Zagreb International Review of Economics & Business, Special Conference Issue, pp. 63-80, 2008

ISSN 1331-5609; UDC: 33+65

Effective Strategy Implementation: The Experience of Slovenian Companies

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Abstract: This paper deals with the findings of empirical research on the main determinants of effective strategy implementation in Slovenian companies.

Keywords: Slovenia, company, strategy, strategy implementation

JEL Classification: L100

Introduction

One of the main reasons for the emergence of strategic management in the last quarter of the previous century was to pay suitable regard to the implementation of strategy in companies. Strategic planning is important but formulated strategies must be implemented otherwise the planning phase becomes worthless. Managers were the first to perceive the need to widen the strategic planning approach into the strategic management approach. Later on, several empirical studies found a very weak relationship between strategy formulation and its implementation. Fortune magazine noted that less than 10% of well-formulated strategies are also effectively executed (Gurowitz, 2007). Similarly, The Times' study of 200 companies (Strategy Implementation and Realisation, 2007) found that 80% of companies had the right strategies yet only 14% were implementing them well. A 2003 survey by the Economist Intelligence Unit, in collaboration with Makaron Associates, found slightly better but still very disappointing achievements, discovering that on average companies deliver only 63% of the potential financial performance their strategies had promised (Makaron, 2005). Therefore, most companies have strategies but only a

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few actually realize them. Well-crafted strategies are worthless unless they are effectively implemented. It is always better to have a less effective strategy which is fully implemented than to formulate an excellent strategy which is never executed.

Obviously, strategy implementation is a big issue. It was nearly completely neglected for decades. The introduction of the strategic management concept opened a formal framework for dealing with this problem, yet to date it has not attracted enough research attention. Kaplan and Norton's (1992) contribution in this field which seems to be one of the most important, for example, appeared as late as in the 1990s.

The planning-implementation relationship is nicely described by Hrebiniak (2005, p. 4): 'Still, it is obvious that the execution of strategy is not merely as clear and understood as the formulation of strategy. Much more is known about planning than doing, about strategy making than making strategy work'. Taking into account the poor level of our knowledge in the field of strategy implementation in general as well as keeping in mind that serious empirical research in the field in Central and South-east Europe has almost been completely neglected, we intend to contribute some relevant insights into a number of issues linked with strategy implementation by studying the strategy implementation issues faced by Slovenian companies.

Our research questions are based on the existing relevant research findings about the determinants of effective strategy implementation. We perceive them as different groups of activities needed for an effective strategy implementation, mechanisms for communication and coordination as well as knowledge dissemination in companies, systems for measuring strategic achievements, typical obstacles to effective strategy execution and the main problems managers are confronted with while trying to implement strategies in their companies.

Our research goals are formulated so as to identify:

- the most important groups of activities for effective strategy implementation;
- the role and importance the mechanisms for mutual informing, coordinating and accessing knowledge play in the strategy implementation process;
- the extent of the application of the balanced scorecard systems in strategy implementation in Slovenian business practice as well as the companies' insights and experience using this tool;
- the biggest obstacles to effective strategy implementation;
- the most important problems perceived in the strategy implementation process; and
- the possibility of formulating a comprehensive strategy implementation model.

The main research method is based on a survey of strategy implementation experience of Slovenian companies. According to the research purpose, research questions and goals the article is structured in five parts. After the introduction, the second part offers a literature review focusing on those theoretical developments needed to develop our survey questionnaire. The third part explains the empirical research approach by describing the questionnaire, research sample, respondents and how the survey was carried out. The fourth part offers empirical findings regarding the most important determinants of effective strategy implementation in Slovenian companies. In the conclusion we try to summarize the key empirical findings by offering a kind of model for effective strategy implementation.

