EFFECTIVE STRATEGY EXECUTION TO REALISE SHAREHOLDER VALUE: A PROPOSED FRAMEWORK FOR MANAGEMENT

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ABSTRACT

Shareholder value, the value created for shareholders by an enterprise, is at the heart of strategy realisation. The review of the literature on effective strategy execution indicates that there is still room for improvement since fifty seven (57) percent of firms were unsuccessful at executing strategic initiatives, organisations fail to implement more than seventy (70) percent of their new strategic initiatives, sixty six (66) percent of corporate strategy is never implemented, and that firms realise only sixty three (63) percent of their strategies' potential value.

Literature indicate that there are numerous frameworks on strategy planning and execution. It was observed that many organisations have matured and are able to plan and craft a sound business strategy. However, the tragedy is that strategy execution is still a challenge even though its successful implementation creates a competitive edge for the organisation. Moreover, strategy planning and execution are not mutually exclusive. It is also important to note that the test of how well the corporate strategy was planned and developed, shows how well it can be executed.

The challenge with effective strategy execution is attributed to the lack of a model or framework which could be used by leaders in an organisation when making business decisions. A framework which could also provide guidance to managers as they take actions. The model or framework is key to effective strategy execution as the implementation process is complex, involves people across the organisation, poor decisions put resources at risk and there is a need to ensure that shareholder value is realised.

This paper seeks to identify how shareholder value could be created and preserved as the corporate strategy is executed. This is a positioning paper for future research.

Key words: Strategy implementation, effective strategy execution, shareholder value.

INTRODUCTION

Strategy is about designing and directing the journey which the company must take while it remains profitable. Strategy is about maintaining a sustainable business in the midst of changing market conditions. The board of directors, as a delegation of shareholders, and the executive team who are the managers of the day to day company activities, are required to provide comfort to shareholders that the company is sustainable and will continue to be profitable. It is therefore imperative that there is a model or framework on which the executive as well as the board of directors can report back to shareholders. The model or framework will enable the leaders of the organisation to demonstrate that they understand the state of the organisation and the roadmap for a growing, profitable business.

The study is focused at the strategic level and aims to develop a model or framework which executives and board of directors can use to report on the performance of the organisation and how effective they are in realising the company strategy. The focus of the study is on developing a model or framework which executives cannot only use to track and monitor progress made against programmes aimed at delivering the company strategy but to also develop a mechanism which they can use to assess how well they are doing in realising the company strategy. It is the belief of the authors that the outcome of this study will assist the board of directors and executives to appreciate how effectively they are executing on the company strategy and thus provide meaningful answers to shareholders on where they are in realising the strategy of the organisation. Furthermore, the model or framework is expected to assist the board of directors and executives to better understand what the drivers of company performance (profitability) are and the contribution of these drivers in the achievement of the strategy of the organisation.

In this paper we report on the results of the review of the literature on effective strategy execution. We conclude by proposing a conceptual model which could be adopted by business leaders to improve the effectiveness of strategy execution to realise value for shareholders.

METHODOLOGY

The objective of the study is to establish how executives and the board of directors in an organisation could improve on the execution of strategy to realise value for shareholders. The review of the literature was structured to cover the following areas:

i. Strategy and strategic management;

ii. Effective strategy execution;

iii. Performance management; and

iv. Models and frameworks for effective strategy execution.

The outcome of the review of the literature are the gaps which the authors seek to close through proposing a conceptual model that could be adopted by business. It should be noted that the proposed conceptual model needs to be tested to assess and improve its application in effectively executing the corporate strategy to realise value for shareholders.

LITERATURE OVERVIEW

Organisations are getting more and more complex given the factors in the business environment that must be managed to ensure the realisation of strategic initiatives. Such an environment presents a challenge as organisations operate under stringent conditions and are expected to deliver on the expectations of shareholders. However, the critical element which management must maintain is the sound understanding of the strategy of the organisation and what management seeks to achieve in the long term. This can prove to be difficult under conditions that require organisations to re-invent themselves to stay ahead of the competition. Despite the ever changing business environment, management cannot lose focus of the mandate given by shareholders, which is articulated in the form of the company strategy.

The practical purpose of strategy is to provide a plan that employs multiple inputs, options and outputs to achieve a company's policy goals and objectives (Davies, 2000). In order for management to realise the company strategy they need to have a firm understanding of which resources are key to the realisation of the strategy as these will have an effect on how effectively management is able to realise the defined strategic plan. There are three criteria that take precedence over simplicity in business decision making: the solution must be implementable, it must not produce unacceptable adverse consequences and it must allow for flexibility (Davies, 2000).

It is critical that it is clear to management what the strategic objectives of the organisation are and how these are going to be achieved. The sound understanding of the company strategy at this level enables management to assess how well they are doing in realising what they have set out to achieve the corporate strategy.

Strategy and strategic management

Business strategy involves the application of qualities of judgement that concern the organisation as a whole and the environment in which it operates. Management is expected to formulate a vision of where they are taking the organisation and then apply judgement on how they are going to steer the organisation to achieve the desired vision. The formulation of the course and action which the organisation is going to take to achieve the desired vision is its strategy.

In order to formulate the set course and action, management needs to have a clear view of what they are set to achieve. This would be the mission of the organisation. In addition, it is necessary for management to have a sound understanding of the capability of the organisation. It is through its capabilities that an organisation would achieve its mission. In addition to capability, management need to appreciate the external factors such as market forces and competitor actions that have a bearing on the ability to realise the mission of the organisation.

Strategy is one of those areas which are misunderstood to a large extent because the word 'strategy' is used in general and can mean different things to different people. MacLennan (2011) states that "there is confusion in the definition of the word 'strategy' due to the meaning of the term and how it is applied in different entities such as corporations or business units". He further adds that "strategy is conceptual since it relates to patterns of interactions". He defines strategy as the pattern of resource and market interactions an organisation has with its environment in order to achieve its overall objective.

