

Key success factors of strategic management implementation in SMEs in Iran

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Abstract. Strategic management is a sub-discipline of filament of management which includes a variety of methods and disciplines; furthermore, it evolves both quantities and behavioral sciences that make strategic management art and science (David, F 2005; Parnell, 2005). In addition to that, the most important objective of the strategic management procedure is to help businesses to be successful by making themselves distinctive in a competitive way from other businesses and by giving them the chance to capitalize on their inner strengths and exterior chances while reducing their inner weaknesses and exterior threats (Bryson, 1995; David, F2005; Porter, 1985; Steiner, 1976). Furthermore, one of the major functions of the Strategic Management is to help the managements in their choosing process when they need to pick up between different options (Parnell 2005, Porter 1985). Higgins and Vincze (1993) state that, "Strategic management is the process of administration the pursuit of organizations mission while managing the relationship of the organization to its environment". Moreover, nowadays small and medium enterprises (SMEs) have critical role on the world economy and employee rate of countries as a result policy makers and governments attempt to make better environment to attract entrepreneurs and investors to establish SMEs business. In this regards, the purpose of this research is to investigate and evaluate the key success factors (KSFs) of Strategic Management implementation in SMEs in the Iran. Also a comparison was conducted with other researches in field of strategic Implementation in developed and developing countries, in order to establish a recommendation and framework to have successful Strategic implementation in SMEs in the Iran.

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INTRODUCTION

Strategic management is very broad field and it can be defined in many ways. In addition, this topic involves other management tools and techniques such as scientific management and risk management (Stoney, C, 2001).

The origin of strategic management originated from strategy, which in the simplest concept considered as a consolidate idea that links purpose and action (White, C, 2004). The beginning of strategic management dates back to as early as 19th century when Henry Fayola suggests that “the planning should be used as a technique to improve the effectiveness of firm’s performance”, Likewise, Wilson and Essien (2012) state that, strategic management is a “process of formulating, implementing, and evaluating, strategies to achieve long-term goals and sustain competitive advantages”. Thus, in the current competitive and economic world, many companies use strategic management as a significant structure to make the business environment more manageable (Hunger and Wheelen 2008). In order to implement the defined strategy effectively and to enhance the growth of the company, the strategic decisions should be taken in a faster way and the response should be high (Joyce and Woods 2003). Moreover, many researchers state that one of the most reasons for having an unsuccessful strategic management refers to the failure of implementing the strategy.

LITERATURE REVIEW

Strategic management is a sub-discipline of filament of management which includes a variety of methods and disciplines; furthermore, it evolves both quantities and behavioral sciences that make strategic management art and science (David, 2005; Parnell, 2005). In addition to that, the most important objective of the strategic management procedure is to help businesses to be successful by making themselves distinctive in a competitive way from other businesses and by giving them the chance to capitalize on their inner strengths and exterior chances while reducing their inner weaknesses and exterior threats (Bryson, 1995; David, 2005; Porter, 1985; Steiner, 1996). Furthermore, one of the major functions of the Strategic Management is to help the managements in their choosing process when they need to pick up between different options (Parnell 2005, Porter 1985). Higgins and Vincze (1993) state that, “Strategic management is the process of administration the pursuit of organizations mission while managing the relationship of the organization to its environment”.

Moreover, strategic management effectively discusses four points and it gives answers for these points in order to understand the business clearly (Wheelen and Hunger 2008). Strategic management function and definition they are as follow (Hofstrand 2007):

- The current position of the business.
- The position of the business in the future (Target).
- The way to reach that position (Strategy of firms to achieve to target).
- The new position situation (evaluation and feedback)
- The fundamental model of strategic management is consist of four phases which illustrate as follow, additionally each phases has their sub-phases and element.

