

A CASE STUDY REVIEW OF PRE-REQUISITES FOR STRATEGY IMPLEMENTATION AMONG SMES IN ZIMBABWE

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ABSTRACT

There are many variables that affect effective strategy implementation in general and in SMEs in particular. After the formulation of strategies there is need to operationalize them to facilitate implementation of the strategy. It has been acknowledged that strategy formulation and implementation are important to both the survival and growth of SMEs, and their continued contribution to economic growth. SMEs performance in Zimbabwe has continued to be marginal, hence the need to review the implementation modalities adopted by SMEs. The findings indicate that SMEs owners are aware of the pre-requisites for successful strategy implementation. Entrepreneurs differed in the number of factors to successful influence strategy implementation. Those with more variables outperformed those that had fewer variables which show the amount of preparation these SMEs undertook before attempting to implement the strategy.

Key words

Strategy, formulation, implementation, linkages, performance, SMEs, strategic management, owner/manager, implementation pre-requisites

1.0 Background

Given the challenges that developing countries and particularly Zimbabwe are on the increase and the country has seen the closure of manufacturing business nationwide and the downsizing of many. This has been attributed to the liquidity crunch and the deteriorating Foreign Direct Investment (FDI). The country is now looking inward for economic development with the much touted Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) that is expected to drive economic development. Zimbabwe's economic complexity as defined in the "*Atlas of Economic Complexity, Mapping Paths to Prosperity*", reflects the immense social accumulation of knowledge that has been embedded in the socio-economic ecosystem and productive structures of its economy. This may explain the resilience of the economy in the face of the debilitating illegal economic sanctions. Given the knowledge base and productive resource endowment of Zimbabwe, the country is projected to be a growth leader in Sub-Saharan Africa towards 2020, (Makwati, 2013).

SMEs are expected to play an increasing role. The quality of the SMEs is very critical in the economic development any nation. For SMEs to survive and grow requires aspects of strategic management. Many studies have confirmed that SMEs are involved in strategic planning (Mboko & Hunter-Smith, 2009). However, Sorrosian et al report that strategy it has been receiving increased attention due to the fact that the process from project formulation to project implementation is not effective and therefore not adequate in today's business environment.

.Strategy implementation is not only about the actual activities an organisation undertakes which is important. It is often argued that the success of any venture is dependent on the level of preparations organisations undertake which according to this study are called prerequisites for effective strategy implementation. This study seek to establish the pre-implementation activities undertaken by SMEs owners and how these affect strategy implementation among SMEs in Zimbabwe.

2.0 Literature review

Strategy implementation is the most complicated and time consuming part of strategic management and managers do not pay as much attention to the planning of implementation as they pay to formulating strategy (Shah 2005). Several factors affect strategy implementation in any type of organisation and, in turn, affect organisational performance. A myriad of factors can potentially affect a comprehensive strategy or a single decision. Difficulties usually arise during the subsequent implementation process (Li, Guohui and Eppler, 2008). Leaders' thinking is often flawed; as a result, nine out of ten times, they fail to successfully implement the strategies they create (Speculand, 2009). Speculand (2009) argues that leaders habitually underestimate the challenge of implementing strategy and delegate this process to others, taking their eyes off what needs to be done; hence, strategies fail not because the strategy is wrong, but because the execution was poorly done. Allio, in Li et al (2008) notes that:

"Results of several surveys have confirmed this view: An Economist survey found that a discouraging 57 per cent of firms were unsuccessful at executing strategic initiatives over the past three years according to a survey of 276 senior executives in 2004."

Li et al, 2008 reported that 83% of the companies surveyed failed to implement their strategies smoothly, and only 17% felt that they had a consistent implementation process. This underscores the importance of strategy implementation and indicates management failure in strategy implementation. This necessitates studies on more successful approaches to strategy implementation, especially among SMEs.

Strategy implementation defines the manner in which an organisation should develop, utilize and amalgamate organisational structures, control systems and culture to follow strategies that lead to competitive advantage and improved performance (Sorrosian et al, 2010). It is obvious that strategy implementation is a key challenge for today's organisations (Li et al, 2008). Business success is governed more by how well strategies are implemented than by how good the strategy is to begin with (Speculand, 2009); the implementation of the strategy delivers revenue, not the crafting of it. Several frameworks have been developed to facilitate strategy implementation. While organisations understand the need for strategy and effective implementation, the latter often falls short of the goals the organisation has set itself (Shah, 2005).

