

*Full Length Research Paper*

# Why does strategic plans implementation fail? A study in the health service sector of Iran

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Accepted 14 June 2011

**This research aims to identify effective factors on the failure of strategic decisions implementation in the Iranian health service sector. Reviewing the literature and using experts' opinion, 16 variables were identified. Using exploratory and confirmatory factor analysis, variables were categorized in the form of 4 factors. This model, in the order of effect, identifies context dimension (0.94), content dimension (0.87), operational dimension (0.71) and structural dimension (0.67) as effective factors on the failure of strategic decisions implementation in Iranian health service sector.**

**Key words:** Strategy, strategic decision implementation, strategic decision failure, health service sector and factor analysis.

## INTRODUCTION

In the management literature, the concept of strategy was seriously addressed in the second half of the twentieth century. Authors like Chandler et al were among the most important introducers of strategic concepts in the management science and business issues. Initially, heavy volume of studies and researches in the strategic management field were focused on strategy formulation. In the recent years, however, an evident shift has happened toward strategy implementation. Today, there are several techniques to analyze and formulate strategies such as strengths, weaknesses, opportunities, and threats (SWOT) and Porter's competitive strategies, though a dominated framework is not drawn on strategy implementation area (Okumus, 2003). This problem becomes more important when we realize that the efficiency of strategies is faced with many impediments. If we consider strategic management as a process consisting of formulation, implementation and assessment steps (David, 1988), organizations faced with problems in each step. During strategic management process in private and public

organizations, one should note that merely a good plan or strategic decision cannot generate value for an organization and its stakeholders; rather, strategies should be implemented effectively. More aspects of the problems are further revealed when we understand that organizations have failed in implementing over 70% of their strategic initiatives (Miller, 2002). Discussion on the problems and difficulties of strategy implementation in the recent years has been highly fascinated by the strategic management discourse since the implementation of strategic plans and decisions have not been as successful as their designers expected.

Undoubtedly, strategic decisions are the most important decisions made in the highest organizational levels and their impacts can involve all aspects of an organization. Making a decision is accompanied by implementation and assessment. Insufficient endeavor in each step can nullify good decisions. One of the greatest challenges for managers and decision-makers in organizations is to implement managerial strategic decisions while many strategic decisions fail; sometimes, despite sensitivities expressed in decision-making stage, they face with many problems to implement such decisions. The literature indicates that several studies have been conducted in various countries to identify the effective factors on the success/failure of strategic decisions. In the meantime, authors' studies show that no research has been yet conducted to identify the major effective

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**Abbreviations:** SWOT, Strengths, weaknesses, opportunities, and threats analysis; KMO, Kaiser-Mayer-Olkin

factors on the failure of strategic decisions in Iranian health service sector. Such negligence in health service sector leads to double undesired outcomes since decisions made by senior managers in this sector are concerned with human mind and body and they may lead to survival or death of an individual. Hence, it seems necessary to identify effective factors on the success/failure of implementing such decisions. In the present study, the researchers study the problem in Iranian health service sector. Thus, the most important questions of the research are: "What are the effective factors on the failure of strategic decisions implementation in Iranian health service sector?" "What is the importance rate of mentioned factors in the failure of strategic decisions implementation among active organizations in Iranian health service sector?"

## LITERATURE REVIEW

### Strategic decision implementation

There are many written materials on implementation of managerial plans and decision as well as their CSFs and CFFs. Strategy formulation is the first step in strategic planning process. However, strategic planning process does not come to an end here and it continues with two important steps namely implementation and assessment/control. Strategy implementation means a suite of necessary actions and selections to execute a strategic plan. Strategic decisions are those decisions relevant to organizational long-term future (Hicksen et al., 1986). Strategic decisions involve a wide range of decisions such as producing or supplying a new product or service, new advertising strategy, strategic alliance, exiting a market, merging another company, changes in key suppliers, strategic partnership and organizational structure changes (Alexander, 1985; Miller et al., 2007).

It is necessary that managers and staff implement strategies based on devised and tested models and frameworks; however, varied models have not been developed in this regard yet. Alexander (1991) believes that one of the reasons for strategy implementation failure is the lack of proper models to guide managers and supervisors in strategy implementation. So, effective and efficient implementation of strategies is among the most important problems for managers in recent decades. In this regard, tools like balanced scorecard were introduced to facilitate better implementation of strategies.