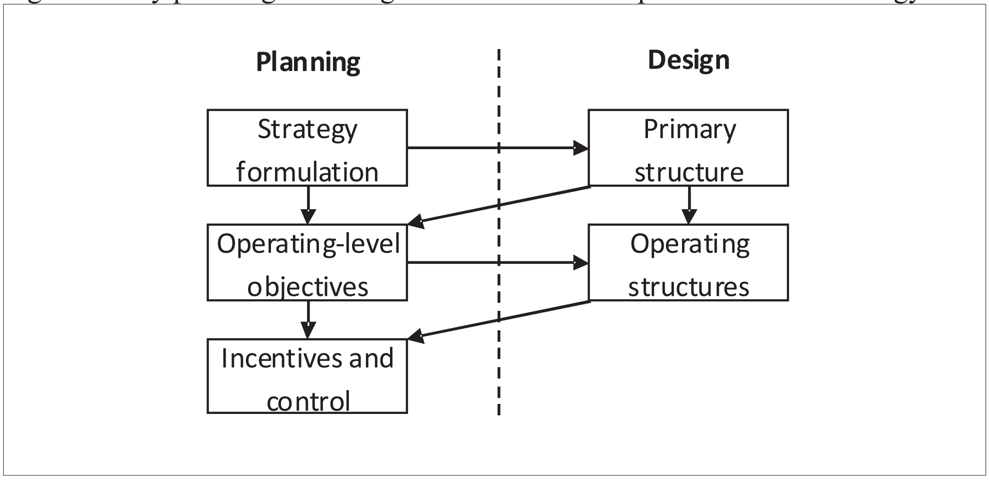
Literature Review

Many researchers in the field of strategic management agree that making strategy work is more difficult than the task of making strategy (Hrebiniak, 2005, p. 3). Strategy implementation represents a systematic process or a logical set of connected activities that enables a company to take a strategy and make it work. Developing such a logical process is a big challenge to every manager.

Lorange (1982, p. 98) was probably among the first to emphasize the importance of organizational design for strategy implementation. Once the strategy has been formulated the organizational design process can be seen as the link to the ensuing operational plans and implementation. He perceives the critical variables of organizational design as tasks, structure, information and decision processes, the reward system, and people. All these variables must form an internally consistent integrity as well as attain the appropriate ‘fit’ or congruence with the company strategy.

Hrebiniak and Joyce (1984) offered a more developed model of key strategy implementation variables which might be rooted in Lorange’s ideas (see Figure 1). Both researchers argue that two basic activities in implementing strategy are planning and organizational design. Both basic activities are interdependent. A well-articulated strategy is the first critical ingredient in its implementation process. The selected strategy is usually complex. Therefore, it must be divided into smaller, manageable parts and, ultimately, into short-range objectives. To achieve this, managers first make choices about the organizational design or structural units. To that end, a primary organizational structure, i.e. the structure of a company’s major operating units, must be defined. Establishing operating-level objectives is the third major component of the implementation model. Operating-level objectives are strategic and tactical objectives of the main differentiated units of the company. They can later be translated into specific, short-term measures of performance. Application of the balanced scorecard tool might help here.

Figure 1: Key planning and design decisions in the implementation of strategy



Source: Hrebiniak, Joyce, 1984, p. 10.

Establishing the operating organizational structure and related mechanisms (e.g. for coordination and integration) within the major organizational units is the fourth key component of strategy implementation. Managers must choose efficient methods to achieve the effective integration or coordination of individual activities performed in the micro-organizational units. Information sharing, knowledge transfer, and efficient communication among the individuals or organizational units responsible for strategy implementation are key contributors to achieving the requisite integration. But the creation of an organizational structure is not sufficient to ensure that individuals will adapt their own goals to those of the company. Some mechanisms for obtaining individual and organizational goal congruence are required. For this reason an incentive and control system is to be established. These systems are the fifth key component of the implementation model. The balanced scorecard system based on the strategic maps which Kaplan and Norton (1996; 2004) created could assist very well in establishing a proper incentive and control system for effective strategy implementation.

Hrebiniak and Joyce did not include the sixth key component in their model at first, but they did talk about change management as the final organizational contextual component of the strategy implementation process. Change management is a necessary component for more directly confronting the critical problems inherent in strategy implementation like who, what, where, and when should implement the strategy (Hrebiniak, Joyce, 1984, p. 16).

