
ANALYSIS OF STRATEGY IMPLEMENTATION PROCESS AND EMPLOYEES' PERFORMANCE IN CONSTRUCTION COMPANIES

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Abstract

Strategic planning is an effective decision-making tool that has been used for years. Strategy implementation is the most challenging stages in strategic planning. It can influence the company performance which includes the employees' performance. However, there is still insufficient evidences proves this relationship. Successful strategy implementation process includes understanding of vision and mission, strategic action plan, resources allocation, employees training, employees involvement in decision making, reward system and corporate culture. Strategy implementation can influences the employees' performance through employees' commitment, retention and growth. The aim of this research is to analyse the relationship between strategy implementation process and employees' performance in construction companies. Respondents were G7 contractors in Klang Valley, Selangor. Questionnaire survey were collected and Pearson's correlation analysis proves that strategy implementation process does influence the employees' performance in construction companies. Employees' retention and employees' growth has strong correlation coefficient, but employees commitment correlation is quite weak. This research is suitable to be used as strategy implementation reference for management team in conducting strategy implementation.

Keywords: company performance, strategy implementation, strategic planning.

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INTRODUCTION

Strategy is a term derived from military technique to coordinate their policies and tactics (Dandira, 2012). It is a continuous process of long-term planning which provide a sense of clear direction and objective (Kryger, 2018). Nothing is set in stone during the early stage in strategic planning and decision made should be subjected to modification if it is necessary (Dandira, 2012). Strategic planning has been an effective decision-making tool for years (Dandira, 2012). Through strategic planning companies develop business strategy to gain their competitive advantages by reviewing their opportunities and threats (Henderson, 2017). Strategic planning consist of three main stages; strategy formulation, implementation, and evaluation (Dandira, 2012). Above all, strategy implementation is the most tedious stage (Kachaner, et al., 2016). Managing strategy implementation is more difficult compare to brainstorming process in strategy formulation (Allio, 2005). Strategy implementation is complex because it involve the translation of formulated strategy into an actual action plan which needed to be implemented at the operational level (Mohamed et al., 2014). Even the most visionary strategy formulated is useless if it fails to be implemented (Hassan, et al., 2008). Many strategists focus their energy and resources invested in perfecting the strategy, but spend little effort in strategy implementation itself (Allio, 2005). Previous statistic shows that about 90% of companies fail to implement their strategy as planned (Gębczyńska, 2016). This is due to infective strategy implementation process conducted by companies (Bakar, et al., 2011). Strategy implementation has a direct influence towards companies' performance and employees' performance (Gębczyńska, 2016).

LITERATURE REVIEW

Strategy implementation process

Companies use strategic planning as a survival tool to stay competitive in industry (Jiang & Carpenter, 2013). Strategy formulated can be successfully implemented through several process consideration (Stewart et al., 2002).

Successful strategy implementation are achievable through good strategic inputs (Allio, 2005). Strategic inputs include vision and mission statement, formulated strategies, preliminaries performance, targeted performance and critical issue regarding strategy implementation (Allio, 2005). Most of these inputs are gained from the outputs of strategy formulation stage (Allio, 2005).

Successful strategy implementation requires efficient information transfer regarding the strategic inputs (Gębczyńska, 2016). Management team needs to ensure the information transfer are effectively transferred to the operational team (Allio, 2005). Since strategy formulation is usually conducted by management team, efficient information transfer is required to ensure the operational team acknowledge the strategic inputs (Hijji, 2014). Operational team that has comprehensive understanding of strategic inputs will help to ensure strategy implementation process runs smoothly (Hashim, 2008). However, information transfer can be challenging and information can get deteriorated throughout the process (Allio, 2005). Miscommunication in delivering strategic inputs to operational team can cause failure to strategic implementation (Mohamed et al., 2014). Communication during strategic implementation process is crucial for optimum understanding and cooperation (Hijji, 2014). Thus, successful strategy implementation need a strong collaboration between operational team and management team.

