BARRIERS OF MAKING BUSINESS STRATEGY WORK

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Abstract. This paper aims at factors causing fundamental limitations in making a strategy work. It is prepared on the basis of references concerning the subject, finally summarized with practical conclusions formulated by the authors. In virtue of the publication analyses, some basic factors have been named and separated. All the considerations were based on an assumption that the strategy very often remains only a dead document that will be never implemented, even if the strategy fully answers all of the market needs and seems to be perfect. In addition, the authors also point out possible activities that should be undertaken in order to avoid a situation when the strategy is not put into practice.

Keywords: making strategy work, strategic management, limitations in strategic management, implementation of the strategy.

Introduction

The research results explicitly point out that there is a huge gap between strategic plans and business results. Both the plans and results sometimes differ significantly. According to many authors, such as J. Żukowska¹, Ch. Zook and J. Allen², organisations frequently face the problem of strategy implementation failure. Sometimes the percentage of companies that have not accomplished their strategic goals reaches up to 90%.

¹ Żukowska J. Funkcja monitoringu w organizacji wirtualnej (Monitoring in the Virtual Organization), AE Katowice, 2009
² Zook, Ch. Allen, J. Profit from the core: A return to growth in turbulent times, Harvard Business Press, 2001
whereas the level of short–term targets set for the upcoming year is achieved by 13% of the organisations included in the research. The researchers showed up the results of two editions of the query: the 1988–1998 and the 1998–2008 edition. Based on them, they also came to the conclusion that significant share of entities performing the strategy drops off systematically and at the end of 2008 it was only 12% instead of 13%, resulting from previous research edition. This is confirmed by L. Johnson, who states that 66% of entities do not perform the strategy at all, whereas according to M.C. Mankins and R. Steele, enterprises reach ca. 63% of the results included in their strategic plans. This means that the companies miss the assumed target by the entire 37%. This is a significant gap between the strategy and its performance. Based on countable data, such as targets related to income, one may presume that the gap between the strategy and its implementation exceeds 30% of all the tasks included in the formal documents of each company. Therefore, as shown by the tests made by the authors, almost 40% of the strategic assumptions are not performed and will never be fulfilled. Although the results of the said groups differ significantly from each other on the level of measurable numerical data, however, a general conclusion is that a significant part of the strategy is not performed. This, in turn, allows asking a question why the gap is so wide and deep. Are there any measurable reasons for barriers preventing the fulfillment of strategic targets after all?

Thus, the purpose of this paper is analysis by reference to the factors contributing in particular to the barriers preventing strategy performance.

Value of the business strategy

Both authors of the paper have been surprised of uncritical assumptions of the researchers that making a strategy work must lead to better results than putting aside the formal goals. One can easily imagine certain situations when being strategy restrained may lead to success. Some strategies may mislead their performers. After all, we should be aware of the fact that the complexity of management and business life sometimes results in situations where non–performance of the strategy is a lot more beneficial for the organisation than its performance. Sometimes we face such cases in Central and Eastern Europe. In particular, when a strategy is imported and implemented straight from the US or Western Europe headquarters. It does not include cultural and many other differences between the countries. It also cannot respond to the market and its needs. In the well-known case of Pringles crisps the strategy was launched twice on the Polish market, yet without any success, although it was based precisely on the strategy and best American practice. On the other hand, there is the Solaris (producer of Polish buses and coaches) case, where the founder confirms that formal strategy arose after

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3 Ibidem, p.11– 13
success had been reached. At the beginning, there was only a brilliant idea, efforts and hard work\textsuperscript{7}. Carserwis is a successful Polish car and car parts dealer present on the market for the last twenty years. Its former president informally admits that most of the formal strategies were put on the shelf straight after their preparation and never used ever since. Therefore, in our opinion, it is possible to succeed despite the strategy, and fail although the strategy is well prepared. At least theoretically.

Having that in mind, the authors do not aim to prove whether the strategy performance or avoiding its performance contributes to the enterprise’s success, whatever it means. These two notions are not compared here. The authors do not explain how the strategy can possibly influence the companies’ market success or lack of it. We do focus on the barriers preventing from making the strategy work, assuming that in general following a strategy is better than doing things without a strategic goal. We fully accept the risk of being wrong, though armed with doubts we want to present the obstacles.