There are other definitions of strategy which seek to bring clarity to this concept which is perceived differently by different individuals. Oliver (2001) defines strategy as understanding an industry structure and dynamics, determining the organisation's relative position in that industry, and taking actions to either change the industry's structure or the organisation's position to improve organisational results. Oliver (2001) also cites Porter (1996) who defined strategy as the creation of a unique and valuable position, involving a different set of activities and that the essence of strategic positioning is to choose activities that are different from those of rivals. Caroll (1982) defines strategy as a statement of important actions to be taken to improve relative performance by allocating limited resources, which reflects an understanding of the principal economic forces affecting the business, of the external changes to the business requiring a response, and of the role to be played by competitors.

It is equally important to clarify the concept of strategic management as this would be how leaders would provide the necessary guidance for the realisation of strategic objectives. Certo, Peter and Ottensmeyer (1995) define strategic management as a continuous, iterative, cross-functional process aimed at keeping an organisation as a whole appropriately matched to its environment. This is achieved by managing a series of steps which include formulating organisational strategy, implementing organisational strategy and exercising strategic control (Certo *et al.*, 1995). Dandira (2012) cites David (2003) who defined strategic management as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organisation to achieve its objectives.

Organisations are increasingly becoming more complex due to the need to develop mechanisms to react to external factors such as market changes, competitor tactics, legal requirements, changing regulation, customer buying behaviour and the ever increasing demand to improve profit levels. It is therefore necessary for leaders, managers and staff to keep up with the changing landscape. It is therefore necessary that there is a common understanding of the position of the organisation in the market and how it intends responding to external forces. This is a difficult task and thus a structured approach enables co-ordination between different stakeholders to enable alignment of thought and actions.

Ghezzi (2013) states that "firms operating in many industries have to cope on a daily basis with a paradoxical condition that change is a constant highlighting that a firm's success, sooner or later, would pass". He says that "business strategy and its quest for sustainable competitive advantage and success is challenged by external and internal change, which increasingly takes the form of radical discontinuity". He further adds that "the adequacy of existing business strategy models to cope with discontinuity should be then subject to further research in order to resume and potentially redesign traditional strategic planning and strategy analysis". He also adds that "emergent strategy models are rising as concepts and constructs, possibly impacting on advancements of strategic management theory and practices: these tools are the business model, the value network and resource management".

The need for a guiding framework to reduce the unstructured aspect of strategic management is growing given the turbulent and unpredictable nature of the environment which organisations function. It is acknowledged that one cannot define the strategic landscape to a large extent, due to the need for flexibility and to enable organisations to be agile. However, management and control are enhanced when one has a guide on key areas that must receive attention in order to maximise the effectiveness of the actions taken to keep the organisation on course.

Effective strategy execution

The senior management (executives) and the board of directors have a role to lead and direct the effective execution of the company strategy. It is their responsibility to oversee the corporate governance of the investment made by shareholders. Schmidt and Brauer (2006) propose proxies for the evaluation of board effectiveness in guiding strategy execution:

i. Strategy consistency;
ii. Measuring the consistency between a firm's resource allocation and its announced strategy; and
iii. A set of related strategy consistency measures.

The question is 'when do executives and the board allow managers to drive the execution of the developed strategy?' Is it good practice to delegate this responsibility or do executives and the board still have an integral role to play during strategy execution? Casal and Caspar (2014) encourages that "directors should spend a greater share of their time shaping an agenda for the future instead of reviewing past experiences". They say that "rather than seeing their job as supporting the Chief Executive Officer at all times, directors of companies should engage in strategic decisions, form independent opinions and work closely with the executive team to make long-term goals to ensure that they are not only formulated but subsequently met". Furthermore, they add that "the best boards act as effective coaches and sparring partners for the top team".

Literature indicates that the process for strategy planning and execution is developed and is undergoing a process of continual improvement. Most organisations have matured to a point of being able to plan and craft a sound business strategy. Albeit, a badly crafted strategy can impede the strategy execution process. MacLennan (2011) cites Eccles in defining strategy execution or implementation as the action that moves the organisation along its choice of route towards its goal – the fulfilment of its mission, the achievement of its vision, strategy implementation is the realisation of intentions. It is thus important to note that the test of how well the corporate strategy was planned and developed, determines how well it can be executed.

The review of literature indicate that there is a general consensus that strategy execution or implementation is a taxing task. However, there needs to be a way in which this phase of the strategic management process should be enhanced to realise the expected benefits and results. Hrebiniak (2005) attributes the difficulty with strategy execution to the lack of a model, blueprint or template that could be used to shape execution decisions or actions. The work being done in this research study aims to bridge this gap. MacLennan (2011) concurs by saying that "strategy is not only difficult: it is poorly understood, intertwined with many organisational processes, takes a long time, involves lots of stakeholders, and often must reflect the decisions made by others". He further adds that "it requires discipline, persistence, and patience". Unfortunately, in many organisations in which this is not recognised, there are quicker and easier ways to achieve personal recognition and success (MacLennan, 2011).

It is tragic that when leaders are asked to implement the company strategy, they do not know what to do, even though successful strategy implementation provides a competitive advantage (Speculand, 2014). He suggests that "it is critical for organisations to bridge the strategy implementation skills gap through training programmes that focuses on areas such as collaboration and learning the skills of strategy implementation". Speculand (2014) emphasises that "strategy is about making the right choices while implementation depends on people taking the right actions". The need for an iterative strategic management process emerges as one of the ways in which the rate of successful strategy execution could be improved. A poorly crafted strategy cannot deliver good results and conversely a good strategy that is poorly implemented is unlikely to produce sustainable competitive advantage (Getz, Jones and Loewe, 2009).

