Key Success Factors in Implementing Strategy: Middle-Level Managers’ Perspectives

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Abstract

The constant growth of Indonesian economy condition has formed a fierce competition among Indonesian companies. The fierce competition forced Indonesian companies to execute their finest strategy in order to cope with the fierce competition. Therefore, the role of middle-level managers within an organization as the executor of the strategy becomes crucial. The main objective of this research paper is to investigate the key success factors involved in successful implementation of business strategies through middle-level managers’ perception as well as providing Indonesian viewpoint for the topic. The study findings suggested that middle-level managers could execute more successful strategy if they supported with good corporate culture that is they have shared understanding about how they do things within the organization. Moreover, the study result suggested that Middle-level managers needs clear strategy or direction from top management.

Keywords: strategy implementation; middle-level manager; strategic change

1. Introduction

The growth of the Indonesian GDP is forecast to reach 6.5% in 2011 [1], continuing to drive fierce competition among Indonesian firms. Consequently, this relatively high growth rate and resulting competition have encouraged greater proactive execution of strategy and, concomitantly, the roles of middle-level managers in translating strategy into execution have become critically important. The purpose of this paper is to investigate, from middle-level managers’ perspectives, the key success factors involved in the successful implementation of business strategy measured through the achievement of superior organizational performance. Such a study has never been conducted in Indonesia previously.

This article proceeds in the following manner. First, there is a brief review of the literature regarding important factors that affect successful strategy execution. Statistical analysis is conducted to rank these factors that middle-level managers have chosen as being required for successful strategy execution; these factors will be of great importance to top-level and middle-level managers. Next, the factors are tested using data from major Indonesian companies derived from 158 middle-level managers as respondents. They were participants in BINUS Business School Executive Education programs on “Making Strategy...
Work” in 2010. Finally, the research findings are provided, and discussed concerning their managerial and theoretical implications.

2. Literature Review

2.1. Middle-Level Manager Involvement in Strategy Execution

Currently, only a few sources specifically discuss the roles of middle-level managers in strategy execution. Author [2], [3] pointed to the ‘crucial’ role of middle-level managers in supporting initiatives from operational levels, combining these initiatives with firms’ strengths, and conceptualizing new strategies. Previous findings describe several positive effects of middle managers’ involvement: effects on organizational performance [4], on middle managers’ satisfaction [5], on middle managers’ psychological attachment to the organization and to their jobs [6], and on middle managers’ perceptions of strategies [7]. Middle-level manager involvement can reduce organizational inertia, pre-empt political behaviour in the strategy process, and remove decision-making constraints faced by the firm [7]. On the other hand, non-involvement may lead middle managers to take up opposition, act ineffectively or, in the worst case, sabotage implementation of the strategy decided by top management [8]. Non-involvement may also lead to strategic role conflict, as when middle managers’ perceptions of a strategic issue differ from those of top management [9]. These authors argued that beyond merely understanding the new strategy, middle managers need to show commitment and give up old routines and habits in order for the new strategy to be incorporated successfully. In general, firms are unable to prevent strategic role conflict, but minimizing it may be an achievable corporate goal. On the whole, research suggests that the negative effects associated with middle management involvement are negligible compared to the positive effects [7].

2.2. Factors in Implementing Strategy

Author [10], [11] suggested a strategy implementation framework that consists of content, context, process, and outcome. He came up with the framework after comprehensive studies of previous research into strategy implementation, including [12], [13], [14]. Author [15] investigated key success factors for strategy implementation in Latin America including strategy formulation, systematic execution; strategy control and follow up; CEO leadership and suitable, motivated management and employees; and corporate government leading the change. They also compared the most successful against the least successful companies for the given factors.

These are several dimensions that have been well identified from previous research as can be seen in Table 1. Here, hypotheses have been developed that may be specifically applicable to middle-level managers.
Table 1. Important dimensions in strategy execution

<table>
<thead>
<tr>
<th>Factor</th>
<th>Literature</th>
<th>Hypothesis</th>
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</thead>
<tbody>
<tr>
<td>1. Degree of uncertainty</td>
<td>[16], [17], [18]</td>
<td>H1: An uncertain environment faced by middle-level managers has a significant positive influence on successful strategy execution</td>
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<tr>
<td>2. Clarity of strategy</td>
<td>[19], [15], [20], [21], [22], [23]</td>
<td>H2: Middle-level managers’ level of understanding about strategy has a significant positive influence on successful strategy execution</td>
</tr>
<tr>
<td>3. Organizational structure</td>
<td>[21], [24], [25]</td>
<td>H3: The kind of organizational structure which enables middle-level managers to make quick decisions has a significant positive influence on successful strategy execution</td>
</tr>
<tr>
<td>4. Corporate culture</td>
<td>[26], [27], [28], [29], [21]</td>
<td>H4: The type of corporate culture which facilitates middle-level managers in executing strategy has a significant positive influence on successful strategy execution</td>
</tr>
<tr>
<td>5. CEO and top management</td>
<td>[29], [15], [30]</td>
<td>H5: The degree of involvement of CEO and top management leadership in inspiring middle-level manager has a significant positive influence on successful strategy execution</td>
</tr>
<tr>
<td>6. People’s competencies and</td>
<td>[15], [31], [32]</td>
<td>H6: The competencies and commitment of middle-level managers ensuring strategy execution has a significant positive influence on successful strategy execution</td>
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<tr>
<td>commitment</td>
<td></td>
<td></td>
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<tr>
<td>7. Knowledge management</td>
<td>[21], [33], [34]</td>
<td>H7: The degree of middle-level managers’ understanding of the previous firm’s execution experience has a significant positive influence on successful strategy execution</td>
</tr>
<tr>
<td>8. Managing change</td>
<td>[35], [36]</td>
<td>H8: How middle-level managers deal with resistance to change has a significant positive influence on successful strategy execution</td>
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<td>9. Performance management</td>
<td>[21], [37], [38]</td>
<td>H9: How middle-level managers’ performance is measured has a significant positive influence on successful strategy execution</td>
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<td>10. Communication</td>
<td>[39], [40], [41]</td>
<td>H10: How middle-level managers communicate and coordinate with top management, peers, staff, customers, and suppliers has a significant positive influence on successful strategy execution</td>
</tr>
<tr>
<td>11. Execution plan</td>
<td>[42], [43]</td>
<td>H11: How middle-level managers perceive the clarity of work program, time management, and budget allocation has a significant positive influence on successful strategy execution.</td>
</tr>
</tbody>
</table>
3. Methodology