**Main barriers preventing strategy implementation**

According to H. Mintzberg, strategy is a kind of a filter simplifying the environment surrounding each entity. Its application is to facilitate task performance. Changes in the business context could negatively affect the organisation and the possibility of effective performance of the strategy. Therefore, the assumptions, viewpoints and forecasts constituting the foundations for the strategy must evolve\textsuperscript{8}. Nevertheless, accurate evaluation of the gap between strategic assumptions and their performance seems to pose a significant problem. That issue is possibly incorporated in the functioning of the entire economy as well as single company. This is a significant problem occurring in strategic thinking\textsuperscript{9}, and although there are clear and explicit guidelines how to build long–lasting strategies\textsuperscript{10}, methods of evaluation and forecasting enterprises’ results\textsuperscript{11}, their performance methods are not described or analysed as comprehensively. This may lead to the statement that although a large number of researchers of the phenomenon deal with the strategy itself, the group dealing with the fulfillment of the strategy is by far smaller. That is also pointed out by Polish researchers J. Lichtarski\textsuperscript{12} and K.Krzakiewicz\textsuperscript{13} as a factor that can lead to the crisis of the organisation.

\textsuperscript{9} Lambert, T. *Problemy zarządzania – 50 praktycznych modeli rozwiązań,* Poltext, Warszawa 2000, p.20
\textsuperscript{11} Collins, J.C. *Good to Great: Why Some Companies Make the Leap... and Others Don’t,* Harper Business, 2001
\textsuperscript{12} Lichtarski J. *O istocie, przejawach i przezwyciężaniu kryzysu w przedsiębiorstwie.* (On the nature, manifestations, and overcoming the crisis in the enterprise), „Przedsiębiorstwo w warunkach zagrożenia kryzysem”, [ed.] J. Lichtarski, Społeczna Wyższa Szkoła Przedsiębiorczości i Zarządzania w Łodzi, Łódź 2005
Nevertheless, based on the reference research and finding support in specifications suggested by numerous authors\textsuperscript{14, 15, 16, 17}, we may establish the reasons that may affect the occurrence of significant differences between the strategic targets and strategy performance results.

1. Unclear strategy – the strategy is formulated in a general manner, goals are unclear and ambivalent.
2. Improper methods – the methods of translating visions into substantial targets and tasks are selected improperly, while the guidelines on the methods of their fulfillment are unclear as well.
3. Lack of communication – insufficient or improper communication, the lack of verification of the level of understanding the message.
4. Improper motivation – effective motivation systems, unfit for the strategy and non-supportive to the strategic target performance.
5. Insufficient resources – wrong selection of the appropriate resources, improper allocation, inappropriate combination thereof.
6. Control system – the lack of control and monitoring of strategy performance progress, the lack of consistence in monitoring and supporting the employees in the performance thereof.
7. Ignoring the environment – the varying elements of environment and the lack of space for the possible strategy changes in the course of its performance. Improper adaptation of the strategy to the varying enterprise environment.

All the above-mentioned factors breaking the strategy implementation recall the consultancy approach to business. It was sophists active in Greece V BC who created the basis for the ‘Besserwissers’\textsuperscript{18} school of advisory. Contemporarily it was reconstituted by groups of business advisors popping up everywhere after the World War Two. The quality of knowledge they have delivered varies, yet the stream of consultants, coaches, mentors, etc. is expanding and getting more rapid\textsuperscript{19}. Active on that field are J.Welch, M.Porter, L.Hrebinjak and many others. The factors formulated by authors listed in the bibliography do not complete the list. They all are formulated so generally that it is very difficult to name the exact advice as to what should be done in order to improve strategy implementation. From another point of view, we can hardly treat it as science. All of the listed parameters were set as a result of a research of a relatively small group of companies, most of which were successful. Those that failed usually were not taken into consideration by the authors. The research methods, results and advice formulated was

\textsuperscript{17} Mrówka, R., Pindelski, M. [ed.] *Determinants of a Company’s Success. The Case of WSE Debutants in 2007*, Warsaw School of Economics, Warsaw 2010
\textsuperscript{18} Besserwisser (ger.) – a man who knows better
widely criticized by Ph. Rosenzweig in his book ‘Halo Effect’\textsuperscript{20}. The list should also vary depending on the approach taken towards the organisation. E.g. J.Jeżak names mechanistic and organic approach to the company\textsuperscript{21}. Both assumptions differ from each other and may lead to different conclusions. Having that in mind, we list the factors that can stop strategy implementation, however, only as general determinants of the process of making the strategy work.