Two decades later, Hrebiniak slightly improved the model described above by acknowledging that the key strategy implementation components are influenced by the organizational context. This context can affect strategy execution processes (activities) and outcomes. His research findings identified four contextual factors, namely: (1) the change management context (this factor was already acknowledged by Hrebiniak in his previous texts); (2) the organizational culture; (3) the organizational power structure; and (4) the leadership context (Hrebiniak, 2005, p. 57). These four factors affect and are affected by each other. When all four are synchronized, the prognosis for effective strategy implementation should be very positive. Let us briefly describe these contextual factors. Organizational culture refers to the shared values, attitudes and norms of behavior that create the propensity for individuals in an organization to act in certain ways. Culture therefore affects performance. It can contribute to effective strategy implementation or be a serious obstacle to its execution. If the implementation of strategy requires a change in the organizational culture, this fact might be a big problem in the strategy implementation process. The organizational power structure is important because it influences decisions regarding the allocation of resources which are relevant to execution of the strategy. Finally, leadership is critical for processes of motivating an individual's endeavors as well as for reducing resistance to change in any organization. Change management cannot perform its role if companies have no effective leaders. Leaders must identify areas of necessary change. They are instrumental in changing and managing key people, incentives, and organizational structures. They play a critical role in controlling.

Wheellen and Hunger (2006, p. 214) define strategy implementation as the totality of activities and choices (decisions) required for the execution of a strategy. They believe the most important activities involved in strategy implementation are: (1) involving people from all organizational levels in strategy implementation, i.e. allocating the responsibility for strategy execution; (2) developing programs, budgets and procedures; (3) organizing for strategy implementation; (4) staffing (matching the managers and employees to the strategy); and (5) leading by coaching people to use their abilities and skills most effectively and efficiently to achieve the organizational objectives (Wheelen, Hunger, 2006, pp. 215-259). They also mention action planning, management by objectives and total quality management, but those sets of activities are considered parts of leading in their interpretation.

The Farsight Leadership Organization points to the following components as essential elements of strategy realization (Strategy Implementation and Realisation, 2007):

- motivational leadership that must be 'a common thread which runs through the entire process of translating strategy into results and is the key to engaging the hearts and minds of people in a company';

- turning strategy into action which must be 'a phased approach, linking identified performance factors with strategic initiatives and projects designed to develop and optimize departmental and individual activities'; and
- performance management as 'a key factor in getting the whole organization aligned and mobilized to reach higher and work collaboratively together to deliver results'. Performance management must therefore communicate strategy, measure performance in real time, offer an integrated project management capability and acknowledge and enable emotional contracting with all staff in the company.

Birnbaum (2007) believes that organizations which effectively implement their strategy successfully manage the following strategy supporting factors: (1) action planning; (2) organizational structure; (3) human resources; (4) tactical (annual) planning; (5) monitoring and control; and (6) the 'linkage', which means tying all activities of the organization together to ensure that all organizational resources are 'rowing in the same direction'. It means that vertical and horizontal coordination is needed. It is difficult to say that Birnbaum adds any new component to the already identified key components of effective strategy implementation.

Kovač (1990, p. 542) believes that the two most important conditions for effective strategy execution are a proper organizational culture and an appropriate 'fit' between strategy and organizational structure. In his later work, he also suggested that project management is one of the most significant activities for effectively realizing strategy (Kovač, 1996, p. 96).

We have already mentioned the important contributions made by Kaplan and Norton to the debate on effective strategy implementation. It is worth adding here that in their recently published works they explicitly argue that the balanced scorecard and strategic maps can substitute the efforts of organizing for strategy implementation (Kaplan, Norton, 2006, p. 103). While many believe that the balanced scorecard system is above all an efficient tool for performance management, Kaplan and Norton create the impression that their balanced scorecard system is comprehensive enough for effective strategy implementation.

