Also a stronger relationship between strategic planning and both financial and non-financial performance indicators was exhibited. It is evident that when CEOs and managers dedicate their time on implementing strategies, the likelihood of achieving better performance is high.

The results of this study therefore provide a concrete reason to give more attention on strategy implementation to be able to achieve better outcomes. Given that previous studies conducted in developed countries have shown an indication that strategy implementation is a challenging exercise, there is however a different perspective in the developing world particularly in Kenya as provided for by the results. Therefore, based on the measures used in this study, it is worth to conclude that the context plays a greater role in steering firm performance when strategy implementation is given proper attention. Beer & Einsenstal (2000) concluded that strategy implementation is not an opponent that needs to be conquered rather it is a critical cornerstone for building an organization. This can be achieved by employing appropriate levels of implementation. It helps to create the future of an organization and it works closely with formulation process. Successful strategy implementation aid a firm to become better and better over time hence achieving its corporate success.

The CEOs of Kenyan manufacturing firms should always value strategy implementation and consider a priority. It is worth to acknowledge the advise provided by (Beer and Einsenstal, 2000) describing the silent killers of strategy implementation including top-down or laissez-fair senior management style, unclear strategy and conflicting priorities, ineffective senior management team, poor vertical communication, poor coordination across functions, businesses, or borders and inadequate down-the-line leadership skills and development. The CEOs and managers should confront these killers than employing avoidance so that they attain their performance.

This study recommends review of approaches and methodologies of implementing strategies to be able to achieve firm performance. It is possible that the environment present different kind of challenges and CEOs and Managers who are the key decision makers about the strategies to adopt should consider appropriate plans, clearly defined tasks as well as performing continuous review of the tasks for better strategy implementation. This study only focused on a direct relationship between strategy implementation and firm performance, it would be very interesting to consider the role of intervening and moderating variables in steering firm outcomes.

References

Allio, M. (2005). A Short, practical guide to implementing Strategy. Journal of Business Strategy, 12-21.
Andrews, K. (2010). The Concept of Corporate Strategy. Journal of Applied Business Research
Ansoff, H.I. (1965). Corporate Strategy: An Analytical Approach to Business Growth & Expansion. New York: McGraw-Hill
Arasa R., K'Obonyo P., (2012). The Relationship between Strategic Planning and Firm Performance. International Journal of Humanities and Social Science, Vol.2, No.22
Beer, M. and R.A. Eisenstat, (2000). The silent killers of strategy implementation and learning. Sloan Management Review, 41(4): 29-41.
Bonoma, T.V. and V.L. Crittenden, (1988). Managing marketing implementation. Sloan Management Review, 29(2): 7-14.
Boye, G.A., & Walker, R.M (2004). Strategy Content and Public Service Organizations. Journal of Public Administration Research and Theory, 14, 231-252
Charan H., C. (1999). Building the Strategy Implementation Network. Business Horizons, 19-27.
Dess, G. R. (1984). Measuring Organizational Performance in the Absence of Objective Measures: The Case of the Privately-Held Firm and Conglomerate Business Unit. Strategic Management, 265-273.
Dincer,Omer, Tatoglu, Ekrem and K.W. Glaister, (2006). The Strategic planning process: evident from Turkish firm, Management Research News, 29(4): 206-219.
Hambrick D.C, M. P. (1984). Upper Echelons Theory: The organization as a reflection of its top managers. Academy of Management Review, 193-206
Hart S, Banbury C. (1994). How strategic planning systems can make a difference. Strategic Management Journal 15(1): 251–270.
Ibrahim M., Sulaiman M., Kahtani A.A., Abu-Jarad, I (2012). The relationship between Strategy Implementation and Performance of Manufacturing Firms in Indonesia: The role of Formality Structure as a Moderator. World Applied Sciences Journal 20(7): 955-964
Johnson, L.K., (2004). Execute your strategy without killing it. Harvard Management Update, pp: 3-5.
Kaplan, R.S. and D.P. Norton, (2005). The office of strategy management. Harvard Business Review, 83(10): 72-80.
Li Chen, H., (2005). A competence-based strategic management model factoring in key success factors and benchmarking. Benchmarking: An International Journal, 12(4): 364-382.
Mankins, M.C. and R. Steele, (2005). Turning great strategy into great performance. Harvard Business Review, 83(7/8): 64-72.
Markus Menz, G. M.-S. (2013). The Chief Strategy Officer in the European Firm: Professionalizing Strategy in Times of Uncertainty. The European Business Review, 5-8
Miles RE, Snow CC. (1978). Organizational Strategy, Structure, and Process. McGraw-Hill: New York.
Okumu, F. (2001). Towards a Strategy Implementation Framework. International Journal of Contemporary Hospitality Management, 327-338.
Powell TC, Dent-Micallef A. (1997). Information Technology of Competitive Advantage: The role of human, business and technology resources. Strategic Management Journal 18(5): 375-405
Pressman, J.L., & Wildavsky, A. (1984). Implementation, 3rd Ed. Berkeley: University of California Press.
Rutherford, K. and E. Walker, (2006). Mind mapping: Making strategic planning 'fun and easy', Canadian Insurance, 1(11): 7-32.
Schaap, J.I. (1992). Toward Strategy Implementation Success: An Empirical Study of the Role of Senior-Level Leaders in the Nevada Gaming Industry. UNLV Gaming Research & Research & Review Journal, Volume 10, Issue 2 13-37
Venkatraman N, Ramanujam V. (1987). Measurement of business economic performance: an examination of method convergence. Journal of Management 13:109–122
Victoria L. Crittenden and William F. Crittenden, (2008). Building a capable organization: The eight levers of strategy implementation, Business Horizons, 51: 301-309.
Yang Li, S. G. (2008). A Literature Review n the Factors influencing Strategy Implementation. Institute for Corporate Communication.