AN EXPLORATORY STUDY OF THE STRATEGY EXECUTION WITH REFERENCE TO SELECT ORGANIZATIONS IN SAUDI ARABIA

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ABSTRACT
Strategy execution is a considerable challenge for organizations because it demonstrates long-term competitive advantage and corporate excellence. Research highlights only the theoretical considerations without focusing on the actual process mechanisms of the implementation aspects. The following paper had taken two large companies with diversified businesses in Saudi Arabia and a structured interview method was conducted. Past literature and studies based on case methods have been discussed in details and associated with these cases whereby it is indicated that bureaucracy exists with the lack of a proactive approach. A precise discussion is followed by suggestions to follow based on the present results of the interviews.

KEY WORDS: strategy, execution, Saudi Arabia, interviews, functional.

Introduction
Successful CEOs understand the need for a sound business strategy and invest significant time, effort, and money in strategy development. But the real value of strategy can only be recognized through execution – the ability to execute strategy is more important than the quality of the strategy itself (Kaplan & Norton, 2001; Martin, 2010). Successful CEOs know that strategy gets you to the starting line, but its execution that gets you to the finish line (Zagotta & Robinson, 2002).
Strategy execution suffers from a general lack of academic consideration (Edgar and Taylor, 1996; Noble, 1999; Aaltonen and Ikavalko, 2002; Otley, 2003, Raps, 2005). Okumus and Roper (1998) further observe that despite the importance of the strategy execution process, far more research has been carried out into strategy formulation rather than into strategy execution, while Otley (2003) concludes that literature is dominated by a focus on long range planning and strategy content rather than the actual execution of strategies, on which little is written or researched. Reasons put forward for this apparent lack of research effort that the field of strategy execution is considered to be less attractive as a subject area, and that researchers often underestimate the difficulties involved in investigating such a topic – especially as it is thought to be fundamentally lacking in conceptual models (Aaltonen and Ikavalko, 2002). With this background this paper has made an attempt to determine the effectiveness of Strategy execution in select companies of Saudi Arabia. There has been a key research done before by Al-Ghamdi (2005) in the Saudi Arabian Petroleum industry. The key findings were that managers fail to adequately anticipate the needed training and instructions for their staff employees in order to equip them with the necessary skills for execution.
Review of literature
Al-Ghamdi (1998) researched 15 implementation problems and found that six strategy implementation problems were experienced by over 70% of the sample group of firms. Based on case studies, Hansen, Boyd and Kryder (1998) identified additional implementation problems as a) failing to periodically alter the plan or adapt it to changes in the business environment b) deviation from original objectives and c) lack of confidence about success. Nickols (2000) posits that strategy is execution. He discussed four cases of strategy execution: flawed strategy & flawed execution, sound strategy & flawed execution, flawed strategy & sound execution, and sound strategy & sound execution. Downes (2001) states that the kinds of execution obstacles most companies run into fall into two categories: problems internal to the company and problems generated by outside forces in its industry. These internal and external issues are affected by the extent of flexibility companies have to launch strategic initiatives successfully. DeLisi (2001) examined “the six strategy killers” of strategy execution, pinpointed by Bear and Eisenstat (2000). Johnson (2002) in his survey found that the five top reasons why strategic plans fail are related to motivation and personal ownership, communications, no plan behind the idea, passive management, and leadership. Hrebiniak (2005) recognized the difficulty of strategy execution and the reward from doing that correctly. Brannen’s (2005) survey based study concluded that in order to improve execution certain issues have to be tackled. These include inadequate or unavailable resources, poor communication of the strategy to the organization, ill-defined action plans, ill-defined accountabilities, and organizational/cultural barriers. Welbourne (2005) observations of items on “what’s getting in the way of execution” point to “habit and past experience reflects on new strategy” as another factor that could affect strategy implementation. In the Saudi Arabian context, Al-Ghamdi (2005) studied in details Strategy execution process in the Saudi Petroleum industry and came to similar problem areas and emphasized on the need for effective management support systems for staff employees, strategy-structure alignment, effective compensation systems, and top management involvement.

Method
The organizations where interviews were conducted are diversified and conglomerates based in Saudi Arabia. The data was collected around July of 2013 in select companies in Jeddah region of Saudi Arabia. Company consents were taken before administering the questionnaire. Structured interview questions were administered to the key top personals. One of the company is into hospitality (referred to as Company A) while the other is into trading (referred to as Company B). Extensive studies of the organizations were done. The area of questions administered were in the areas related to

- Functional strategies used
- Leadership style
- Organizational culture
- Systems and processes
- Values and principles
- Measurement of performance

Each question had been analyzed in details;
Qs 1. “What functional strategies have been used by your organization?”

*Company A:* Marketing, Product line strategies, Promotion, Pricing and Distribution strategies

*Company B:* Mainly marketing and sales strategy is used. Production strategies use “make or buy” strategies. Finance department makes decisions on the capital structure. Other functional departments include HRM, Accounting and R&D.

Qs 2. **What HR strategies are used?**

*Company A:* leadership skills, effective communication, targeted, purposeful recruitment.

*Company B:* Supportive, congenial environment and culture to retain employees, effective training & development.