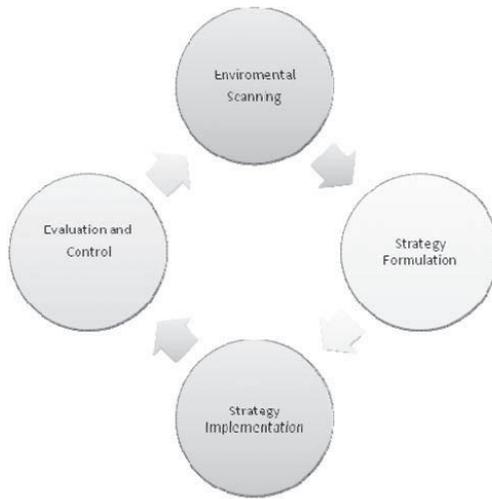


Figure 1: Strategic management phases (Wheelen and Hunger 2008)

In this respect, strategic implementation is the process of translating the strategic formulation into positive actions by establishing programs, determining budgets, and creating procedures. In addition to that, implementation is a key in the strategic management process, it is the last step in the strategic management process and it comes after the strategy has been formulated (Waters, Donald and Waters 2006). In general, strategy formulation and strategy implementation are assumed as two sides of the same coin (Wheelen and Hunger 2008).

Furthermore the strategy implementation can be defined in different ways that this variety shows several diverse concepts of strategy implementation.

- The first definition refers to Aaker (1998) views about implementation that he stated; the implementation phase included converting “strategic alternative” into an operational plan.
- “Implementation is the managerial intervention that align organizational action with strategic intended” (Floyd and Woolridge, 1992).
- Cespedes (1991) defines implementation in simple ways as “how-to-do-it” feature of marketing.

Moreover, as a significant of strategic management, many authors and researchers for decades attempt to identify and evaluate the factors which have influence on strategic management implementation. In this respect, brief summary of related works are illustrated in table (1).

Table 1

Factors influencing strategy implementation (KIJSEO LU.M et al, 2009)

Researcher/ Authors	Factors/ Element
1	2
David (1987)	Motivation, leadership and direction skills, co-ordination
Skivington& Daft (1991)	Intended strategy, structure, systems, interactions, sanctions
Roth et al (1991)	Coordination, managerial philosophy, configuration, formalization, centralization, integrating mechanisms

1	2
Yip (1992)	Organizational structure, culture, people, managerial processes
Bryson & Bromiley (1993)	Context, process, outcome
Lingle & Schieman (1994)	Market, people, finance, operation, adaptability, and environmental Factors
Okumus (2001)	Content, context, process, outcome
Higgins (2005) 8's	Strategy and purposes, structure, systems and processes, style of leadership, staff, resources, shared values, organizational culture, and strategic Performance.
Birnbaum (2007)	Action planning; organizational structure; human resources; the annual business plan; monitoring and control; the linkage- The Foundation for Everything Else.

Furthermore, Alashloo et al. (2005) attempts to categorize the factors which lead to failure or make obstacle of strategies under four main headings:

- Planning Consequences,
- Organizational Issues
- Managerial Issues,
- Individual issues.

However, Alashloo et al. (2005) does not deal with the question of which of these categories has greater influence on the failure or success of strategies.

METHODOLOGY

This research applied mixed methods strategy which involved questionnaire as qualitative and interview as qualitative methods. In order to collect the required data and information with highest quality, in phase of quantitative methods the open-ended questioner sent to member of Industrial managers association (Society of Industry Leaders) and entrepreneurs. Also the author in phase of qualitative had semi- structure interviews with high level employee of two companies and 12 entrepreneurs which in first section of interview there was not a formal question, and candidate and researcher had informal chatting in order to implementation of strategic management and management in general. In the second section the conductors of this research asking the similar question with questioner.

Furthermore, rational of author to choose the mixed strategy can be following as:

- Complementarily, is one of the main reasons for the researcher to choose mixed strategy that led to illustration, enhancement, elaboration, enhancement and clarification of the final outcome by comparing it with the output received from another method
- Initiation, second reason for choosing mixed strategy refers to identify and detection of possible conflict and paradox in the result also discovery of a new viewpoint and perspective of structure or framework.