Effective strategy execution is about translating the corporate strategy into value for concerned stakeholders i.e. shareholders, the market, the board of directors and company employees. However, Meskendahl (2010) cites Mankins and Steele (2005) who said that "firms realise only sixty three (63) percent of their strategies' potential value and Johnson (2004) reported that sixty six (66) percent of corporate strategy is never implemented". This may be appreciated in that formulating strategy is a difficult task, making strategy work – executing or implementing it through the organisation – is even more difficult (Hrebiniak, 2008). He cites the following critical issues to making strategy work:

i. Having an implementation model to guide execution thoughts and actions. This is one of the gaps which this research study aims to bridge.
ii. Remembering that sound strategy comes first.
iii. Structure is important to successful implementation.
iv. Care must be taken to translate strategic objectives into short-term operating metrics.
v. Clear responsibility and accountability are a must for effective execution.
vi. Reward the right things, use incentives to support execution processes and outcomes.
vii. Ensure the development and appropriate capabilities and managerial skills to make strategy work.
viii. Focus on managing change.

The challenge with strategy and its execution is that the better part of strategy is conceptual and thus it is critical to focus on defining the strategic objectives and initiative in a tangible manner. It is much easier to drive the implementation of well-defined and measurable objectives than aspirations.

Effective execution of strategy requires the organisation to break the strategy into components that could be implemented easily and allow measurement of the change that has been introduced in a controlled manner. Serra and Kunc (2014) say that "business strategy, which imply organisational change, usually require the development of projects, however organisations fail in implementing their strategies even though they employ project, programme and portfolio management techniques". They propose Benefits Realisation Management (BRM) as a set of processes structured to close the gap between strategy planning and execution by ensuring the implementation of the most valuable initiatives. They highlight that "there is no empirical evidence of the effectiveness of

BRM, however their study show BRM practices being positive predictors of project success on the creation of strategic value for the business". They concluded from the study that "BRM practices can be effective to support the successful execution of business strategies".

It is critical that there are ways in which the implemented strategy could be measured. Cocks (2010) conducted a survey of more than 1000 senior executives of large effective organisations in Australia. He was exploring concepts that organisations of all types can use to more effectively execute their strategic plans. His findings point to several factors that help implement strategic plans in service, manufacturing, not for profit and public sector organisations, and the key findings were:

i. Strategic planning requires integration of strategy formulation with strategy implementation.
ii. Effective execution is a key attribute of successful organisations.
iii. Provide focused leadership of the right people.
iv. Create highly visible management systems to communicate widely and consistently.
v. Use project management techniques to deploy the strategic plan.

The expectation from leaders is that they should be able to think holistically about what must be done and achieved as well as for them to be able to manage the day to day business activities that would enable the organisation to achieve the desired vision. It is therefore necessary for leaders to realise that the road to effective strategy execution is full of potholes and dangers (Hrebiniak, 2008).

It is the view of the authors that in strategic measurement, it is important for leaders of the organisation to clearly define what the vision is, what must be done to realise it, and which key measures are going to be used to assess how well the organisation is doing in realising the vision. The whole process needs to be enabled by an effective performance management system that will provide an indication of what is actually happening and to also identify risks and issues that may deter the organisation from reaching it objectives and target. Added to this, leaders need to establish effective feedback mechanisms that will enable them to track the hard and soft side of what is going on within the organisation.

Performance management

Managers of an enterprise need to have a holistic view of the performance of the organisation and the micro understanding of what is driving the achieved results. Carroll (1982) suggests that "a useful way to think of a business strategy is that it contains two components, a positional and performance component, which he believes is what enables some companies to achieve consistently better financial performance than others over time". He clarifies that "a performance component of strategy deals with attempts to enhance relative performance in a persistent manner over time". He encourages that "there needs to be a consideration for long-run profitability of a company by considering execution differences rather than the differences in exploitation of sources for comparative advantage". He further adds that "there is a need to respond to less drastic changes affecting the business and, above all, there is a need to adopt a program which seeks to exploit sources of comparative advantage as a means of enhancing relative performance". He laments that "there is no appreciation of the importance of environmental factors that enhance relative performance because of the lack of a conceptual framework that permits sources of comparative advantage in a business to be identified and exploited". The work being done in this research study seeks to bridge this gap.

In the absence of a conceptual performance management framework, which is the objective of this research study, de Waal (2007) recommends a strategic performance management development cycle that consists of three stages:

i. Stage1 entails designing a strategic management model: the organisation establishes the strategic structure which is the foundation for the development of the performance management system. High-performance organisations deliberately create clarity and a common understanding of the company's mission, strategy, strategic objectives and goals which results in a commonly held strategic mind-set among organisational members.

ii. Stage 2 entails designing a strategic reporting model: the organisation establishes the reporting structure with which the execution of the strategy and the progression of key business processes are monitored and adjusted. This stage consists of developing critical success factors (CSFs) and key performance indicators (KPIs); developing exception and action reports; developing a balanced scorecard (BSC); and setting-up a management information technology architecture.

iii. Stage 3 entails designing a performance-driven behavioural model: the organisation establishes the culture needed to become a performance orientated and professional excellence. This stage consists of establishing the characteristics of performance-driven behaviour; aligning personal objectives with strategic objectives; and linking performance management with competency management.

The challenge that is facing executives is to ensure that there is alignment between what is planned and expected from the company (strategy) and what is actually happening at the operational level (day to day activities). The effectiveness of the alignment process is reflected in how well executives are able to provide strategic reporting that demonstrates progress made in achieving strategic initiatives. Chau (2008) says that "strategic performance management can take place at top management, middle management or strategic operations level and their impact on team strategy, company performance and organisational effectiveness can be regarded as a special phenomenon termed "strategy team performance management"".

Strategic performance management is considered an enabler for the steering of the organisation through the systematic definition of mission, strategy and objectives in order to be able to take corrective actions to keep the organisation on track (Chau, 2008). He adds that "many senior managers are removed from the on-going daily activities of their organisation and this leads to more disconnect between senior management and the rest of the organisation". The problem is becoming increasingly difficult to address as involving senior management on strategic activities proactively at the operational level is not carried out effectively, which may be due to poorly implemented performance management frameworks (Chau, 2008). The key to enabling the organisation to perform as intended is to build-in the performance measures during the strategy planning phase so that they may be cascaded into the strategy execution and evaluation phases.