Let us elaborate on an overview of the key components (determinants) of effective strategy implementation we found in the literature. This overview is presented in Table 1. It suggests that one should pay attention to the following key variables that influence strategy implementation:

- planning activities (establishing operating objectives, programs, projects, annual plans and budgets);
- organizing (establishing primary and operating structures, coordinating and integrating);

- staffing (recruiting, dismissing, transferring and training employees);
- leading (information sharing, knowledge transfer, communicating, action planning, management by objectives, total quality management, motivating, balanced scorecard and strategic maps); and
- controlling (balanced scorecard and performance management).

Table 1: Overview of the identified key components of effective strategy implementation

Researchers	Key components of strategy implementation				
	Planning	Organizing	Staffing	Leading	Controlling
Lorange		✔			
Hrebiniak and Joyce	✔	✔	✔	✔	✔
Wheelen and Hunger	✔	✔	✔	✔	✔
Farsight Leadership Organisation	✔	✔		✔	✔
Birnbaum	✔	✔	✔	✔	✔
Kovač	✔	✔			
Kaplan and Norton	✔			✔	✔

One should not neglect the variables of the organizational context that could contribute or represent obstacles to effective strategy implementation. In our literature review we identified the organization power structure, change management and organizational culture as the most important influential variables. Our empirical research pays attention to all of these variables.

Empirical Research Approach

The research questionnaire was prepared by the authors taking into account the key components of effective strategy execution found in the literature. We included questions regarding the main problems and obstacles that companies are confronted with while implementing their strategies. We also consulted the questionnaire which Hrebiniak developed and used in his empirical research for this purpose (Hrebiniak, 2006, pp. 363 -367). All questions in our study demanded that managers choose an answer to each question on a seven-point Likert scale. The collected empirical data were processed with SPSS 15 statistical software.

After testing the questionnaire regarding its clarity and unambiguity our graduate students were asked to find one Slovenian company each and to interview one of its top-level executives to collect the data. We did not include financial organizations in our sample. The students' field work resulted in 172 completed and usable questionnaires. Respondents were mostly managing directors (48.8%), members of the management board (8.7%) and other members of top management (25.0%), while the remaining respondents (17.5%) included middle management or staff personnel.

Our sample is not representative. It includes 30.7% companies from manufacturing, 51.6% from services and 17.6% from the trade sector. Limited companies dominate with a 63.4% share, while joint-stock companies represent 33.3% of the sample. Nearly 90% of the companies are privately owned, while companies with mixed ownership represent just 7% of the sample. 83.1% of the sample consists of independent companies, whereas the rest are subsidiaries. The size distribution of the companies in our sample is also not representative of the Slovenian economy. There are 22.7% of micro companies (up to 10 employees), 27.3% of small companies (from 10 to 50 employees), 24.4% of medium-sized companies (more than 50 to 250 employees) and 25.6% of large companies (above 250 employees) in our sample. If we look at the size distribution of the companies from the standpoint of revenues the share of micro and small companies is even greater (54.9%). The majority of companies in the sample are single businesses or dominant business companies (84.9%). Only 15.1% of companies in the sample are diversified. 11% of companies mostly penetrate their local market, 41.3% of companies operate only in the Slovenian market, 25.0% of companies earn some revenues abroad, while 22.7% of companies mainly collect revenues from foreign markets. The distribution of the financial performance levels of the companies included in the sample is shown in Table 2.

Table 2: Distribution of the financial performances of the companies in 2006

Return on equity	Number of companies	Relative frequency (%)
Negative	9	5.2
0 % to 5 %	52	30.3
Above 5% to 10%	51	29.7
Above 10% to 15%	29	16.9
Above 15% to 20%	10	5.8
Above 20%	21	12.2
Total	172	100.0

Empirical Findings

Key Activities for Effective Strategy Implementation

When asked which activities they perceive to be the most important for effective strategy implementation Slovenian top managers on average assigned the most points to the following groups of activities: (1) organizing and implementing projects (5.75 points); (2) allocating responsibilities for strategy implementation (5.51 points); (3) elaborating and implementing development programs (5.47 points); (4) annual planning and implementation control (5.46 points); (5) leading (5.24 points); and (6-7) organizing for strategy implementation and applying action plans (both with 5.01 points). Other groups of activities were assessed as somehow being not so important, but they still got above-average scores, i.e. between 4.18 and 4.85 points (see Table 3).