RESEARCH POPULATION

This research has been conducted about small and medium enterprises (SMEs) in the Iran for manufacturing industries. Moreover, in order to achieve the research aims and objectives, the population of research has been chosen from senior managers, Chief executive and entrepreneurs of the Iran.

SAMPLING

The sample size of this research in questionnaire as quantitative method was 113 which about 88 % of respondents answer all question, however 49 respond qualified in process because some because of excluding large- size enterprises and inappropriate responds.

Moreover, the sample size of this research in interview as a qualitative method was 20 which participant selected for this particular research had in-depth expertise in strategic management implementation and have more than 20 years' work experience.

RESULT

The present survey aimed to find out the Key success factors of executing the strategic management implementation in SMEs in Iran. In this respect, to have comprehensive analysis and evaluation of KSFs the researcher additionally identified and evaluated the factors which lead to failure of strategic management implementation or make obstacle of strategic management.

PART ONE: QUANTITATIVE ANALYSIS

SECTION ONE: KSFS

Most important Factor

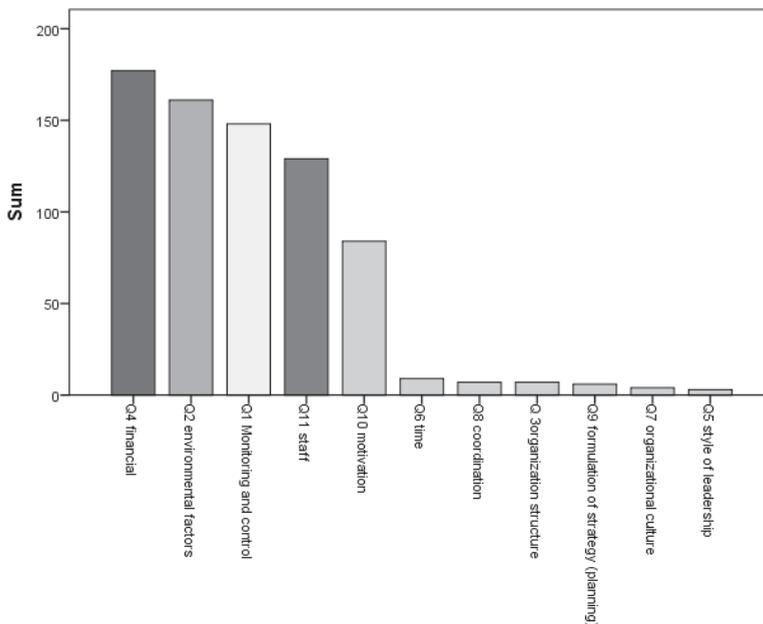


Figure 2. KSFs

Figure two verify that, the most important factor which has significant role to have successful strategic implementation in SMEs in Iran is financial resources (budget), on the other word, without sufficient financial resources the enterprise cannot implement their strategy successfully. In addition, Lingle&Schieman(1994) classified the financial recourses as a factor which has influence on strategy implementation towards the success. Furthermore, Strouhal et al, 2009 state that: the financial issue can be categorised as weakest point of SMEs, thus it can be concluded if Small and medium enterprises has capability to cope with financial issue the percentage of have successful strategic management implementation will be rise dramatically.

Although table 3 illustrate that, the financial factor has the highest mean between five KSFs, However, 44 form 49 participants considered, financial issue as a one of Key success factor (KSFs) of Strategic Management implementation in SMEs in Iran thus financial factors is pervasive factors but is not most pervasive factors.

Table 2

Descriptive statistic of SKSFs

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Q1 monitoring and control	47	1	5	3.15	1.161
Q2 environmental factors	47	1	5	3.43	1.211
Q3 organization structure	3	1	4	2.33	1.528
Q4 financial resources	44	1	5	4.02	1.110
Q5 style of leadership	3	1	1	1.00	.000
Q6 time	2	4	5	4.50	.707
Q7 organizational culture	1	4	4	4.00	.
Q8 coordination	6	1	2	1.17	.408
Q9 formulation of strategy	2	1	5	3.00	2.828
Q10 motivation	43	1	5	1.95	1.379
Q11 staff	47	1	5	2.74	1.224

Second Most Important Factor

The second most important factors to SMEs in Iran towards have successful strategic management implementation is Environmental factors, in this respect, according to the outcome of SWOT and PEST analysis of Industry analysis, one of the main threats of SMEs is lack of capability to cope with environmental changes such as economic crises, so it can be conclude, the result of SWOT analysis support the result of questionnaires in this particular question. In addition, Lingle&Schieman(1994) classified the environment as a factor which has influence on successful strategy implementation.