**Unclear Strategy**

It is difficult to dissociate the formulation of the strategy from its communication to the beneficiaries. According to the test carried out by Wharton–Gartner and Wharton Executive Education\textsuperscript{22}, the managers indicated a general or unclearly formulated strategy as the main reason for failures in its performance. The company strategy affects the process of its performance providing guidelines concerning the future directions and actions of the company. Therefore, its unclear formulation impedes the efficient allocation of resources and stops the effective communication between the company management and its employees, while the role of a leader communicating with the employees in a clear and explicit way seems to be of vital importance\textsuperscript{23}. Beer and R.A. Eisenstat emphasize the role of strategy in effective intra–company communication. They say that the lack of clear and convincing declarations on the organisation’s strategic directions impedes the company’s management efficient communication possibilities\textsuperscript{24}. In consequence, the unclearness and ambiguity of the strategic targets bring about numerous problems in the area of communication, motivation, control and extensive implementation.

**Targets and tasks that do not follow the strategy**

According to Bossidy \textit{et al.}\textsuperscript{25}, the process of creating a strategy should end with a clear vision and measurable goals. The enterprise must determine the point of its present progress and the ways it is able to reach the target planned. The reference of the vision to the present context of the enterprise (i.e. external and internal environment of the company) helps to determine the short– and long–term objectives explicitly. No strategy shall bring any results as long as it is not translated into any substantial and


viable tasks. Any wrong translation of the vision into the targets and tasks causes that the employees may have difficulties with understanding the strategy and its reference to the present duties. Such situation increases the uncertainty and may bring about resistance towards any changes\textsuperscript{26}. The translation of vision into clear targets makes it possible to understand the strategy by the employees at all the organisation levels. The understanding, in turn, is the necessary condition for obtaining commitment. The employees must believe that the company is able to reach the intended targets. It is also worth mentioning that the employees must be sure that they can reach the objective by themselves. It makes them easier to understand the way their everyday work contributes to the performance of the strategy when the company targets become, in their opinion, viable\textsuperscript{27}. Another intention, of equal importance, of translating the vision into tasks, targets and plans is the reduction of uncertainty and fear of changes. Practically any strategy breaks through the status quo and thus brings about uncertainty and fears about the future. Therefore, the lack of understanding the reasons the company wants to take a given direction for further increases the feeling of fear and evokes resistance\textsuperscript{28}. In order to perform the enterprise strategy effectively, each company member should know what to do and when as well as the kind of resources they need to achieve it. The wrong translation of strategy results in disinformation –the employees at the lower levels of hierarchy do not know what to do and when and what type of resources they need to achieve the results that would satisfy their managers. In such situation the expected results should never materialize\textsuperscript{29}. The effective performance requires the strategy to be clear, substantial and logically translated into viable and consistent targets. The employees shall understand the strategies and will be able to refer it to their daily routine.

**Problems with communication**

As already proven in this paper, the percentage of employees unaware of the organisation’s targets may sometimes be significant. The reasons for such a situation are found in improper communication and barriers of communication, impeding the proper information flow inside the company and causing negative perception of the strategy performance by the executive level managers. The lack of or wrong methods of verification of the level of understanding of the strategy may be the reason for failure of communicating the strategy. Presumably, however, the communication of the strategy should bring the expected effects only when the employees are able to relate their work to the company’s targets. The staff should have the possibility to translate their actions into the total effect of the entity’s business. However, because communicating the information about the strategy takes place from the upper to the lower level of employment, the strategy often absolutely clear at the top, becomes obscure at the

\textsuperscript{29} Smet D. A., *How companies manage the front line today*, “McKinsey Global Survey”, 2010, s.4
bottom. Along with passing the subsequent organisation levels, its sense is gradually lost and correlation with the current actions seems diluted and unclear. Although there is a number of proven instruments on the market making the intra–company communication more efficient, the information flow in numerous organisations is a serious issue. A slightly different problem lies in the perception of strategy performance by executive level managers. L. Hrebiniak points out that numerous managers see the strategy performance as work discreditable to their positions, finding it the domain of lower level staff. This is to a certain extent the result of the fact that the organisations separate developing and planning strategy from its performance relatively frequently. This enhances the division between the planners and those who are to fulfill the plans. It may also be translated into differences in perception of the reality surrounding the organization. It may also lead to omitting the people engaged in its performance while announcing, assessing and rewarding success. The situation is reversed when performance encounters difficulties and the strategy itself or the lack of its performance brings about negative effects.