### The failure of strategic decisions implementation

The failure of strategic decisions is usually costly for organizations. Hence, identification of effective factors on success/failure of strategy implementation is highly important. Among preliminary studies on strategy implementation, one can point out Waterman et al. (1980).

They believe that effective strategy implementation depends on the alignment of seven factors: strategy, structure, systems, style, staff, skills and subordinate goals (Waterman et al., 1980). Roy Wernham (1984) addressed the reasons for the gap between strategies and practice in Britain nationalized telecommunication industry and identified five main effective factors on strategy implementation including lack of resources, history (confidence), lack of fit, deficiencies in transfer of information between units at different levels and requirements to achieve conflicting goals (Wernham, 1984). In a study on 94 companies, Alexander (1985) identified 10 problems in strategy implementation: Strategy implementation period which exceeds the initially predicted term, some problems emerged during implementation which had not been already identified, harmonizing administrative actions which were not sufficiently effective, competitions and crisis divert attentions from implementation, insufficient capabilities of those staff who were not involved in administrative affairs, training and instructions provided to lower level staff were not sufficient, uncontrolled external factors in the environment had undesired impacts on implementation, inadequate leadership and commanding by unit managers, implementation key actions and tasks were not defined in detail and insufficient information systems to monitor implementation (Alexander, 1985).

Kaplan and Norton (1996) recommended four key factors to implement strategies successfully: Clarifying and translating the perspective and strategy; Links and relations, planning and goal-setting and Strategic feedback and learning (Kaplan and Norton, 1996). In a study on 11 strategic decisions in 6 companies, Miller (1997) identified 10 effective factors on strategy implementation. These 10 factors are divided into two groups of achievers and enablers: (a) realizers: Backing, assessability, specificity, cultural receptivity, propitiousness and (b) enablers: Familiarity, priority, resource availability, structural facilitation and flexibility (Miller, 1997).

By evaluating 68 strategic decision-making teams in US south eastern hospitals, Dooley et al. (2000) concluded that the decision-makers' coincidence on adopted decision leads into decision-makers' commitment and impacts positively on the success of strategy implementation and impacts negatively on the velocity of strategy implementation (Dooley et al., 2000). Beforehand, in a laboratory research, Priem et al. (1995) indicated that coincidence of group members on a decision increases the acceptance level of all team members and enhances their tendency to more endeavor in decision implementation (Priem et al., 1995). Maxwell et al. (1997) concluded that the implementation of corporate environmental strategies depends on senior managers' evident commitment to such strategies (Maxwell et al., 1997). Beer and Eisenstat (2000) summarized 6 strategy implementation barriers: senior management's top-down or laissez faire policy; unclear strategy of conflicting priorities; Ineffective senior management team; Poor vertical relations; Poor

coordination among functions, businesses or boundaries; and inadequate down-the-line leadership skills and development (Beer and Eisenstat, 2000). After a comprehensive review of strategy implementation frameworks, Okumus (2001) identified 10 key factors on strategy implementation: Strategy formulation, environmental distrust, organizational structure, culture, operational planning, resource allocation, individuals, control and outcome. He also added 3 new variables to literature: multiple project implementation, organizational learning and working with external companies (Okumus, 2001).

Aaltonen and Ikavalko (2002) identified 3 factors of successful strategy implementation including: communications and strategic acting, identifying and supporting strategic players and aligned systems and structures with strategy (Altonen and Ikavalko, 2002). Miller et al. (2007) categorized effective factors on the success of strategic decision in two groups: experience-based factors including familiarity, assessability, specificity, resourcing and acceptability and readiness-based factors including receptivity, structural facilitation and priority (Miller et al., 2007). Brenes et al. (2008) considered 18 factors as key success factors categorized in five groups; identified factors include: strategy formulation process, systematic execution, strategy control and follow-up, right and motivated CEO, management and staff leadership, and corporate governance leading the change (Brenes et al., 2008). Some studies have been conducted about leaders' role in implementing the plans and decisions such as Churchman (1975); Mintzberg and Raisinghani (1976) and Beyer and Trice (1982). Among newer researches, one can point out Nutt (2007).