Strategy implementation success also depends on how well the strategic action plan itself (Mohamed et al., 2014). Strategic action plan has to be clearly elaborated with its task division, timeframe, cost estimation and resources planning (Allio, 2005). So that, operational team may proceed strategic action plan within targeted time and budget. Constant monitoring from management team also required to ensure that it is done according to plan (Reid, et al., 2014). Management team needs to be aware when will action plan be carried out and by whom (Dandira, 2012). If it is not as planned, contingencies plan can be carried out (Reid, et al., 2014). Thus, collaboration between operational team and management team is crucial in implementing strategic action plan.

As mentioned, implementing strategic action plan requires resources planning. However resources planning without allocation is useless. Management team have to ensure that sufficient resources allocation is available (Mohamed, et al., 2014). This resources include human, physical and technological resources (Hashim, 2008). Although strategic action plan is conducted by operational team, management team has to be aware of its needs and monitor its resources regularly.

Strategy implementation requires strategist skills which usually identified in the management team (Henderson, 2017). However, the actual implementation is implemented by the operational team (Mohamed et al., 2014). Therefore, proper strategic training is required to enhance strategist skills within operational team (Dandira, 2012). Strategist skills in operational team is crucial to help them understand the strategy implementation process and its importance (Allio, 2005). Thus, the operational team can understand how critical their action in strategy implementation which may influence the company's performance and how it can benefit them in returned (Dandira, 2012). Training also helps operational team to become more dynamic towards the changes throughout whole strategy implementation process (Allio, 2005). In other words, training helps operational team to adapt to the new routines in fulfilling strategic action plan (Allio, 2005).

Strategic planning often exclusively focusses on management team as strategist (Dandira, 2012). Strategy sometimes being preserve exclusively to management team because they believe being strategist is a sign of power (Dandira, 2012). Thus, most of the decision making are made by the management team (Mohamed, et al., 2014). Lack of operational team involvement in decision making often causing good strategy goes to waste because it is unimplementable (Dandira, 2012). This involvement helps to avoid any rejections in implementation stage (Gębczyńska, 2016). In order to encourage operational team involve in decision making, low bureaucracy company structure is required (Voberda, et al., 2011). Low bureaucracy means that the companies has lower red tape and the management team shared their commands with employees (Voberda, et al., 2011). Company structure also should have flexibility, fewer management layers and decentralized decision making (Lee & Yang, 2011). Thus, operational team will be able to involve in decision making during strategic inputs, constructing action plan and resources allocation.

Reward is another crucial factor for successful strategy implementation (Mohamed, et al., 2014). Rewards can help to stimulate employee's behavior toward desired behavior (Bartol & Srivastava, 2002). This is because potential rewards able stimulate human brain in decision-making (Mohamed, et al., 2014). They can be either of individual or team incentives, or profit sharing (Gil & Mataveli, 2016). Rewards can be divided into extrinsic or intrinsic (Stumpf et. al., 2013). Extrinsic can either be monetary or non-monetary (Bartol & Srivastava, 2002). Monetary rewards include bonuses and salary increment (Bartol & Srivastava, 2002). Non-monetary rewards include recognition, gifts and certification (Bartol & Srivastava, 2002). Intrinsic rewards are related on how employees experiencing positively value and experience from their job (Stumpf et. al., 2013). It relates to employees' sense of self-worth and motivation. (Stumpf et. al., 2013)

Successful strategy implementation also influenced by human factor such as corporate culture (Guiso et al., 2015). Corporate culture influences the human interaction and how they conduct their transactions (Pearce & Robinson, 2000). It is a strong value holds and shared throughout the company (Pearce & Robinson, 2000). It creates a unity believes between management team and

operational team which give them sense of meaning and direction which will guide them into more cooperative workforce (Pearce & Robinson, 2000). A good corporate culture also helps them to be more dynamic in problem-solving (Bahadori et al., 2018). Dress code, business operation, office setup, turnover, hiring decisions, treatment of clients and client satisfaction are some of things that corporate culture influenced (Pearce & Robinson, 2000).

It is highlighted that successful strategy implementation is influenced by the skill of strategic planning such as the comprehensive understanding of vision and mission, managing strategic action plan and resources allocation. Successful strategy implementation also influenced by human factors such as employees' training, employees' involvement in decision making, employees' rewards and corporate culture. These variables are mention in scattered and focus research are not yet conducted.

Employees' performance

Successful strategy implementation helps to enhances employees' performance (Wibowo, et al., 2015). Employees' performance is related to the employees' efficiency and effectiveness in conducting activities and tasks (Pawirosumarto et al., 2017). There are several metrics measure of employees' performance.