BINUS Business School has been running executive education programs on strategy execution for middle-level managers in top Indonesian publicly listed companies for three years. Data were collected in 2010 through a questionnaire, and we have a sample size of 158 middle-level managers. Companies participating in this research are in the financial, manufacturing, plantation, and mining sectors. Respondents were asked about the degree of success in implementing their strategies on a scale of 1 to 10. Their answer was seen as self-evaluation and, based on that, they were asked about 11 variables identified as significantly relevant in strategic company performance. All survey items were based on a “6” Likert-type scale. All the questions are expressed as “negative” statements (1 through 6, going from completely disagree to completely agree) to measure the effect of the components indicated and to evaluate the perception about the degree of success in implementing business strategy. The methodology used is the one appropriate for exploratory research. The statistical calculation uses SPSS to conduct ANOVA.

In the analysis, only firms responding with 8, 9, or 10 in the ordinal scale on the degree of successful strategy execution will be used.

4. Findings & Conclusions

4.1. Findings

In this section, findings from this empirical study are reported. A very robust correlation has been conducted and the results are given in Table 2. The underlying dimensions of succesful strategy execution are now linked to how important each of the factors is in the eyes of middle-level managers. Seven out of eleven dimensions have significant positive influences on, or are highly correlated to, successful strategy execution; corporate culture (38.3%), clear strategy (36.0%), communication (33.0%), execution plan (30.1%), people competencies (27.4%), documentation (27%), and performance management (23.8%). While the remaining four dimensions are considerably less significant; managing change (sig = 0.054), CEO involvement (sig = 0.123), organization structure (sig = 0.228), and uncertain environment (sig = 0.256). They are insignificant probably because the respondents were from well-established and well-managed companies.

Table 2. Correlation Analysis and Level of Significance

<table>
<thead>
<tr>
<th>Factor</th>
<th>More Successful n = 124</th>
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<tbody>
<tr>
<td></td>
<td>Corr</td>
</tr>
<tr>
<td>1. Uncertain environment</td>
<td>-1.03 or negative 103%</td>
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<tr>
<td>2. Clear strategy</td>
<td>0.360** or 36.0%</td>
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<tr>
<td>3. Organization structure</td>
<td>0.109 or 10.9%</td>
</tr>
<tr>
<td>4. Corporate culture</td>
<td>0.383** or 38.3%</td>
</tr>
<tr>
<td>5. CEO involvement</td>
<td>0.139 or 13.9%</td>
</tr>
<tr>
<td>6. Competencies</td>
<td>0.274** or 27.4%</td>
</tr>
</tbody>
</table>
These are a number of issues relating to the top five key success factors. First, corporate culture can be seen as the enabler or catalyst for successful strategy implementation. The more conducive the culture, the more aggressive the middle managers. Cultural values in this research are innovation, action orientation, results orientation, team orientation, information sharing, and openness to constructive criticism. Second, previous research [20] reported that the clarity of strategy decreases as it reaches the lower level managers. Therefore, clarity of the strategy is very important for middle-level managers. Top level management should make sure that the strategy is well-translated and deployed down to the lower level managers. Third, middle-level managers require good communication and coordination with their supervisors, peers, customers, and suppliers. Fourth, a clear strategy makes it easier for middle-level managers to prepare execution plans that consist of prioritizing work programs and budgets. Fifth, people competencies and commitment with which middle-level managers work with are very important. Key issues to be considered are the recruitment of relevant staff, the acquisition and development of knowledge and skills, and the provision of incentives related to strategy implementation.

4.2. Conclusions

The findings of this research suggest that middle-level managers can execute strategy more successfully when corporate culture supports them; that is to say they have shared understanding about how they do things within an organization. Middle-level managers need clear strategy and direction from top management. However, involvement of CEO leadership during execution does not have a significant impact on successful strategic execution. To have a clear strategy is not sufficient, since organizations need to communicate such a strategy to middle-level managers in order for them to translate it into clear execution plans. Furthermore, to document best practices and failures will give important and detailed feedback on strategy execution. Middle-level managers also require appropriate performance-based rewards to ensure successful execution.

Similar research has been done by Author [15] in Latin America, but 86% of their respondents were company presidents or general managers. They found the most important factor is corporate governance leading the change, and that includes stockholders’ commitment and financial support, and a board supporting the implementation. However, we found that CEO involvement is not significant for middle-level managers. We can also conclude that there are different perceptions about strategy implementation between top-level management and the middle managers.

4.3. Further Research

We found that corporate culture has significant impact on successful strategy implementation. Many research have indicated that different types of companies have different types of culture, such as in state-
owned companies, family-owned companies, or multinational companies. It is interesting to explore how successful a strategy implementation in different types of company that is moderated by corporate culture.

References

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