This research on 400 projects show that the impact of strategy implementation on the success is more than the impact of assessment on it.

Intervention tactics and participation tactics increase the possibility of the success of implemented strategies and convicting and instructing tactics fail. Assessment tactics (analysis and participation) improve the success level of strategy implementation with intervention and participation tactics but they cannot overcome problems resulted from strategy implementation with convicting and instructing tactics (Nutt, 2007). Additionally, there are other studies in strategy implementation area such as Hrebiniak and Joyce (1984); Bryson and Bromiley (1993); Schmelzer and Olsen (1994); Okumus and Roper (1999) and Dobni (2003). After analyzing current literature, considered variables were exposed to experts and finally 16 factors which had high repeatability and frequency in various studies, were identified as the main factors of the failure of strategic decisions. Table 1 indicates these factors along with their definitions.

## RESEARCH METHODOLOGY

Present research is conducted to identify effective factors on the failure of strategic decisions implementation in Iranian health

service sector.

To conduct the research, the researchers initially tried to identify effective variables on the failure of the strategic decisions implementation from the literature and experts' opinions by using Delphi technique; then considered variables were surveyed by exploratory factor analysis.

Finally, the results were tested by Confirmatory factor analysis. To execute factor analysis, a questionnaire was designed. Likert's five-option scale was used in the questionnaire and respondents chose the proper option from very low to very high. The questionnaire was reviewed in terms of validity and reliability; Cronbach's alpha was 83.3%. It shows high reliability of the questionnaire.

The final questionnaire was distributed among experts. Data analysis was performed by SPSS 15 and LISREL 8.5 software. Research period was limited to winter 2009 and spring/summer 2010.

## DATA ANALYSIS

### The results of exploratory factor analysis

To conduct factor analysis, it was initially determined by Kaiser-Mayer-Olkin (KMO) measure and Bartlett's test that the number of data is suitable for factor analysis. According to Table 2, KMO measure is 0.704 and the value of the significance of the statistic of Bartlett's test which is an approximation of  $\chi^2$  statistic is less than 5% namely 0.00 which shows that factor analysis is suitable for identifying the studied structure.

### KMO and Bartlett's test

Regarding the results in Table 3, obtained model in this research accounts for 61.088% of the variance of effective variables on the failure of strategic decisions implementation. Total variance can be used as the total validity measure of the model. The results of exploratory factor analysis suggest four factors for which a proper name is selected according to the content of loaded variables in each factor. The variables are categorized into 4 factors: Contextual dimension, content dimension, operational dimension and structural dimension (Table 4).

### Confirmatory factor analysis

Figures 1 and 2 provide obtained model from exploratory factor analysis and show effective variables on the failure of strategic decisions implementation in 4 factors. Thus, organizations of the healthcare sector of Iran with better performance in these 4 factors are less failed in strategic decisions implementation. The RMSEA equals 0.078 which is lower than 0.1. In the meantime, the two GFI and AGFI are, respectively 0.79 and 0.76, which show good fitness of the model. Also,  $\chi^2$  equals 151.55 and freedom rate is 99. Hence, the ratio of  $\chi^2$  to freedom degree equals with 1.53 which is less than 3. So, it is concluded that obtained model has suitable fitness. This model, in

**Table 1.** The definitions of the factors which are related to the failure of strategic decisions implementation in the literature.

1	Resource limitation	Money, material and human resources are insufficient for strategic decision implementation.
2	Background	Organization is notorious for being unsuccessful in implementing its strategic decisions.
3	Poor and improper communications	Information and knowledge transfer is poor in the various units of the organization.
4	Conflicting goals and priorities	Goals and strategies of the organization are multiple and divergent with each other.
5	Environmental uncertainty	Unpredicted problems happen while implementing the strategies.
6	Disharmony	Coordination of executive activities is poor and inefficient.
7	Incapable human resource	The employees who are involved in the strategy implementation lack necessary capabilities.
8	Improper management team	The leadership and guidance required from managers of any level of the organization are not enough and proper.
9	Inefficient operational planning	Activities and key duties are not defined with enough detail.
10	The lack of support by senior managers	The CEO, the members of the board of directors or top level managers do not support the strategy implementation adequately.
11	Non-assessability of implemented strategic decision	The criteria of the success of strategic decision are not definite and clear.
12	Non-acceptor organizational culture	Beliefs and values of the employees of organization are conflicting with implementing the considered strategy.
13	Divergent organizational structure	The current organization structure prevents from the implementation of the strategy.
14	Non commitment of decision-makers	Decision makers do not have enough commitment to implement the strategy.
15	Unclear strategy	The decided strategy is not clear and well-defined.
16	Non convergence of organizational varied aspects to considered strategy	There is no alignment between processes, work systems and other dimensions of the organization with the organizational strategy.