Moreover, figure one shows that, environmental factors with monitoring and control and staff are most pervasive factors, (47 of 49 participants has chosen those factors as one of the KSFs). Additionally this factor has a second highest mean between the five most important KSFs of SMEs in Iran.

Concluding, this result proves the importance of Environmental scanning as first step in Wheelen and Hunger (2000) model of Strategic management.

Third Most Important Factor

Monitoring and control is a Third most important factors to have successful implementation of strategic management in Small and medium enterprises in Iran. Additionally, as a table five illustrate, monitoring and control has a one of the highest pervasive factors among participants (47 out of 49 participants). In addition, this outcome proves the significance of the last steps in Wheelen and Hunger Model of strategic management. Furthermore, in this respect, Birnbaum (2007) classify Monitoring and control as one of KFSs strategy implementation.

Fourth and Fifth Most Important Factor

Figure one indicate that the staff and motivation have the fourth and fifth greatest rank in viewpoint of participants in this questionnaire in order to KFSs of strategic Management implementation in SMEs in Iran.

Furthermore, according to table 3 staff has a one of the greatest pervasive factors among participants but the motivation has lowest pervasive factors in Five most important factors among the respondents of this questionnaire.

Although, Yip (1992) and Lingle & Schieman (1994) in their research include the staff as factors has influence on influence on KFSs strategy implementation. Additionally, David (1987) classifies the motivation as a factor which has influence on KFSs strategy implementation.

SECTION TWO: PITFALLS AND BARRIERS

In this section of survey, the researcher applied Alashloo et al. (2005) categorization as foundation of his work in order to classify factors which lead to failure or make obstacle of strategies under four main headings.

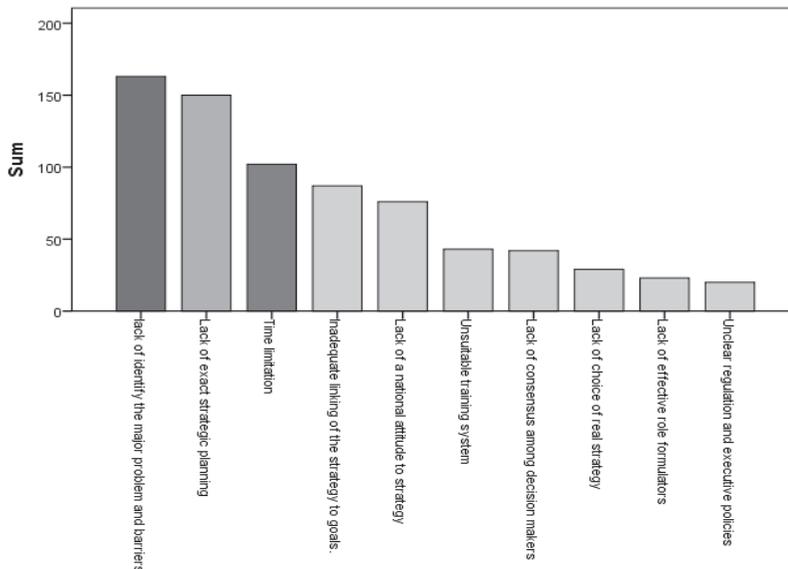


Figure 3. Barriers in field of Planning

Table 3

Descriptive Statistics of barriers in planning section

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Lack of exact strategic planning	44	1	5	3.41	1.085
Inadequate linking of the strategy to goals.	42	1	5	2.07	1.177
Time limitation	43	1	5	2.37	1.176
Lack of consensus among decision makers	10	3	5	4.20	.632
lack of identify the major problem and barriers	43	1	5	3.79	1.390
Lack of effective role formulators	5	4	5	4.60	.548
Unclear regulation and executive policies	5	3	5	4.00	1.000
Unsuitable training system	10	2	5	4.30	.949
Lack of choice of real strategy	8	1	5	3.63	1.302
Lack of a national attitude to strategy	35	1	5	2.17	1.224