According Li et al (2008):

There are many (soft, hard and mixed) factors that influence the success of strategy implementation, ranging from the people who communicate, or implement the strategy to the systems or mechanisms in place for coordination and control.

Much research has been conducted on the factors that determine successful strategy implementation, most of which were developed into frameworks giving a holistic, or "big picture" view (Li et al, 2009).

According to Li et al (2008), the frameworks present strategy implementation in two ways: either through the simple categorisation of various factors into groups or categories (e.g. the studies by Skivington & Daft, 1991; Noble, 1999b; Noble & Mokwa, 1999; Beer & Eisenstat, 2000; Okumus, 2001) or by relating them to a (often graphic) framework (as in Noble, 1999a; Higgins, 2005; Qi, 2005; Brenes & Mena & Molina, 2007). However, Okumus (2001) observes that, starting in the 1980s several frameworks were developed that are largely conceptual and/or descriptive. These merely list implementation variables, or illustrate them graphically, and then go on to describe each variable individually and note its importance in the implementation process (Okumus, 2001). However, Li et al (2008) note that some researchers followed the framework and process approach, with the framework being represented by its rules and resources. They add that based on Skivington and Daft's (1991) study, Noble (1999b) viewed strategy implementation research from a structural perspective (emphasising organisational structure and control mechanisms) and the interpersonal process perspective (emphasising strategic consensus, autonomous, strategic behaviour, diffusion perspectives, leadership and implementation style, communication and interaction processes).

Okumus (2001) identified ten key variables, namely strategy formulation; environmental context, uncertainty; organisational structure; organisational culture; operational planning; communication; people; control and feedback; and outcomes, which he constructed into a model built from previous models. He further reported that the categories of strategy implementation factors used by earlier studies are strategic content; context (consisting of organisational context; organisational structure; organisational culture; and organisational context; uncertainty in general and uncertainty in the task environment); process (operational planning; resources; people; communication; control and feedback) and strategic outcomes.

According to Li et al (2008), there are two types of strategy implementation studies: those highlighting the importance of factors and those that emphasize the 'big picture' of how such factors interrelate and form a strategic implementation environment. Li et al identified nine individual factors that influence strategy implementation: the strategy formulation process; the strategy executors (managers and employees); the organisational structure; communication activities; consensus regarding the strategy; the relationship among different units/departments and different strategy levels; the tactics employed; the level of commitment; and the administrative systems in place. The second stream of the research analysis brings multiple factors together within a single (arguably comprehensive) framework or model (Li et al).

Why are some organisations able to achieve outstanding results in both financial as well as non-financial terms (e.g. customer and employee satisfaction) while others are not? (Feurer, Chaharbaghi & Wargin, 2000). Okumus (2001) emphasizes the importance of contextual variables; the internal context plays a key role in implementing strategic decisions (Li et al, 2008). Strategy implementation is more effective because it is more operational (Voola & O'Cass, 2010) and operational activities are what organisations undertake to achieve performance.

In line with the above views, Okumus (2001) states that operational process variables are primarily used and directly involved in the implementation process. It is assumed that companies have substantial control over these variables and that process variables are primarily employed to implement decisions, while context variables are merely taken into account due to obstacles and problems in the implementation process.

Most SMEs are significantly handicapped and might tend to follow a particular approach to strategy implementation. Meldrum and Atkinson (1998) observe that when things do not go according to plan, the *status quo* is maintained and that, where solutions are sought, they tend to be simplistic. They note that this underlines that something more than knowledge is required for successful implementation of a business imperative. Meldrum and Atkinson (1998) state, that, this can be achieved by senior managers in the organisation taking responsibility for the development of team members. This points to a situation whereby new skills among other things have to be developed prior to strategy implementation in order to champion strategy implementation. Human resources deficits impact strategy implementation among SMEs and in developing countries where resources are limited; management development tends to be considered a minor issue and resources are deployed to other organisational areas.

While not all firms implement their strategies in the same manner, there has been little research on different styles of implementation (Thorpe and Morgan, 2007). Variyam and Kraybill (2001) state that the returns on a particular strategy may differ depending on a firm's ability to use the strategy. Such ability is determined by the firm's characteristics that affect efficiency and access to resources.