The importance of an effective corporate performance management system in driving strategy execution cannot be overemphasised. It needs to support the strategic management process from strategy planning through to evaluation and review. It is the seamless integration of the different phases of the strategy management process as well as the measurement of performance at each phase that would provide the required information on where the organisation is doing well and the areas that need improvement.

Models and framework for effective strategy execution

Senior executives are often faced with a dual challenge where on the one hand they need to demonstrate to the market that their enterprises are creating value for their shareholders while on the other their effectiveness hinges on identifying and explaining differentiated ways of serving customers faster, better and cheaper compared to competitors (Lukac, 2012). He also states that "senior executives face this challenge very much in the public eye":

i. Investors want to see how their investment can pay off.
ii. Lenders want to know how their funds will be used and returned.
iii. Analysts want to assess one company against another.
iv. Customers want a reason to bring their business to the organisation and require assurance that their needs will be met.
v. Employees want to know they will continue to have interesting work that pays the bills.
vi. The board of directors wants to know that the enterprise is prudently run while competing aggressively.

Lukac (2012) adds that "senior executives should be adept both at developing strategic plans that provide competitive advantage and communicating how they will provide shareholder value". He reinforces that "executives should be able to link strategy to value". He further adds that "there is a significant body of knowledge covering how to identify value once it has been created but there is less guidance on how shareholder value will be achieved". He acknowledges that "although it is commonly recognised or expected that effective strategies result in value creation, there is no simple framework for connecting the two". It is the desire of the authors to also shed light on how the link between effective strategy execution and the creation of shareholder value.

The focus of corporate performance reports covers financial and non-financial performance based on the reports provided by management to executives. These reports are then used by executives to provide performance reporting on progress made against strategic initiatives. However, it is the experience of the authors that the focus of the performance report is on strategy execution and very little if any is reported on the effectiveness of strategy execution. Srivastave and Sushil (2013) state "that effective strategy execution is about the measurement and management of strategic focussed performance measures". There is a lack of strategic performance factors and their role in effective strategy execution, which turns out to be a barrier to the successful execution of strategy (Srivastave *et al.*, 2013). It is therefore important to take corporate reporting to a higher level. This is where executives translate the performance of the organisation for shareholders to how well the organisation is doing in realising strategic objectives.

The challenge with effective strategy execution could be due to the lack of appreciation and due consideration for measures that will indicate whether or not the enterprise is creating value. Okumus (2003) reports that "organisations fail to implement more than seventy (70) percent of their new strategic initiatives, hence the shift in focus from strategy formulation to its implementation".

He provides shortcomings on three groupings of strategy implementation frameworks based on his review of literature:

i. Group 1: Frameworks in the first grouping developed by Hambrick and Cannella (1989), Hrebinaik and Joyce (1984), Stonich (1982) and Waterman, Peters and Phillips (1980) tend to simply list and describe the implementation factors.

ii. Group 2: Frameworks in the second grouping by Vascocellos e Sa (1990) and De Feo and Janssen (2001) suggest rational step-by-step implementation models that are often difficult to follow in complex situations of implementation.

iii. Group 3: Frameworks developed by Pettigrew (1987), Pettigrew and Whipp (1991) and Dawson (1994) emphasises the importance of context and process but do not provide detailed explanations and discussions about which implementation factions are important, what their specific roles are and their impact on the implementation process.

It is important that business leaders understand the difference between strategy execution and effective strategy execution. It is when the business leaders are able to translate corporate performance into value for shareholders that they would not only understand the capability of the organisation but have a clear understanding of what the key drivers of strategy realisation are.

Kaplan (2005) conducted a study of the McKinsey 7-S model and the Balanced Score Card (BSC) alignment model and learned that they share many features. The BSC alignment model depicted in Figure 1 illustrates how an organisation creates value.