Table 3: The most important groups of activities for effective strategy implementation in Slovenian companies

Group of activities	Mean score		Standard deviation
	Value	Rank	
Organizing and implementing projects	5.75	1	1.157
Allocating responsibility for strategy implementation	5.51	2	1.236
Elaborating and implementing development programs	5.47	3	1.225
Annual planning and control	5.46	4	1.356
Leading	5.24	5	1.392
Organizing for strategy implementation	5.01	6	1.189
Applying action planning	5.01	7	1.373
HRM activities	4.85	8	1.620
Applying the MBO system	4.82	9	1.334
Applying efficient tactical control system	4.47	10	1.431
Applying the BSC system	4.18	11	1.534

Looking at the standard deviations for the stated average scores we can notice that the most important groups of activities are, with the smallest standard deviations, what might contribute to the conclusion that the managers' perceptions of the key implementation activities are quite unified. The biggest standard deviations are connected with the assigned average score of the HRM activities and BSC activities. The former is ranked eighth while the second is ranked last (eleventh).

The results support the thesis that practically all groups of activities for effective strategy implementation identified in the literature review are also considered to be important in Slovenian business practice. It is impossible to eliminate any group from our list as being unimportant, although some have apparently bigger weights than others.

Main Obstacles to Successful Strategy Implementation

Top managers seem to be aware of the important activities that must be carried out to implement their strategy, but this is still not a guarantee of the effective strategy implementation. There may be obstacles that prevent the successful realization of a strategy. When we asked Slovenian top managers what are such important obstacles according to their recent (i.e. in the last five-year period) experience, we obtained some interesting insights into this issue. The most important obstacle to effective strategy implementation in Slovenian companies appears to be: (1) an inadequate reward system which does not stimulate strategy implementation. Top managers assigned on average 4.48 points to this factor (see Table 4). Among the other most important obstacles on average managers also included: (2) weaknesses in communicating the strategy to lower levels in companies (4.16 points); (3) lack of leadership skills among top managers (4.10 points); (4) lack of clear ideas how to implement the established strategy (4.09 points); (5) poorly defined strategy (4.08 points); (6) lack of top management's engagement in strategy execution (4.08 points); and (7) the domination of a short-range orientation in a company (4.05 points). All other obstacles received a score below 4.00 points. The fact that not using project organizations is seen as a less but still above-average important obstacle (3.61 points), for example, means that managers see the possibilities to organize and implement projects as an important strategy implementation activity in spite of not applying a project organizational structure in their companies.

The assessments of the most important obstacles to effective strategy implementation in Slovenian business practice show smaller average scores than the assessments of the most important groups of activities for strategy implementation. On the other side, the standard deviations (compare Tables 3 and 4) are greater when assessing the importance of obstacles than of implementation activities. This might mean that managers are less aware of the main obstacles than they are of the activities for effective strategy implementation.

Table 4: The most important obstacles to effective strategy implementation in Slovenian companies

Obstacle	Mean score		Standard deviation
	Value	Rank	
Reward systems that do not stimulate strategy implementation	4.48	1	1.671
Weaknesses in communicating the strategy to lower levels	4.16	2	1.737
Lack of leadership skills among top managers	4.10	3	1.873
Lack of ideas how to execute the strategy	4.09	4	1.643
Poorly defined strategy	4.08	5-6	1.851
Lack of top management's engagement in strategy implementation	4.08	5-6	1.764
Domination of a short-range orientation	4.05	7	1.638
Lack of capabilities for implementing change management	3.97	8	1.786
Unsuitable company organization	3.96	9	1.705
Poor strategic analysis	3.93	10	1.388
Not applying project management	3.61	11	1.563
Not applying strategic maps	3.42	12-13	1.532
Not applying the BSC system	3.42	12-13	1.704