While Okumus' (2001) model suggests that if all organisations used it, they would be likely to successfully implement strategy, it should be noted that organisations vary in a number of ways. Each organisation will emphasize certain aspects of the model at the expense of others and accordingly achieve different results. It follows that those who adopt the model will be closer to achieving their goals while those that do not follow the model will not achieve the desired results. However, Li et al (2008) point out that the strategic projects examined in their study were implemented without a proper fit between strategy and implementation. They add that it appears that any problem or inconsistency within one variable influences the other variables and consequently the success of the implementation process.

3.0 Methodology

This was a qualitative study involving the use of multiple case study approach. Eight SMEs organisations in four Zimbabwean cities were selected for this study using convenient sampling. Organisations had less than 100 employees, having been in existence for 5 years and were showing signs of growth, were used in this study. In depth interviews were held with the owner managers for these organisations. In addition, observations and secondary document analysis were used to support the data gathered from the interviews. Data analysis was done using content analysis.

4.0 Findings

This study sought to establish whether or not entrepreneurs understood what was required in order for them to successfully implement strategies. The interviewees identified fourteen (14) potential prerequisites for successful strategy implementation among SMEs in Zimbabwe. Table 1 below lists the issues the entrepreneurs believed to be important in strategy implementation. It is clear that the prerequisites for strategy implementation are many and varied.

Table 1 Prerequisites for strategy implementation

Prerequisites for implementation	G1	G2	H1	h2	H3	B1	B2	M1	%
Resources	✓	✓	✓	✓	✓	✓	✓	✓	100
Skilled employees	✓		✓	✓		✓	✓		62.5
Financial discipline		✓							12.5
Management/leadership	✓				✓		✓		37.5
Understanding of environment			✓	✓					25
Clear vision & goals				✓	✓				25
Experienced & competent employees							✓		12.5
Planned activities/tasks & deadlines	✓		✓	✓	✓		✓	✓	75
Effective communication	✓			✓	✓			✓	50
Evaluation of organisational capabilities							✓		12.5
Management systems				✓	✓	✓			37.5
Strategic thinking				✓			✓		25
Organisational culture & values	✓			✓			✓		37.5

Given the country's economic meltdown spanning more than a decade, all the interviewees agreed that resources were important to successful strategy implementation. This seems to confirm the notion held in Africa that a problem can be solved by throwing resources at it. Resources have not generally solved SMEs problems; most tend to struggle even when resources are available or tend to abuse them. BYO 2 stated:

“Thirdly we have to look for the resources since resources were considered important to strategy implementation. We need competent human resources for successful strategy implementation. Resources can be unlocked from various sources including suppliers, customers etc.”

The second critical issue is that the necessary resources should be in place to implement the strategy. These relate to the equipment and materials required to execute the set tasks. Several studies have found that a lack of resources negatively affected the ability of SMEs to implement strategy. Given the lack of resources, entrepreneurs in Zimbabwe navigated the problem of their survival and growth through organic growth. The observation seemed to debunk the Principal/Agency theory in the case of Zimbabwe; agencies are more interested in business growth while the owners were more interested in personal satisfaction. For example, HRE 3 and MRE 1 depended solely on internally generated resources to grow their businesses and this tended to impede growth. The lack of liquidity and the cost of money in Zimbabwe could have been a major incentive to grow organically in a slow market.

On the other hand, BYO 2 and HRE 2 had reasonable levels of resources and their growth has been commendable; these resources were internally generated. HRE 2 boasted that resources always follow a good idea and therefore they have never confronted challenges in pursuing their ideas. BYO 1 and GRU 1 had to sell other company assets to implement new ideas. This confirms the importance of marshalling resources ahead of implementation. Again, there is emphasis on the utilisation of own resources to keep the business going.

The second most noted prerequisite pertained to planned activities and setting deadlines for the achievement of set targets. Only two of the six interviewees that cited this factor had strategic plans and planned the activities they needed to undertake to generate results. There is therefore a gap between theory and practice, illustrated by the lack of strategic plans or budgets for that matter in the traditional business ventures associated with the retail sector. This factor is considered in more detail when examining the process of strategy implementation adopted by the SMEs. Suffice to note that consideration of the activities to be undertaken prior to implementation is considered pertinent.

HRE 2 listed nine (9) prerequisites while BYO 2 listed eight (8). These two businesses had strategic plans in place. Those without strategic plans listed six (6) or fewer prerequisites. This suggests a strong correlation between strategic planning, identification of prerequisites and sustained growth.