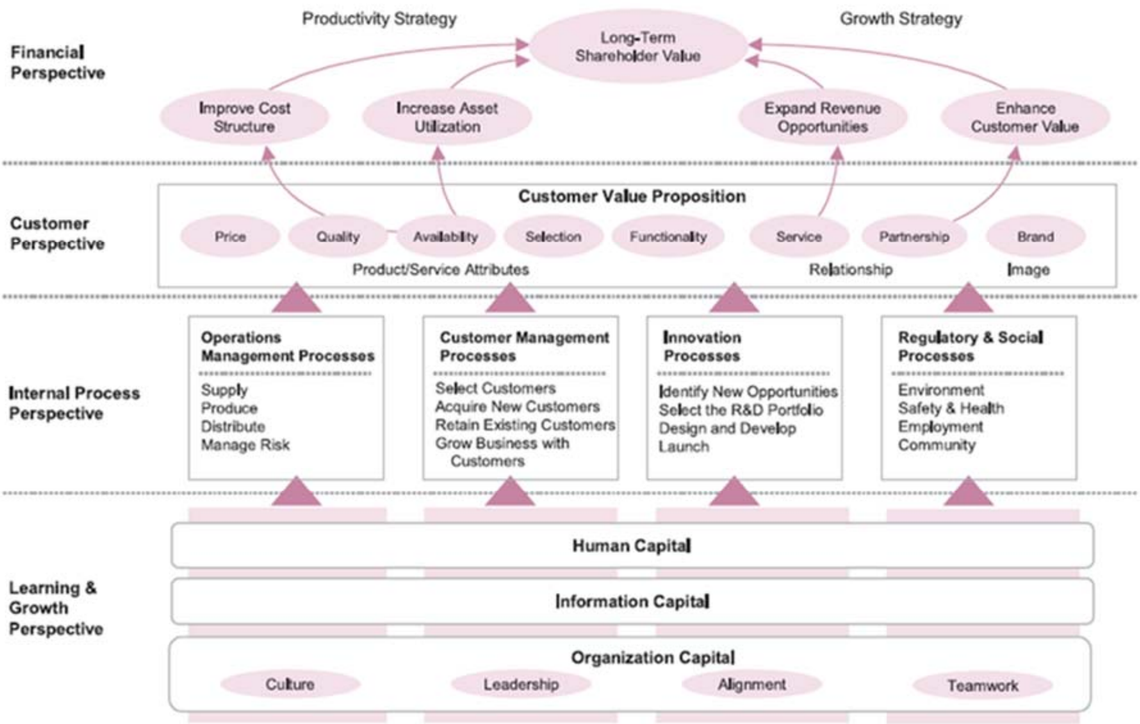

Figure 1: The Balanced Score Card (BSC) alignment model, Source: Kaplan, 2005

Kaplan (2005) explains that "the 7-S model and the Balanced Score Card (BSC) alignment model both articulate that effective strategy implementation requires a multi-dimensional approach and that they both stress interconnectedness". He concludes by highlighting that "although the two strategy implementation frameworks were developed completely independently from each other, the 7-S model and the BSC align remarkably well. He highlights the strength of the model in that the application of the BSC to diverse organisational units aligns companies' structure to business unit and corporate strategy".

Kazmi (2008) conducted further research work to expand on earlier frameworks of the popular McKinsey's 7-S model by Waterman *et al.* (1980) and the work done by Okumus (2003) and starts by clarifying the different components that make up the framework proposed by Okumus which articulates:

i. Strategic context that refers to why and how strategy is initiated.
ii. External context that refers to the degree of uncertainty and changes in the task and general environments of the organisation.
iii. Internal context which refers to the configuration of organisational structure, culture and leadership.
iv. Organisational process which refers to the configuration of operational planning, resource allocation, people, communication, control and feedback as well as outcome.

Okumus' strategy implementation framework appears comprehensive as it attempts to take into account an array of variables and binds them into a compact model, however, as always there could still be scope for improvement (Kazmi, 2008). He expands that "using a comprehensive framework proposed by Carpenter and Sanders (2007) in the context of strategic management, one needs to look at implementation levers since strategic leadership involves making lever and resource allocation decision that allow communicating the strategy to stakeholders". He further proposes three main suggestions to overcome the barriers to strategy implementation, which are:

i. Adopting a clear model of implementation: often implementation activities take place according to the abilities and initiatives of managers involved in them, and those that are important enough to be done. What is required is a clear model of strategy implementation process that can provide unambiguous guidelines to the managers implementing the strategy.
ii. Effective management of change in complex situations: implementation almost always creates the need to manage change in complex organisational context. May of the areas of change are behavioural in nature and are therefore multifaceted and messy, no wonder managers fail to manage these complex organisational issues satisfactorily creating conditions for sub-optimal implementation of strategies.
iii. Setting down clear measures of effectiveness: many of the failures in implementation of strategies can be attributed to the lacunae in setting down clear measures of effectiveness. If there are clear measures of effectiveness, the likelihood of implementation succeeding is enhanced.

Figure 2 presents a model of strategy implementation that attempts to capture the major themes in strategy implementation and the activities that make up each theme (Kazmi, 2008).

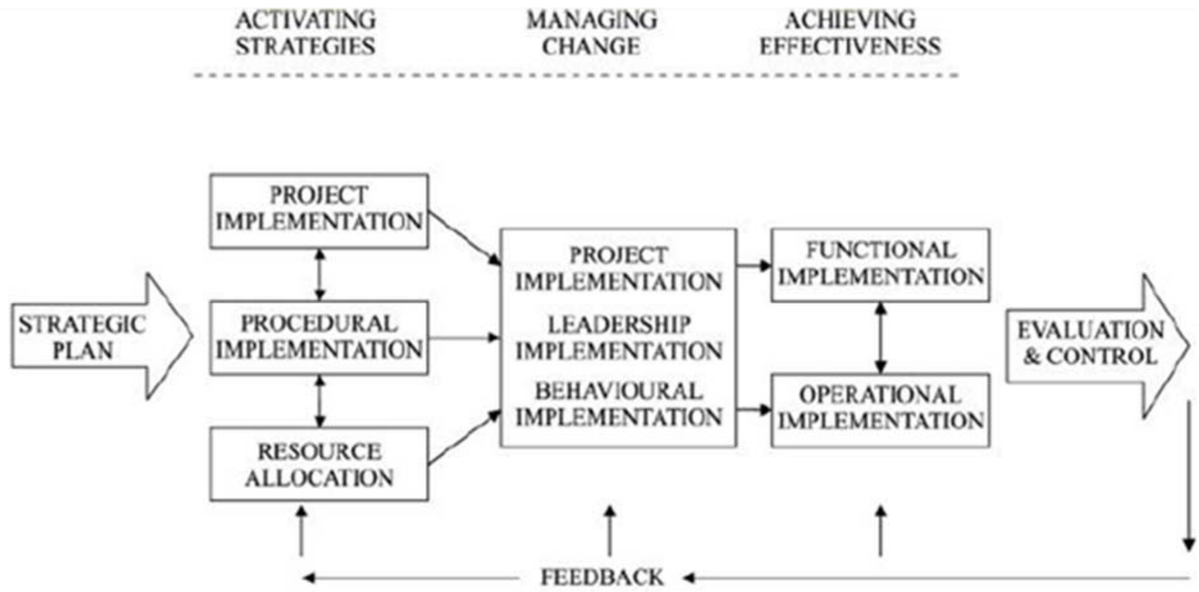

Figure 2: The strategy implementation model, Source: Kazmi, 2008

Kazmi (2008) explains that “the forward linkage from strategic plan guides the implementation process and connects it to the preceding phase of strategy formulations”. He adds that “the feedback flowing in the reverse from strategy evaluation and control moves through the implementation phase and goes back to strategy formulation establishing the backward linkage”.