One of the metrics is by measuring the employees' commitment (Sihombing et al., 2018). Employees' commitment is about the willingness of employees to participate in a company's task (Awad & Alhashemi, 2012). Employees' commitment also related to job satisfaction (Awad & Alhashemi, 2012). Job satisfaction can be influenced by challengingness of task, working schedule, authority, flexibility, job involvement, empowerment, job design, training development, personal accountability and rewards (Ahmad et al., 2015). Communication between management team and operational team can also affect the employees' commitment (Awad & Alhashemi, 2012).

Employees' retention is another metric to measure employees' performance (Wibowo, et al., 2015). Job satisfaction influences the ability for a company to retain its employees (Awad & Alhashemi, 2012). Low job satisfaction may contribute to high employee's turnover and absenteeism (Molina et al., 2014). Employees' turnover is defined as the cycle where employees exit the company and replaced with new employees (Wibowo, et al., 2015). Period gap between the employees exit and replacement may result low productivity (Molina et al., 2014). Employees' absenteeism refers to employees' habitual absence from work which will decrease company's productivity (Awad & Alhashemi, 2012). Company may retain employees by increasing employees' job satisfaction (Chau, 2008). It is highlighted that, both employees' commitment and employees' retention seem to be linked to job satisfaction.

Employees' growth is another metric to measure employees' performance (Rack, et al., 2011). It is related to the employee's opportunities for career development (Rahman & Nas, 2013). This is closely related to expansion of new knowledge, skills, abilities, and competencies (Nabi, 2003). Employees can gain employees' growth via training, information sharing, mentor's consultation and networks contacts (Lyons & Bandura, 2018).

Successful strategy implementation not only enhances company's performance, but also employees' performance. Metric measure of employees' performance includes, employees' commitment, employees' retention and employees' growth. Many studies on employees' performance are conducted but there is still area that are not sufficiently covered. This include studies on the relationship between strategy implementation process and the employees' performance.

Strategy implementation process influence the employees' performance

Strategy that is successfully implemented often will result in positive financial returns, hence the overall companies' performances (Michlitsch, 2000). Employees' performance is one of the key indicators of companies' performances (Zaidi et al., 2018). Positive financial return in company's performance helps to retain employees due to sense of job security and potential job development (Awad & Alhashemi, 2012). When a company successfully implemented its strategy, it motivates employees to stay work for the company (Allio, 2005). This motivation also will reduce employee's turnover and absenteeism (Molina et al., 2014). Employees who involve in strategy implementation process also gain new knowledge and skill in strategic planning (Dandira, 2012). These new knowledge and skill enhancement are favourable to employees' growth and directly influence employees' performance

A successful strategy implementation will enhance the employees' performance which resulting better company performance (Kohtamäki et al., 2012). However, there is still lack of empirical evidence proving such relation (Özer & Tınaztepe, 2014). Thus, this research mainly to provide empirical evidence on this relation.

RESEARCH METHODOLOGY

Figure 1 is the conceptual framework derived from the literature reviews. It illustrates the relationship between strategy implementation process and employees' performance. 50 samples of questionnaire survey were collected representing 50 large construction companies (Grade G7 contractors registered under CIDB Malaysia) in Klang Valley, Selangor. G7 contractors were selected because most of them have established their strategy implementation process for years (Zaidi, 2018). Klang Valley has been the focus development area for years due to its high returned profits, however it is highly competitive (Hong, 2011). Thus, most of the surviving construction companies have top notch strategies. The respondents were top management of construction companies consist of from Head of Strategic Planning, CEO, Administration Manager to Human Resources Manager. Data collected were analyse using Pearson's correlation analysis in Statistical Package for the Social Sciences (SPSS) Software. The correlation obtain is such as shown in table 1.