Identifying the prerequisites for implementation is a possible key factor in successful strategy implementation among SMEs in Zimbabwe. BYO 2 stated:

“It is also important to determine the organisation’s capabilities. In this regard the business will decide the tasks to be carried in house and contract out those which the organisation is not capable of doing in house. Sometimes we have to hire engineers from outside the organisation for special projects and undertake certain structural work.”

This approach enabled the organisation to identify the tasks it was capable of executing in house and those that required outside help. These key decisions were made prior to implementation, thereby enhancing potential successful strategy implementation. This view is shared by BYO 1, who postulated that:

“The pre-requisites for strategy implementation is having the right people with the right level of know how in place. People with skills is a must if an organisation is going to implement its strategies successfully.”

In some businesses, social issues and loyalty took precedence over skills and abilities. The oft-given excuse was that the SMEs could not afford the salaries that people with skills can command, or that the skills were not simply available. Successful strategy implementation was therefore compromised at inception due to the lack of a key prerequisite.

The management of a business was also regarded as a key to successful strategy implementation. Systems should be in place to ensure successful strategy implementation. Although only one respondent highlighted this issue, its importance cannot be overemphasized. According to BYO 1, "There must be the right management systems in place to ensure efficiency in execution of the strategy."

BYO 2 also emphasized the need to produce the right documentation to support any activity or purchase without which the organisation would merely drift. This includes formal strategic plans, action plans, evaluation reports and even receipts for purchases. HRE 2 kept track of all promotions undertaken on behalf of clients and produced reports for them. Any abuse of clients' materials was met with speedy disciplinary action. Businesses with management systems tended to perform better than those that adopt an *ad hoc* approach to implementation.

Although BYO 1 blamed employees for their reluctance to adapt to new business opportunities, very little investment was made in preparing employees for new prospects. For example, successfully retailing books did not prepare them for life on the farm and this could be construed to be constructive dismissal. While management systems were considered a prerequisite, in practice this was not the case, hence the failure to convince any of the four employees to change professions. Entrepreneurs knew the right way to implement strategies but rarely practiced these in running their businesses.

HRE 2 confirmed that strategy implementation should not be spontaneous, but requires proper planning to achieve the desired results:

"Strategy implementation brings to life our strategies. We need to action the goals of the business so that we can achieve the intended goals. Strategy implementation should not be by chance but by design. We cannot leave the organisation's future to fate."

Therefore strategy implementation cannot be divorced from strategic planning and the identification of prerequisites for successful implementation. Establishing the prerequisites is part of the planning process necessary for the success and growth of a business. Divorcing strategy formulation from strategy implementation results in implementation through trial and error; leading to mediocre results and a waste of critical organisational resources. For example, BYO 1 planned the production side of the business in terms of the amount of land needed for greenhouses but came short on water availability which affected the quality of the tomatoes and markets for the produce. Implementation was negatively affected by a lack of planning, resulting in average performance. Planning production would have identified what the market required as well as the availability of water, rather than resting on hope as in this case. Strategy implementation is determined by the leadership in the organisation and the quality of that leadership determines the level of success of such implementation.

For example, BYO 2 reported:

“We are now emphasizing on business expansion and will build larger premises where our extrusion operations will be located. We have also recently established a hardware outlet in the CBD area. All the physical assets are owned by the business and these were acquired from the profits from business operations. Our profit figures are as follows:

2009	US\$75 – 100000
2010	US\$150000
2011	US\$69000
2012	projection \$200000 and breakeven for the hardware outlet”

There is evidence from this study that those who identified more pre-implementation factors tended to show rapid signs of growth as evidenced by HRE2 and BYO2, while those that identified fewer factors grew at a slower rate as represented by GRU1 and MRE1.

5.0 Conclusion and recommendations

All entrepreneurs interviewed identified factors necessary for effective strategy implementation in SMEs; however they differed on the number of these factors. The number of factors ranged from 2 to fourteen. Those who identified more tended to grow rapidly compared with those who identified less. The conclusion is that those who identified more variables tended to do more preparation before undertaking a strategy which ensured successful implementation. For example mobilising the resources and having skilled employees might be key to successful strategy implementation. Those who identified fewer variables undertook less preparation before implementing strategies and as a consequence some strategies were deferred, abandoned midway of the implementation process or new strategies were pursued before fully attempting to realise the former. This means that inadequate preparation leads to poor strategy implementation.

It is recommended that SMEs owners make the necessary preparations before they embark on strategy implementation by ensuring that all pre-requisites for successful implementation of strategies are in place, especially resource availability, skilled employees, planned activities or tasks and effective communication systems..

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