**Table 2.** KMO measure and Bartlett's test.

<b>Kaiser-Meyer-Olkin measure of sampling adequacy</b>	0.704	
<b>Bartlett's test of sphericity</b>	Approx. Chi-square	379.078
	df	91
	Sig.	0

the order of effect, identifies context dimension (0.94), content dimension (0.87), operational dimension (0.71) and structural dimension (0.67) as effective factors on the failure of strategic decisions implementation in Iranian health service sector.

## Conclusion

Today global competition forces managers to decide more carefully. In many occasions, business competitive atmosphere cannot stand even small mistakes and it is

**Table 3.** The result of exploratory factor analysis.

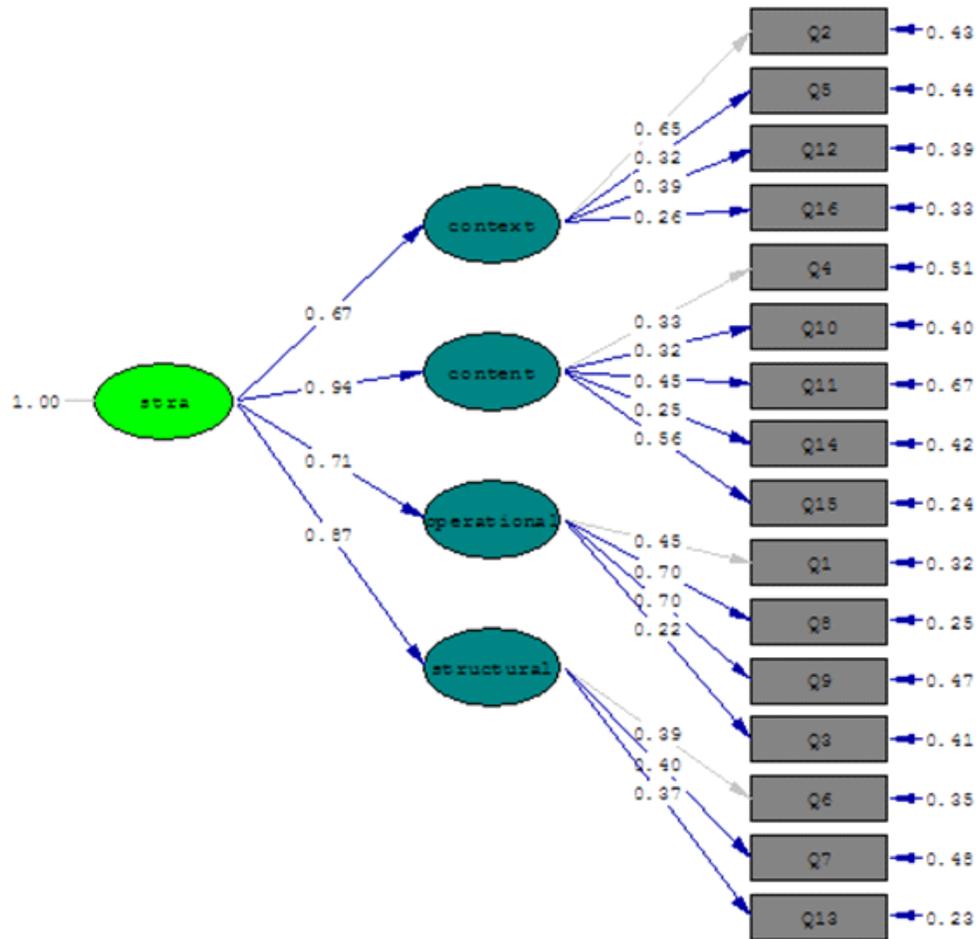
Variable	Factor			
	Context dimension	Content dimension	Operational dimension	Structural dimension
Background	0.701			
Environmental uncertainty	0.5			
Non-acceptor organizational culture	0.767			
Non convergence of organizational varied aspects to considered strategy	0.424			
Unclear strategy		0.565		
Conflicting goals and priorities		0.73		
The lack of support by senior managers		0.674		
Non commitment of decision-makers		0.623		
Non assessability of implemented strategic decision		0.736		
Resource limitation			0.642	
Improper management team			0.738	
Inefficient operational planning			0.854	
Poor and improper communications			0.553	
Disharmony				0.649
Incapable human resource				0.703
Divergent organizational structure				0.569
Variance (%)	8.82	10.03	12.79	29.45
Variance (Cumulative) (%)	61.09	52.27	42.24	29.45
Eigen value	1.235	1.404	1.79	4.123