Figure (3) and table (3) illustrates that, the most important issues which lead to faultier in strategic management implementation, in field of planning issue, in order are: “lack of identify the major problem and barriers”, “Lack of strategic planning” and “time limitation.

Furthermore, according to figure eight, the strategy formulation (planning) is not determine, as a five most important factors of strategic management however, the time limitation is sixth most important factors, and strategy formulation is eighth most important factors thus it can be concluded that this three factors are prerequisite to have successful strategic management implementation, but they are not requisite to have successful strategic implementation in SMEs in the Iran.

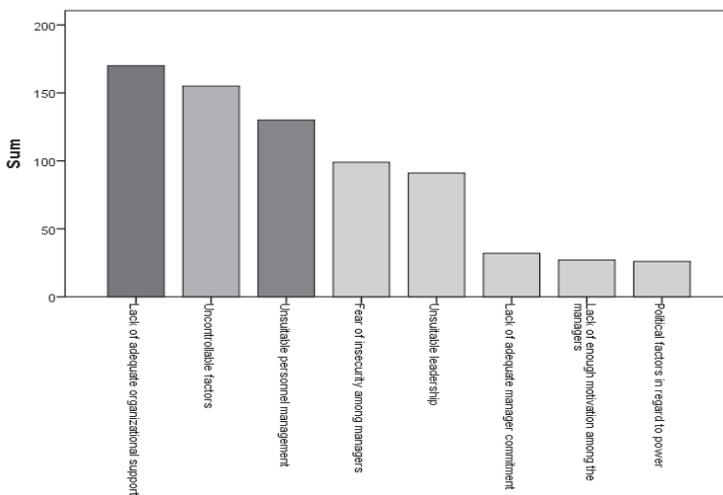


Figure 4 Barriers in field of Managerial

Table 4

Descriptive Statistics Q 10

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Unsuitable leadership	41	1	5	2.22	1.541
Lack of adequate organizational support	43	1	5	3.95	1.154
Lack of adequate manager commitment	8	1	5	4.00	1.414
Fear of insecurity among managers	44	1	5	2.25	1.102
Political factors in regard to power	8	1	5	3.25	1.909
Unsuitable personnel management	46	1	5	2.83	1.198
Uncontrollable factors	47	1	5	3.30	1.020
Lack of enough motivation among the managers	7	1	5	3.86	1.952

Figure (4) and table (4) indicate that, the most important issues which lead to faultier in strategic management implementation, in field of planning respectively are, “Lack of adequate organizational support”, “Uncontrollable factors” and “Unsuitable personnel management”.

Moreover, by comparing question 8 with 10 it can be concluded, managerial issue is a Prerequisite issue to have successful strategic management implementation in SMEs in the Iran.