Kazmi (2008) cautions that “project management is of utmost importance in strategy implementation, a fact that has been curiously neglected in most of existing frameworks”. He cites work that was done by Morris and Jamieson (2005) that suggests this neglect may be corrected. He further highlights the danger of strategy implementation models that have an underpinning of an exclusive top management point of view which assumes the executive management to be passive implementers of strategic direction. He also adds that “the proposed model gives due recognition to the interrelatedness of the different issues in strategy implementation, with effective results emanating from the continual interaction of implementation taking place at the functional and operational levels”.

The evaluation of frameworks for effective strategy execution has focused largely on the technical and hard side of strategic management. It is important to realise that strategy execution focuses on bringing about the changes that would create value. Part of the process involves people and their aspirations. Sheehan (2006) warns that “many brilliant strategies fail due to poor execution and advices that to be successful, managers need to provide guidance so that employees can make decisions leading to implementation”.

There is a need for the different components of enterprise management throughout the strategic management process to be linked, streamlined, aligned and integrated into a unit that could be used to create value. Lukac (2012) cites a Deloitte’s method of articulating value and ways of affecting value drivers. The method depicted in Figure 3 demonstrates how particular actions contribute to shareholder value. He also cautions that in addition to being relative, value has another important characteristic: value is purposeful.

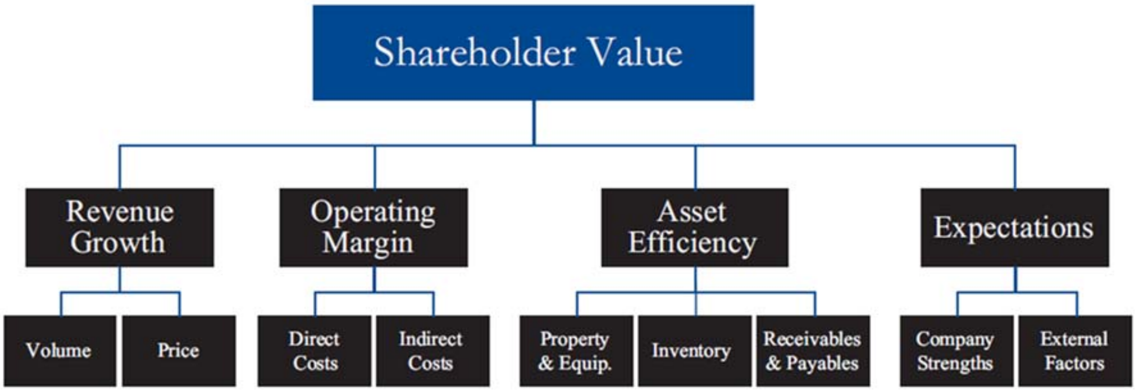

Figure 3: The Deloitte's method of articulating value, Source: Lukac, 2012

Further to the Deloitte's method of articulating value, Lukac (2012) attempts to illustrate how purposeful value is created by depicting how strategic maps can be linked to shareholder value as demonstrated in Figure 4.

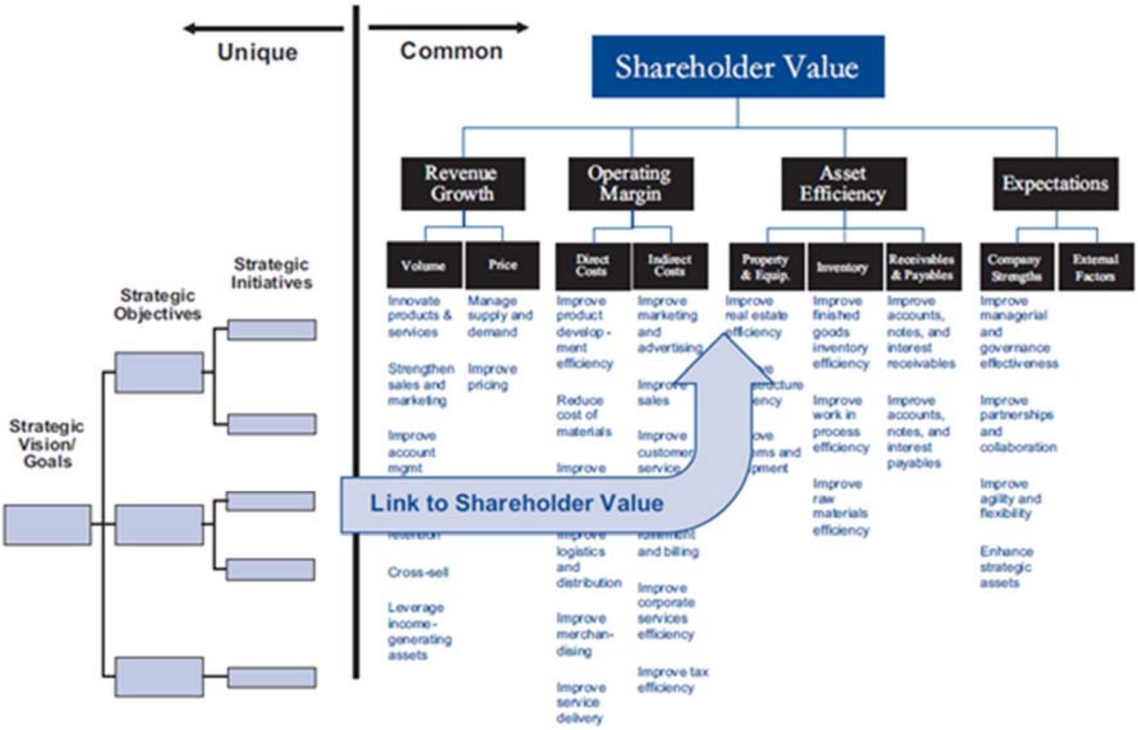

Figure 4: The model on how to link strategic maps to shareholder value, Source: Lukac, 2012

It is at this stage that the measures of success need to be clearly defined to reduce the element of subjectivity. Each strategic objective and its targets need to be defined in measurable terms to make them tangible and define how success will be measured. The question at the back of management's mind should be how the organisation will know when it has achieved its objective and which indicators will alert to it that it is deviating from the intended benefit.