A comparison of our survey results with Wharton-Gartner's similar survey (Hrebiniak, 2005, p. 17) reveals big differences in the importance assigned to an appropriate reward system. The reward system was regarded as being a much less important obstacle in the stated American survey, where it was only ranked ninth. The lack of top management's engagement in strategy implementation was also assessed as a much less important factor in the American environment than in the Slovenian one. Weaknesses in communicating the strategy to lower levels, a poorly defined strategy and a lack of ideas on how to execute strategy were assessed similarly in both surveys. On the other hand, the lack of capabilities for implementing change management was ranked first among the obstacles in the American survey, while it was not included among the most important obstacles in our survey, where it was only ranked eighth.

4.3. Importance of Information Sharing and Coordination Mechanisms for Strategy Implementation

Regarding the importance of information sharing and coordination mechanisms, on average the top managers assigned the greatest importance to formal coordinators (integrators) in the strategy implementation process (4.98 points), but not much less was assigned to informal communications, i.e. person-to-person contacts (4.90 points). Matrix organization seems to be important as well (4.32 points), but the reliability of the latter assessment seems to be less after taking into account the relatively high standard deviation. Knowledge or information sharing in companies was not assessed as an extremely big obstacle to effective strategy implementation in Slovenian companies. More than average importance was assigned by the top managers to the fact that some information sources in their companies are not reliable and they therefore decrease the effectiveness of strategy execution. Employees' reluctance to share information or knowledge with others, managers' reluctance to trust information generated from sources outside their own departments and the fact that employees sometimes fail to understand or evaluate the usefulness of the available information are not considered to be very important obstacles to effective strategy implementation (see Table 5).

Table 5: Importance of information sharing and coordination for strategy implementation in Slovenian companies

Item	Mean score		Standard deviation
	Value	Rank	
Formal coordinators	4.98	1	1.232
Informal communication	4.90	2	1.253
Applying principles of a matrix organization	4.32	3	1.592
Some information sources are unreliable	4.09	4	1.525
Employees do not understand the information or do not know how to use it	3.63	5	1.541
Information does not reach the people who need it	3.32	6	1.605
Employees' reluctance to share knowledge with others	3.24	7	1.767
Managers' reluctance to trust information from sources generated outside their departments	3.10	8	1.617

The above results could mean that information and knowledge sharing are not a serious problem for effective strategy implementation in Slovenian business practice. On the other hand, there might be some doubts about the adequacy of such top managers' perceptions. The relevant standard deviations in Table 5 warn us that the managers are not very unified in assessing the importance of information or knowledge sharing determinants of strategy implementation. This can be seen from the standard deviations which are much lower for the assessments of the importance of formal and informal coordination mechanisms. It is possible that the top managers are not properly aware of the weaknesses that exist in their companies regarding the determinants of information and/or knowledge sharing within the strategy implementation process. That is why we asked the top managers to assess how aware they are of the general problems linked to strategy implementation in their companies.

Top Managers' Awareness of the Main Problems in Strategy Implementation Processes

We asked the managers to indicate the degree to which they agree that a particular problem is an important strategy implementation problem in their company. The answers we collected point to the following strategy implementation problems in Slovenian companies: (1) employees' misunderstanding of their contributions to the strategy's execution (5.13 points); (2) execution decisions take too much time (5.06 points); (3) too slow or inappropriate reaction to competitive pressures while executing the strategy (5.02 points); (4) important information disappears during strategy implementation (4.82 points); and (5) the existence of inefficiency or bureaucracy in the execution process (4.60 points). Managers acknowledge that important problems in the strategy realization process also include the absence of trust that the selected strategy is appropriate, the fact that too much energy is directed to reorganization and restructuring, and the fact that 'playing politics' is more important than effective strategy performance (see Table 6).

The relevant standard deviations are quite large, suggesting that the top managers have relatively heterogeneous opinions regarding the existence of these problems in the strategy implementation process in their companies.