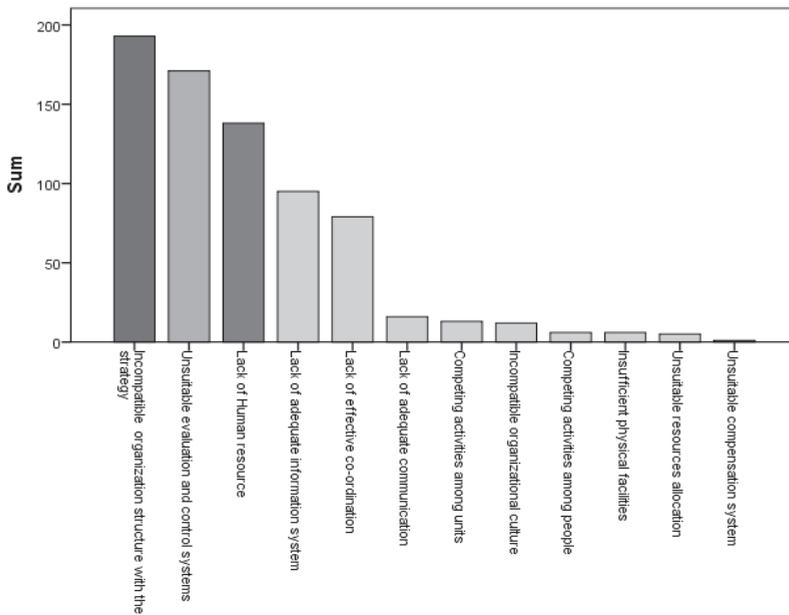


Figure 5 Barriers in field of Organization

Table 5

Descriptive Statistics of Barriers in field of Organization

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Lack of adequate information system	44	1	5	2.16	1.119
Unsuitable resources allocation	4	1	2	1.25	.500
Lack of adequate communication	5	1	5	3.20	2.049
Lack of effective co-ordination	40	1	5	1.98	1.330
Incompatible organization structure with the strategy	47	1	5	4.11	1.068
Incompatible organizational culture	4	1	5	3.00	2.309
Competing activities among people	3	1	4	2.00	1.732
Competing activities among units	3	3	5	4.33	1.155
Unsuitable evaluation and control systems	47	2	5	3.64	.792
Unsuitable compensation system	1	1	1	1.00	.
Insufficient physical facilities	2	1	5	3.00	2.828
Lack of Human resource	45	1	5	3.07	1.176

As table (5) and figure (5) shows, “Incompatible organization structure with the strategy”, “Unsuitable evaluation and control systems” and “Lack of Human resources” are the main barriers in implementation of strategic management, in field of organization issue.

Moreover, by comparing question 8 with 11 it can be concluded, two of this three most popular barriers (problems) of implementation strategic management in SMEs in Iran are categorize as KSFs of strategic management implementation in SMEs in Iran as a result, this two factors (“evaluation and control” and “human resource”) are requisite factor to have successful strategic management implementation in SMEs in the Iran. One the other word, without appropriate human resource and evaluation and control the enterprises is not able to have successful strategic management implementation.

Furthermore, figure (5) shows, Incompatible organization structure with the strategy is most important factors which lead to failure of strategic management implementation. Additionally, by comparing the outcome of this question with result of question 8 can be concluded that the organization structure is a prerequisite factor to have successful strategic management implementation.