Sheehan (2006) highlights that "measurement is a powerful tool because what gets measured gets managed and what gets managed, gets done". Srivastave *et al.* (2013) propose a model of Strategic

Performance Factors (SPFs) which could be useful in measuring the right thing in the right way to ensure effective strategy execution and add that management of SPFs such as situation and actor is a further value addition to the debate on balancing lead and lag measures or financial and non-financial measures.

It is evident that the key to assessing the effectiveness of strategy execution does not only lie in determining performance measures, but how these performance measures are defined is critical. Executives need to be clear on what they desire to get from the reporting process and define appropriate performance measures to enable them to assess how well the company is doing against the strategy. Once the strategic initiatives are defined in terms of objectives and SMART targets, then there is a need for a framework which could enable management to not only implement the set strategy but to also provide reports on progress made. Srivastave *et al.* (2013) advise that “the identification of the right combination of SPF converts the abstract vision into actionable targets”. They add that “the identification of the right set of SPFs helps management focus on the right issue, acquire appropriate data and resources, develop required measures and monitor the execution of the strategy”.

CONCLUSION

Organisations are getting more and more complex given the factors in the business environment that must be managed to ensure the realisation of strategic objectives. Equally so, the review of the literature indicates that strategic management is a complex task that requires management to give it due consideration in order to achieve success.

It is critical that management is clear on what the strategic objectives of the organisation are and how these are going to be achieved. It is therefore concluded that strategy is about leaders of an organisation gaining an understanding of the environment within which the organisation is operating, identifying opportunities that could be exploited for commercial purposes, determining the capability of the organisation to take advantage of market opportunities and steering the organisation through external factors that may deter the organisation from realising its intended commercial objectives. Sound leadership is required from senior management (executives) and the board of directors to help direct the organisation through the turbulent environment. It is their responsibility to oversee the corporate governance of the investment made by shareholders.

The challenges faced by organisations in executing strategy are highlighted by a number of authors. A number of strategy implementation frameworks were developed and some such as the balanced scorecard model are widely applied by industry. It is clear from the review of the literature that strategy execution still needs improvement to ensure that the expectations from the strategic planning phase are realised. Furthermore, the surveyed literature indicates that effective strategy execution is still in its infancy; thus the aspects of value creation, management and delivery might be jeopardised. It is the observation of the authors that the frameworks on effective strategy execution that are available in literature need to be integrated somehow so that the aspects that are common are streamlined and new elements are brought in, in order to create a single framework which management could use to direct their efforts.

It is the view of the authors that there appears to be a number of areas that require attention which this study could contribute towards in some form:

i. The inadequacy of existing business strategy models to cope with the limited level of integration across the strategy management process as identified by Ghezzi, 2013.

ii. Carroll (1982) found that there is no appreciation of the importance of environmental factors that enhance relative performance because of the absence of a conceptual framework that permits sources of comparative advantage in a business to be identified and exploited.

iii. The lack of a model, blueprint or template that could be used to shape execution decisions or actions as found by Hrebiniak, 2005.

iv. Lukac (2012) identified the lack of a framework for connecting effective strategy execution and the creation of shareholder value.

v. The lack of strategic performance factors and their role in effective strategy execution, which turns out to be a barrier to the successful execution of strategy identified by Srivastave *et al.*, 2013.

vi. Serra and Kunc (2014) highlighted the lack of empirical evidence of the effectiveness of benefits realisation management (BRM) even though the BRM practices are positive predictors of project success on the creation of strategic value for the business.

A number of gaps were identified from the review of the literature that warrants research in the development of an integrated model/framework that would guide effective strategy execution with the objective of creating value for shareholders. It is the belief of the authors that the development of the model or framework for effective strategy execution could contribute significantly to the current body of knowledge and how organisations could effectively execute on the corporate strategy in order to realise the value expected by shareholders.

RECOMMENDATION

An integrated strategy delivery model, derived from the different models presented in the literature (considering their strengths and drawbacks), is proposed as a mechanism for effective strategy execution; while keeping value and change management at the core of strategy execution. In addition, the authors have included leading market practices that they have gained from their vocational experience to present a model that is practical and relevant to industry. It is the experience of the authors that organisations are integrated entities that need a balanced approach that takes into consideration the hard (i.e. concepts, models and techniques) and soft (i.e. people management and interaction) aspects of business management. The model comprises of three components which must be managed in an integrated manner; these are:

i. Strategic management and leadership – aligned to a model of strategy implementation that attempts to capture the major themes in strategy implementation and the activities that make up each theme as proposed by Kazmi, 2008;

ii. Corporate governance and oversight – takes into consideration measurement of corporate performance which could be based on the Balanced Scorecard Model as proposed by Kaplan, 2005; and

iii. Project management office and centre of excellence – incorporating the Deloitte's method of articulating value as presented by Lukac, 2012.

The outcome of the review of literature indicates that there are a number of gaps which hamper the effective execution of strategy and the delivery of expected value (benefits). It is critical to recognise that the company strategy cannot be realised fully without an active change management process that seeks to ensure that all key stakeholders are aligned to what the organisation seeks to achieve. Added to change management is the active management of the realisation of the expected benefits which translates into value for the key stakeholders.

The three components that make up the integrated strategy delivery model are discussed below. The narration covers the key elements that make up the component, the key considerations and interdependencies which must be managed during normal operation. The model below (Figure 5) shows how strategy could be managed effectively while keeping benefits realisation at the centre of what is done throughout the organisation.