Hypothesis

Successful strategy implementation process influence employees' performance in construction companies

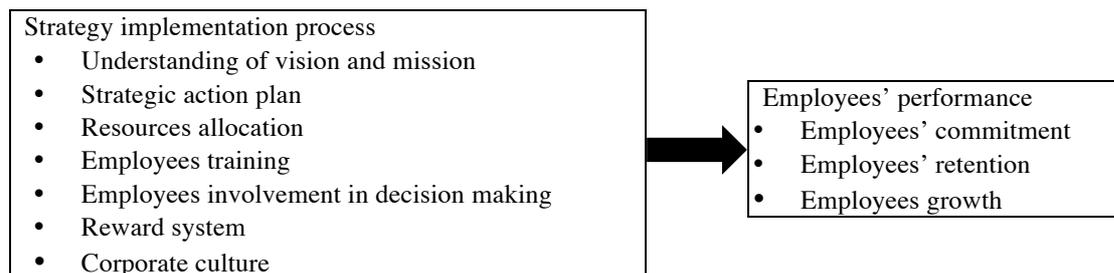


Figure 1: Conceptual framework of strategy implementation process and employees' performance in construction companies

FINDINGS

Table 1: Pearson's correlation analysis between strategy implementation process and employees' performance in construction companies.

Strategy implementation process		Employees' commitment	Employees' Retention	Employees' Growth
Ensuring vision & mission are understood by the employees	Pearson Correlation Sig. (2-tailed)	.350 .087	.471 .018	.533 .006
Making strategic action plan to achieved the strategic objective	Pearson Correlation Sig. (2-tailed)	.263 .204	.397 .049	.394 .052
Allocating sufficient resources for strategic action plan	Pearson Correlation Sig. (2-tailed)	.374 .066	.340 .096	.429 .032
Providing sufficient training for employees to carry out the action plan	Pearson Correlation Sig. (2-tailed)	.397 .049	.641 .001	.560 .004
Involving employees in decision making	Pearson Correlation Sig. (2-tailed)	.353 .084	.600 .002	.482 .015
Rewarding employees	Pearson Correlation Sig. (2-tailed)	.260 .210	.427 .033	.503 .010

Strong corporate culture	Pearson Correlation	.153	.397	.532
	Sig. (2-tailed)	.466	.049	.006

DISCUSSIONS

Table 1 shows that most of the independent variables (strategy implementation process) are correlated to the dependent variables (employees' performance) such as illustrated in figure 1.

Based on table 1, employees' retention and employees' growth have strong relationship with most of the independent variables with strong correlation coefficient $r > .5$ (Onwuegbuzie & Daniel, 2017). The rest obtained moderate correlation coefficient $.3 < r < .5$ (Onwuegbuzie & Daniel, 2017). Thus, it proves that strategy implementation process has strong influence towards employees' retention and employees' growth. As in literature review, successful strategy implementation gives positive impact towards employees' retention and employees' growth (Wibowo, et al., 2015).

However all of the independent variables are weakly correlated to the employees' commitment with low correlation coefficient ($.1 < r < .3$). Even the highest correlation coefficient is $r = .397$ (providing training). It proves that strategy implementation process does not has strong influence towards employees' commitment. Employees' commitment has a lot of factors that influence to it (Ahmad et al., 2015). Other factors probably have more impact towards employees' commitment.

Based on table 1, providing training shows the highest correlation coefficient compare to other independent variable with correlation coefficient for employees' commitment $r = .397$ (moderate correlation coefficient), employees' retention $r = .641$ (strong correlation coefficient) and employees' growth $r = .560$ (strong correlation coefficient) (Onwuegbuzie & Daniel, 2017). Providing training in strategy implementation is importance and helps to retain employees and provide employees' growth (Dandira, 2012). Strategic training helps employees' to be aware of the company strategy to increase the chances for successful strategy implementation (Bakar, et al., 2011).

Another strong independent variable correlated is employees' involvement in decision making. This is subjected with high correlation coefficient for employees' retention $r = .600$ (strong correlation coefficient) and employees' growth $r = .482$ (moderate correlation coefficient) (Onwuegbuzie & Daniel, 2017).

CONCLUSIONS

In conclusion, strategy implementation process does influence employees' performances in construction companies. It is proven with high correlation coefficient employees' retention and employees' growth. However, strategy implementation process does not has strong influence towards the employees' commitment. This research is limited to three metric of employees' performances which are employees' retention, employees' growth and employees' commitment. Thus, future researcher might expand to other variables. This research stimulate knowledge for academia purposes and it may benefit management team in conducting strategy implementation.

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