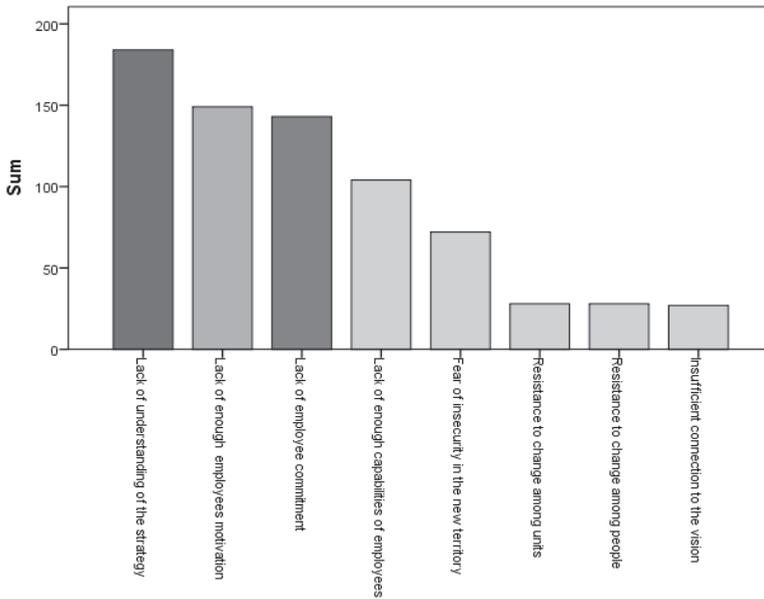


Figure 6 Barriers in field of Individual

Table 6

Descriptive Statistics Barriers in field of Individual

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Lack of employee commitment	45	1	5	3.18	1.114
Resistance to change among people	8	2	5	3.50	1.414
Resistance to change among units	8	2	5	3.50	1.069
Fear of insecurity in the new territory	41	1	5	1.76	1.300
Lack of understanding of the strategy	45	1	5	4.09	1.164
Insufficient connection to the vision	6	3	5	4.50	.837
Lack of enough capabilities of employees	46	1	5	2.26	1.124
Lack of enough employees motivation	46	1	5	3.24	1.177

Figure (6) illustrate that, the main barriers of SMEs in the Iran in order to practicing strategic management implementation in field of individual issue includes: “Lack of understanding of strategy”, “Lack of enough employee motivation” and” lack of employee commitment”.

As a result of question seven (figure 6) the bottom line of organization hierarchy in SMEs in the Iran almost doesn't have any involvement in developing strategic management thus it can be consider that they don't have enough awareness about the organization strategic plan as a result this problem (barriers) can be consider as first sequence of this situation. Additionally, as subsequent, this situation can decrease the employee commitment in strategic management implementation which the result of question (12) proves these sequences.

Moreover, by comparison of question 12 and question 8 it can be concluded that motivation has a very critical role in order to have successful strategic management implementation in SMEs in the Iran because, in question 8 it classify as KSFs of SMEs in the Iran, also in question 12 it classify as major problem of SMEs in the Iran in field of individual issue. Thus, motivation is requisite factor to have successful strategic management implementation in SMEs in the Iran.

PART TWO: QUALITATIVE ANALYSIS

In general the result of interviews was the same as a result of quantitative data analysis however, the researcher identify that some of top-level management had confused in about "long term planning" phrase in strategic management definition. In this respect some of them define long term as five and more and some of them define it as a three years advance planning.

Summary of findings

In this respect, the researcher concludes from the results of questionnaire that, financial resource, environmental factors, monitoring and control, staff (human resources) and motivation of employee are the key success factors (KSFs) of strategic management implementation in SMEs in Iran.

Managerial

The outcomes of this research illustrates that Human resources plays a significant role in strategic management implementation as result, SMEs in Iran should try to provide any training that is required for application of strategic management.

SMEs in Iran should motivate their employees on more involvement in strategic management implementation, and it could happen if SMEs involve more employee and from all level of organization hierarchy in earlier stage of strategic management development.

To sum up, all of these results indicate that, those companies which want to apply strategic management should have enough attention on Strategic Human Resources management (SHRM) as a one of the critical factors.

Data analysis classifies the commitment of employee as one of the barriers to implement strategic management in SMEs in Iran. Thus SMEs in Iran should have program to increase employee commitment, such as, set up learning and training program, provide fair and competitive salary and make sure the employees know they are valued for organization.

The outcomes that have discussed in the result and discussion chapter indicate, organization structure is one of the main issues of strategic management implementation. Thus, SMEs in Iran should be considering these factors when they want to develop strategic management or strategy formulation.

The result of research proves the importance of environmental factors in order to have successful strategic management implementation, furthermore as a result of industry analysis; Iran has been classified as unsustainable business environment thus the SMEs in Iran must formulate their strategy with high caution index.

The outcomes that have discussed in the result and discussion chapter indicate, the unsuitable evaluation and control system as one of the barriers thus the SMEs in Iran must provide appropriate control and evaluation system while developing strategic management.

As a result of this research, majority of SMEs in Iran do not have specific department in order to develop strategic management. In this respect SMEs should indicate department or area which is responsible for developing strategic management to make responsibility clear and prevent any inter-organizational conflicts.

RECOMMENDATIONS FOR FUTURE WORK

Future research could attempt to modeling process which reducing the factors which leading to failure in strategic management implementation. Also there is not any particular module for practicing strategic management in SMEs thus it could be consider as future work in this field.

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