**Table 4.** Definitions of the effective factors on the failure of strategic decisions implementation in Iranian health service sector.

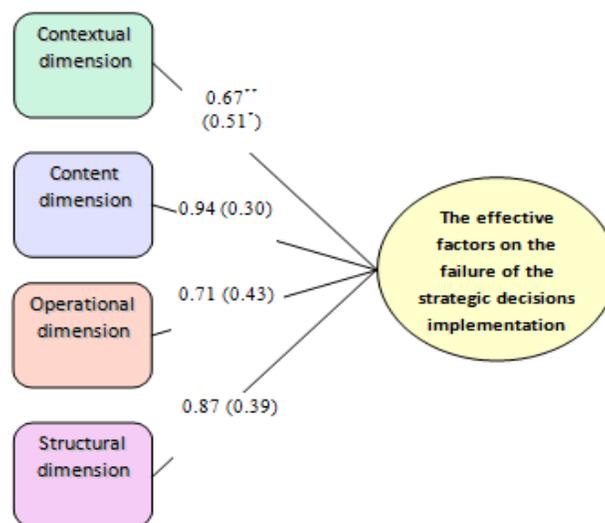
Row	Variable	Definition
1	Contextual dimension	Contextual aspect points out internal/external environment for strategy implementation in organization.
2	Content dimension	Content aspect points out how to develop strategies in organization.
3	Operational dimension	Operational aspect points out the operational-level problems of strategy implementation in organization.
4	Structural dimension	Structural aspect points out organizational structure and the quality of power distribution in organization.

not surprising that a strategic decision, which is not adopted rightly and comprehensively, causes the decline and even the fall of an organization. Therefore, it is necessary that managers achieve a proper recognition of effective factors on their decisions' success and failure since awareness of key variables related to the results of strategic decisions will help them to achieve more desired results for their organization. As noted before, in this research effective factors on the failure of strategic decisions implementation in Iranian health service sector are studied. Reviewing the literature and using the opinions of experts led to 16 variables as effective factors on the failure of strategic decisions implementation. The results of explorative and confirmative factorial analysis

categorized them in four factors: content dimension (0.94), structural dimension (0.87), operational dimension (0.67) and contextual dimension (0.67). The results of this research are in harmony with previous researches in the literature. Also, the results show that the most important reason for strategic decisions failure in Iranian health service sector is content dimension. Such result is important since on the other extreme, contextual dimension has the lowest importance on describing the reasons of managerial decisions failure. Operational and structural dimensions are located between these extremes. It was already mentioned briefly that lack of enough attention to managerial decisions in health service sector is accompanied with undesired results which is not comparable



**Figure 1.** The model for measuring the effective factors on the failure of strategic decisions implementation. Chi-Square=151.55, df=99, P-value=0.00000, RMSEA=0.078



**Figure 2.** The effective factors on the failure of strategic decisions implementation.  $\chi^2$ , 151.55; df, 99;  $\chi^2/df$ , 1.53; GFI, 0.79; AGFI, 0.72; RMSEA, 0.078; \*\*, significant value; \*, standard coefficient.

with other industries in terms of importance and impacts; decisions made in the senior management level are related directly to human beings' mind and body and they may lead to death or survival of someone. Therefore, paying serious attention to identifying effective factors on the failure of strategic decisions implementation is vital.

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