Qs 3. **Explain the Organization Structure employed.**

*Company A:* centralized with tight control of the top management

*Company B:* typical hierarchical arrangement with functional structure.

Qs 4. **What kind of leadership you have used to support the organization structure?**

*Company A:* Democratic and Participative. This not only increases job satisfaction by involving employees or team members in what’s going on, but it also helps to develop people’s skills. Employees and team members feel in control of their own destiny, and so are motivated to work hard by more than just a financial reward.

*Company B:* Senior management intervenes, reporting relationship can be both vertical and horizontal. The process also identifies natural reporting relationships.

Qs 5. **What Systems and processes have you incorporated?**

*Company A:* The Company has designed its own reward, information and budgeting and control system.

*Company B:* different systems and programs are used related to administration, information and incentives, budgeting and quality control.

Qs 6. **What kinds of Staff are recruited?**

*Company A:* We recruit Young Saudis, they must be well educated and the ability to learn fast. The values are very important in the candidate and we try to build self-confidence.

*Company B:* Process-driven recruitment is done. Skillful and educated candidates who can fit into the culture. Rigorous selection processes are used.

Qs 7. **What are the key resources used?**

*Company A:* employees

*Company B:* the most crucial resource and asset are the human resources. So extensive training and development activities are imparted to enhance skills.

Qs 8. **What are the values shared by the employees?**

*Company A:* commitment to sustainability and to act in an environment-friendly way. Values are shared from examples of the top management.

*Company B:* trust, excellence, commitment, transparency, safety, team work, innovation and creativity and financial responsibility.

Qs 9. **How is the financial performance after implementing the various strategies?**

*Company A:* Our financial performance is stable and the company is growing accordingly.

*Company B:* the company’s financial and operational efficiency is increased greatly and the company is able to face challenges externally and internally.

Qs 10. **Does your company employ any manner of measuring non-financial performance also (like balanced scorecard)?**

*Company A:* No

*Company B:* No, however the company is using goal setting and achievement program to measure its performance besides sales and financial successes.
Discussion
The results from the interview indicate that the top management executives are not completely focused about the execution processes and somewhat diluted it with the operational dynamics of the organizations. The executions in the organizations were also taken in a generalist manner without customizing the systems and processes related to the various areas. There is found to be a lack of interconnectedness and control mechanisms. This corroborates with previous studies (Alexander, 1991; Kotter, 2007; Strabel, 1996; Eisenhardt, 2002; Atkinson, 2006).

In the companies surveyed, both were found to rely on the functional departments to execute strategies and were not following sophisticated forms of structural implementation. In the second question, the focus on HR strategy implementation was consisting of open communication, training & development, focused recruitment practices. The third question which asked about the organization structure obtained similar responses stating that centralized, hierarchical systems were being used. In the fourth question, the responses pertaining to leadership have been mixed where one company reinforced senior management monitoring and the other referred to democratic participation throughout the organization. Question 5, which consists of the systems and processes aspects, has been expressed generally whereby the internal functional systems were general and company formulated in the areas of quality and budgetary control, information and accounting etc.

Question 6 was related to the nature of employees recruited. Mostly the focus on mostly a Person-Organization fit and an emphasis on extensive recruitment, selection processes.

In question no. 7, the key resources in the organization was referred to as the human resources. One of the companies also mentioned the extensive stress on training & development to develop the employees.

Interestingly, in eighth question dealt with the values shared by the employees and one company had pointed out that “commitment to sustainability and to act in an environment-friendly way” is the core values shared which again highlights the organizational strategic roles and responsibilities in creating and maintaining internal and external sustainability. The other values shared were “trust, excellence, commitment, transparency, safety, team work, innovation and creativity and financial responsibility”.

Finally the last two questions dealt with the performance dimension of the companies both financially and non-financially. Though financially the companies are streamlined in their operations but there seems to be a lack of effective tool to evaluate non-financial performance.

An interesting finding of this research is that the organizational functioning is to some extent bureaucratic with the senior managers are more concerned about following the top bracket of managements instructions and systems. A sense of broader insights and understanding about employees are found to be lacking. This reinforces Al-Ghamdi (2005) study which explains that managers fail to adequately anticipate the needed training and instructions for their staff employees in order to equip them with the necessary skills for execution. Moreover, the formulators of plans did not link employee’s performance during implementation with the overall reward system in the organizations.

My findings revealed the problems in the form of a lack of communication (Hanely, 2007; Hrebieniak, 2008), the lack of effective control systems (Atkinson, 2008), ambiguity in strategic processes (Kaplan & Norton, 2008; Corboy & O’ Corrbur, 1999).

The following are the suggestions based on my research results:

- The re-structuring of the organization from traditional forms to forms like matrix or project based.
- The use of strategic human resource practices
- Universal leadership approaches with visionary and transformational styles
- Detailed formulation of systems and processes with inter-relationships
- More delegation of authority needed from the top management
- Identification and implementation of non-financial performance standards

There were some limitations in the study, firstly, sample of companies taken were few, which could have been increased. Secondly, a survey of employees from the respective companies could have given a more comprehensive perspective.

References