Table 6: Top managers' assessments of the main problems in strategy implementation processes in Slovenian companies

Problems	Mean score		Standard deviation
	Value	Rank	
Employees do not understand how they contribute to strategy implementation	5.13	1	1.397
Execution decisions take too long to make	5.06	2	1.409
The company reacts too slowly or inappropriately to competitive pressures	5.02	3	1.634
Problem of the disappearance of important information	4.82	4	1.622
Inefficiencies because of bureaucracy	4.60	5	1.665
Absence of trust in the strategy appropriateness	4.59	6	1.591
Too much time dedicated to reorganization	4.46	7	1.712
'Playing politics' instead of achieving effective strategy performance	4.36	8	1.652

Experience with the BSC Tools in Strategy Implementation in Slovenian Companies

We have already found that the top managers of Slovenian companies do not consider the BSC system and its 'derivatives' (e.g. strategic maps) to be the most important element of the strategy implementation process. There may be several different reasons for this attitude. One can be linked to the familiarity and understanding of the concept, the second might be past experience with its application and so on.

Our survey discovers that no more than one-fifth of the companies (19.2%) included in the survey uses the BSC system to measure performance. Only 33 out of 172 companies have at least some experience with the system. One-half of these (51.5%) has been using this tool for less than three years, while the rest has been using it for more than three years. This finding suggests that Slovenian entrepreneurial practice in still pretty much in the pioneering phase regarding application of the BSC approach in the field of strategy implementation.

We did not ask the managers who do not use the BSC system to share with us their experience with the system. Therefore, further information regarding this matter is based only on those 33 managers who do use it. These managers believe that the most important attribute of the BSC is that it enables more efficient strategy implementation and control (5.59 points) (see Table 7). Another important finding is that the managers' answers confirm theoretical assumptions that the BSC system cannot be efficient if: (1) it is not applied in each business unit and on the level of the company as a whole; (2) it is not supported by an appropriate reward system in the company; and (3) it is applied without elaborating strategic maps.

Table 7: Top managers' experiences with application of the BSC system in strategy implementation processes in Slovenian companies

Item	Mean score		Standard deviation
	Value	Rank	
Application of the BSC system enables efficient strategy implementation and control	5.59	1	0.946
The BSC system should be developed for each unit and for the whole company	5.45	2	1.679
Application of the BSC system provided us with effective strategy execution	4.97	3	1.015
Application of the BSC system requires a different reward system	4.73	4	1.506
Application of the BSC system without using strategic maps does not produce the expected results	4.64	5	1.319
Application of the BSC system is only suitable for more stable environments	3.55	6	1.588
Managers avoid the quantification of objectives required by the BSC system	3.48	7	1.435
Managers have difficulty understanding the BSC system	2.88	8	1.341
The BSC system is too complex to be applied in our environment	2.59	9	1.563

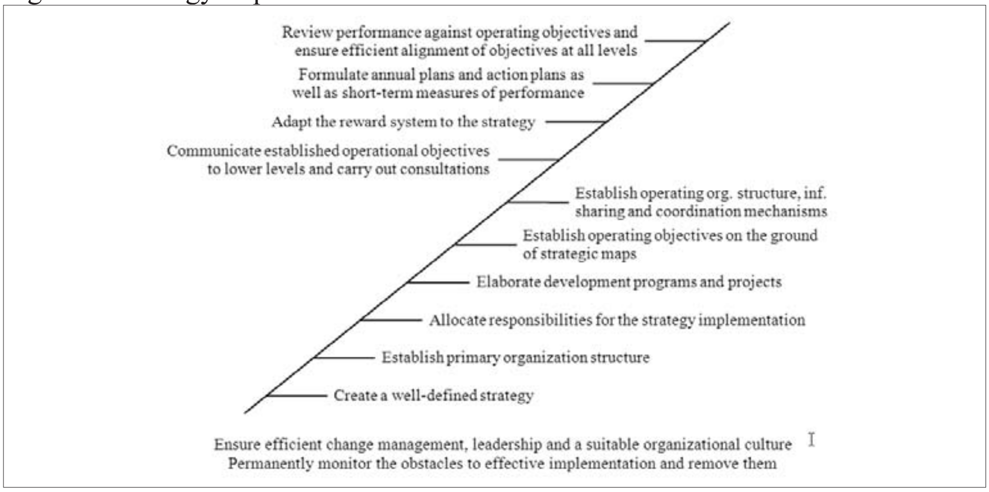
In a way the empirical findings provide an answer to those critics of the BSC tool who see it as being too complex and therefore less applicable in less stable business environments. Our top managers' assessments show that the managers do not share such an opinion. They also deny having any problems comprehending the system. The collected managerial answers do not support the thesis that the BSC system requires such an extreme quantification of operating goals that managers simply cannot accept it.