Motivation systems that do not follow the strategy

Motivation systems supporting the strategy performance reward the actions and behaviors contributing to the achievement of the company strategic targets. When they are improper they enhance the negative behaviors in the enterprise and finally lead to the reduction of the strategy performance extent. They may also diverge from the strategic targets and reward or punish for issues unrelated to the strategy itself and its performance. One of the major factors affecting the success of strategy implementation is the staff commitment into its performance. According to S. Keller, when lower–level managers identify themselves with the actions they are to take, the probability of right performance of such actions is about 79%. In case they do not identify themselves with the objectives the results drop sharply. If the strategic plans determine important measures the organisation must take, while totally different actions are rewarded, the strategy performance shall be definitely negatively affected. Rewarding improper behaviors and actions may negatively affect the strategy performance. It is possible in functionally shaped firms. In that case may occur the situation when strategy is made by the president and vice presidents and motivation system is perceived as a tactical or operational target to be prepared by the HR director.

Another important element is to agree upon the principles representing the foundation for the evaluation of the results. The targets that will support the desired results of the strategy performance should be elaborated and agreed upon prior to the start of the performance. At another stage, the evaluation process must be focused on such

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measures agreed upon\textsuperscript{34}. For effectiveness of the strategy performance, rewarding the people who achieve satisfactory results must become obvious. The stimuli must support the motivation to achieve certain defined results. If the people who contributed to the organization’s success are omitted, the strategy performance shall be negatively affected thereby before long.

**Lack of resources**

The deficiency or restrictions in the scope of resources may significantly slow down or even stop the strategy performance. According to J.M. Higgins when the managers start to implement a strategy right after its formulation, it is highly probable that the organization should fail to achieve its targets\textsuperscript{35}. Higgins is also the author who named 8 factors driving strategy performance. Kaplan and Norton\textsuperscript{36} indicate that 65\% enterprises do not allocate sufficient resources for the strategy performance purposes. As a result, significant part of the measures related to the strategy is condemned to fail at the very start of the implementation. This surely is one of the key reasons for non–performance of large part of the strategic targets. According to the same authors, companies cannot allocate appropriate and sufficient resources for strategy performance for several reasons. First, the allocation of inappropriate resources is due to the lack of coordination between various departments in the company. If resources from one or more departments are necessary for the strategy performance, while such departments have not developed their internal plans and budgets in accordance with the strategy, this shall bring about the risk of conflict between the departments and fight for some rare resources\textsuperscript{37}. Moreover, strategies usually need to be translated into plans. Omission or inappropriate performance of this stage impedes the proper allocation of appropriate resources guaranteeing effective performance. In addition, each plan should determine which resources should be necessary for its performance. In a situation when the resources available are not defined, the persons responsible for the performance of the particular targets are forced to search for them continuously, which in fact means continuous requests to increase them. Such actions significantly impede and extend the whole strategy performance process. Moreover, there are no guarantees whatsoever that the resources required should eventually be allocated. Allocation of responsibility and accountability is another very important element of the proper allocation of resources. The person responsible for the process is the main motivator and the one who conducts the task performance. The results accountability, however, as its name suggests is related to the results of task and target performance.

All the cases described above merely prove that the organisation must assure participation of all the stakeholders in the entire strategic process, otherwise they may slow down the performance process and, in consequence, implementation of the strategy.


\textsuperscript{36} Kaplan, R, Norton, D. (2005), op. cit.

Lack of control

Another reasons for the gap between strategy and its performance are three ‘lacks’. Lack of control and monitoring of strategy performance progress, lack of consistency in monitoring and lack of support of the staff in its performance. The monitoring of strategy performance progress is influenced by the specific nature and definition of measures, reporting system quality and strategy process review characteristics. The first element is the inappropriate definition of measures. Their main task is to provide information on the progress and results of strategy performance. It is noticeable that most of the companies focus on the result measures and inform on what has already happened, not on the forecasting measures. It could affect the company functioning in the future when providing information on the way things that should happen. The effect of such approach is the focus on the company assets mainly, such as financial results or discrepancies between the current state of the budget and the plans. This restricts the overview of the situation forcing one to concentrate on historical data only. The effective forecasting of the future achievements of the enterprise requires the application of a wholesome approach to monitoring its business. The measures should inform on both the current state of assets and determine their ability to generate value added in the future. Another element is the inappropriate reporting system, serving to present the current state of task performance. However, it is not used in decision making enabling the further strategy performance. The measurement of numerous parameters creates the excess of information, the absorption whereof being impossible for the managerial staff. This leads to decision incapability on the issued playing the major role in effective strategy performance. It means that directing towards the measurement of what is important as well as the preliminary analysis of results and distinguishing the most significant questions at the expense of those of lesser importance for the strategy and its performance should bring the appropriate effects here. The inappropriate review of strategies is another reason for failure to perform it. The operating issues absorb a significant part of the managers’ attention, pushing the strategic actions towards the background.