The strategic management and leadership component depicts the traditional strategic management process. The process is made up of a number of activities that must be completed effectively in order to ensure that value is not eroded as one moves from one phase to the next. The external and internal analysis are activities that are carried out to gather intelligence which will inform the strategy which the organisation will develop and adopt for a pre-defined period. The strategy is normally managed on an annual basis and evaluated at the end of the company's financial year in order to prepare a performance report for shareholders. The evaluation of the strategy should not be the end point of how well the organisation is performing. The process should be taken one step further to assess the effectiveness of the execution of the strategy. The objective of the strategy effectiveness review is to analyse how well the organisation is doing in achieving the strategy. This assessment goes beyond the traditional performance against the strategic plan but speaks to the value created by the organisation. It is also an indication of the useful life of the organisation or its ability to create value in the long term. It is envisaged that shareholders and investors are keenly interested in this information as it helps them assess their investment decisions.

The objective of the corporate governance and oversight component is to enable the oversight of the realisation of strategy. The component is not a stand-alone process but should be imbedded in how business is done. It should stretch from the board of directors and executives right through to the operational level. It is structured in a manner that allows delegation of authority and independence of stakeholders. It is envisaged that the standard corporate governance principles will apply such as the need for clear separation of duties between the role of the board of directors and the Chief Executive Officer (CEO) in which the Chairperson of the Board is not the CEO. The proposed elements of corporate governance and oversight entails:

i. Corporate strategy and plan;
ii. Programme and project portfolio;
iii. Programme and project implementation plan;
iv. Execution, performance monitoring and tracking; and
v. Performance evaluation and review.

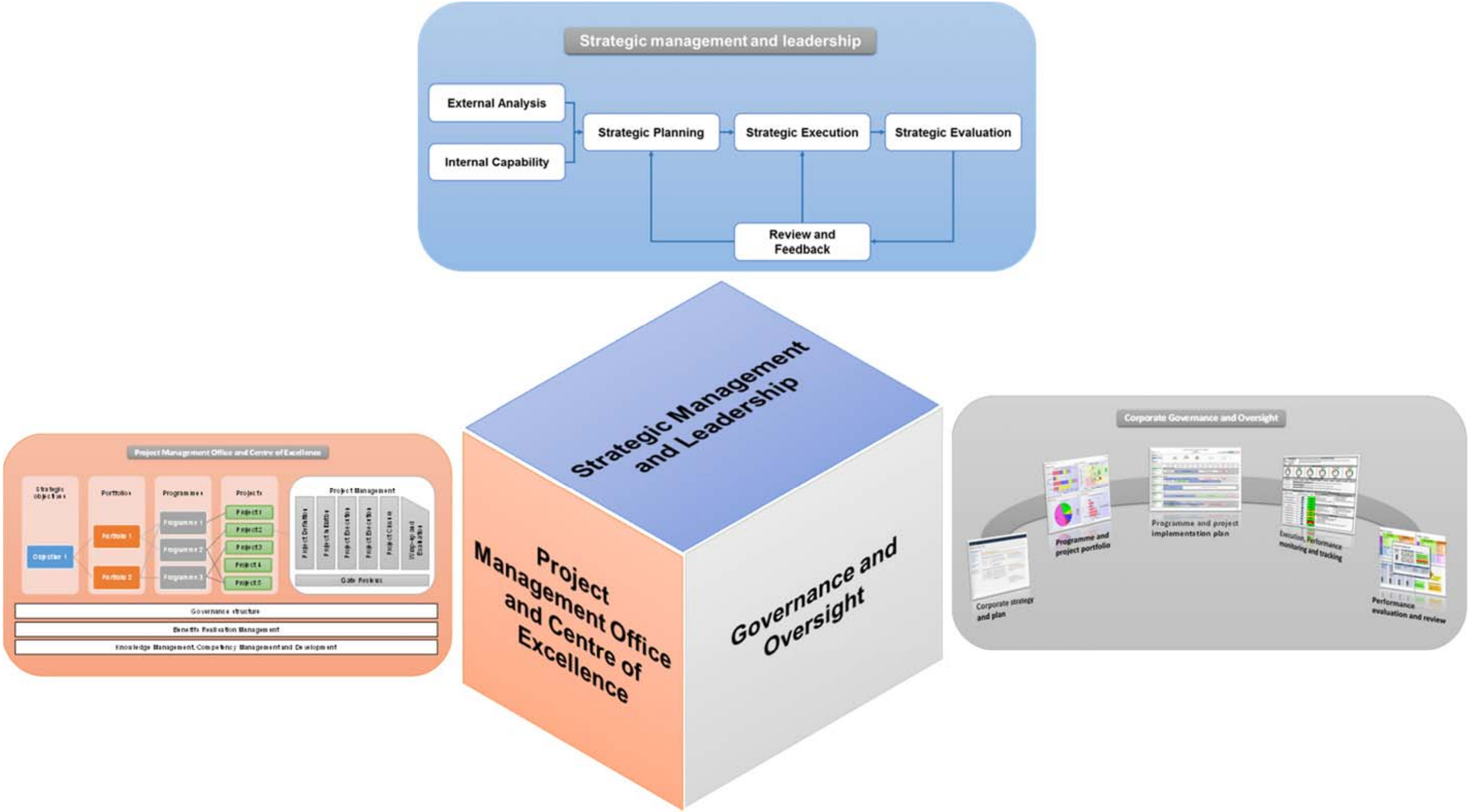

Figure 5: The integrated strategy delivery model

It is becoming clearer that there needs to be a function that oversees the administration of the strategy execution process. Organisations have adopted different approaches but the project management office (PMO) is emerging as a centre of excellence (CoE) not only for providing administrative support during strategy execution but to also drive the maturity of the organisation in delivering projects and programmes.

The proposed model is seen as an integration of key components that enable an organisation to have a view of where it is at a point in time. It involves a lot of collaboration, alignment and a strong change management element. It is a culmination of theory and the experience of the authors which is standard practice at blue-chip organisations. The planned next step is to test the proposed model to assess how it could be applied by industry in effective strategy execution. Furthermore, the assessment would include testing how shareholder value could be quantified during effective strategy execution.

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