Conclusion

Our research again confirms that managers often suffer from not having a conceptual framework or a model to guide their strategy implementation efforts. Such a model should provide a structure that defines the key implementation decisions and/or activities that companies must confront or carry out. To be action-oriented, a model must also be prescriptive. It must tell us what should be done, when, why, and in what order.

In our literature review we briefly described Hrebiniak's (and Joyce's) model. The findings of our empirical research enable us to develop a new hypothetical model for strategy implementation. It consists of the most important activities for strategy implementation, the wider important organizational context needed and potentially the most important obstacles to effective strategy implementation which have to be carefully monitored and then abolished. Our conceptual framework that might guide managers in the strategy implementation process is depicted in Figure 2.

Figure 2: Strategy implementation model



Strategy implementation should be based on having a well-defined strategy. Syrett (2007, pp. 131-132) explains this as the creation of the right focus. A strategy that does not enable managers to derive the key strategic success factors out of it is poorly defined. A new strategy frequently requires a different primary organizational structure. A company needs to establish it if necessary. When having a clear picture about their strategic business units a company's top management must delegate responsibilities for strategy implementation to business units' and functional managers.

Our empirical research findings confirm that elaborating development programs and formulating projects are very important strategy implementation activities. These activities should be carried out early in the strategy implementation process. The primary organizational structure and established development programs and projects enable us to formulate operating objectives. If we create strategic maps, we will acquire solid foundations for formulating the operating objectives of each unit.

The implementation of operating objectives usually requires changes in the operating organizational structure and coordinating (integrating) mechanisms. This task should therefore also be carried out carefully.

Although communication activities must not be completely postponed till this stage of the strategy implementation process it is evident that communicating established operational objectives to lower levels becomes even more important in this stage. Employees must clearly understand after this phase what their expected contributions are to strategy implementation. Of course, they probably will not act as expected if the company's reward system is not adapted to the strategy. It is well known that execution will suffer if people are rewarded for doing the 'wrong' things.

Our empirical research findings also confirm that annual planning and action planning are indispensable activities in the process of strategy implementation. Annual plans might be a proper basis for establishing short-term performance measures. Defining short-term targets within balanced scorecards for all business units as well as for the company as a whole at this point may therefore be the right solution. The performance review against operating objectives plays an important role for achieving the strategic objectives. Without an efficient alignment of objectives at all organizational levels and without removing the gaps between achievements and objectives no company can effectively implement its strategy.

The proposed model for effective strategy implementation suggests that without efficient change management, leadership and a suitable organizational culture there will be no effective strategy implementation. Obstacles may also threaten effective strategy implementation. Therefore, we need to permanently monitor obstacles that may appear in this process and take measures to remove them.

Our model should be considered hypothetically. It is based on relatively limited findings of empirical research into Slovenian companies. Clearly the model should be fully tested in real-life situations in Slovenian and other business environments before it can be understood as a well-supported theory. We are well aware that our research has some limitations. It was limited to companies in one (small) post-transitional economy. Therefore, its findings may not be relevant to the business practice conditions in other countries. Our findings are also not based on a representative sample. Surveys of more homogeneous company groups and their experiences might produce slightly or even radically different insights into the strategy implementation processes. Nearly three-quarters of the studied companies are not directly exposed to the competitive forces seen in international markets. At least those few stated potential weaknesses of our research might suggest directions for future research endeavors in this field.

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