Ignoring the environment

According to some authors, the inappropriate or too slow adaptation is one of the reasons for failures in the strategy implementation. The ability to play the controlling function in the organisation as well as combining the strategy performance with the strategy measures subject to control are related thereto. The enterprise more than often cannot identify and confront the facts that cause poor results of the adaptation of strategy that seems to be a pure coincidence or is incomplete. The foundation for the strategic planning is a set of assumptions, opinions and forecasts concerning the future results of the company and its environment. If their variability in time is ignored the

41 Mankins, M.C. Steele, R, (2005), op. cit.
strategy performance may be at risk. The effective strategy performance requires such assumptions whose adaptation to the changing company environment requires a critical approach towards the targets and forecasts. The inability to notice the changes that took place in the environment since the last strategy review may negatively affect the company results. Therefore, the company must often carry out revisions of the strategy and its assumptions, opinions and forecasts. The company must be continuously ready for changing part or even the whole of the strategy. Adaptation is a continuous process, the target whereof being the strategy review and recommendation and implementation of changes thereto, if necessary. The lack or inappropriate adaptation of the strategy to the enterprise context increase the business risk. The company may incur immense costs, for example in the form of lost investments, failed mergers and takeovers or missed opportunities on the market. In addition, in the long run, the entity's competitiveness may deteriorate as a result of battle against the consequences of failed strategy and the exposure to the risk of consolidation or development of a culture approving of permanent failures and mediocre results might take place.

SUMMARY

All of the listed factors lead to a conclusion that a clear gap may arise between a strategy and its performance. Though, after all the analysis we are not yet convinced that it is definitely adverse. There are many possible situations where it may be beneficial for the company and not making the strategy work may contribute to the company's success. When analysing the publications of numerous authors dealing with the analyses of this issue one may get the impression that these are very often two separate beings functioning in enterprises. Thus, if we assume that the strategy indicates more desired targets than any other, such a situation may seem worrying. The reasons presented herein, most often mentioned in the references, the strategy is not performed to allow a statement that the phenomenon is relatively well recognised and there is a number of guidelines how to avoid it. The permanently current nature of the issue may surprise even more on the grounds of strategic management practice. The issue seems to be permanently in place in organisations. As regards people, their mutual relationships, communication and various processes, resources and methods of their allocation and management, it seems adequate to approach the whole strategy in a comprehensive way, in terms of potential restrictions in translating them to the grounds of action. It also appears that numerous elements or tasks performed in an enterprise function in conspicuous separation from the major target. This in turn forces managers to treat each strategy as a factor, to a certain extent creating a new organisational existence. After all, it not only requires the verification of the existing internal conditions, but also a deep and serious interference with the ways they function.

All of the factors collected and listed above are general in nature, sometimes too general to be helpful. All the authors mentioned in the paper do not formulate the exact hints. It also seems to be the wide known knowledge of which managers should be aware. Therefore, the main benefit of the article is to present an order in the way strategy fulfilling is perceived. According to the purpose of the paper, the presented reasons for failures in
strategy performance may represent a comprehensive abstract of knowledge on this topic, being the compilation of experiences and tests made by numerous researchers of the phenomenon. So the managers should not panic after discovering a gap between strategy and actual work being done in the company. Instead, they should ask themselves, if it does any good or not. Maybe the system is wiser than the plan. It should not be taken for granted that making strategy work is a must in every situation and in each business. Incorporating the plans may vary according to the unstable conditions that businesses are in.

As a conclusion for further scientific work authors also suggest conducting researches based on the assumption that making official strategy work is not desired by a company. It could mislead the business and organisations may get into trouble when following official rules. It is needed to deliver proved research results, helping managers in their decision-making when having a strategy is not an advantage. Though it touches the management paradigm about goals and strategies perceived as a ‘must have’ in each organisation, it seems that the paradigm should be checked for its continuous validity.

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Netography


**STRATEGIJOS ĮGYVENDINIMO KLIŪTYS**

Mikołaj PINDELSKI, Rafał MRÓWKA  
Varšuvos ekonomikos mokyklos Vadybos ir finansų kolegija

Pateikiamos praktinės autorių suformuluotos išvados.