

The Role of Strategy Implementation in the Relationship Between Strategic Planning Systems and Performance

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ABSTRACT

While substantial research has been done on strategic planning and performance, there is little research on the moderating role of strategy implementation. This study attempts to bridge this gap. The study adopted a descriptive cross-sectional survey with the firm as the unit of analysis. The findings indicate that strategy implementation moderates the relationship between strategic planning systems and market performance as well as internal business process performance but not on return on investment performance. In conclusion, the configuration of planning systems with its theoretical underpinning as resource bundles explain performance variations among firms. The study's implication for practice is that strategic planning systems should be emphasized by business firms as a configuration and not by its domains.

KEYWORDS

Performance, Strategic Planning, Strategic Planning Systems, Strategy Implementation

1. INTRODUCTION

Organizations which exist in the twentieth century face a myriad of challenges which require corporate strategic implementation for the organizations to remain competitive. Strategy implementation is a key challenge for today's organizations and most strategies stagger at the implementation stage (Li, Guohui, & Eppler, 2008; Coulson-Thomas, 2013). Strategy implementation is an integral component of the strategic management process, it is the process which turns strategy into a series of actions. While strategy implementation has attracted immense research interest in the Western world, the topic has not attracted much attention in the Middle East region (Rajasekar, 2014). Thompson and Strickland (2008) noted that strategy implementation focuses on results to ensure that the vision, mission, strategy and strategic objectives of the organization are achieved as planned. About 80% of firms have the right strategies, but only 14% have managed to implement them well (Cater & Pucko, 2010). Strategy leads to change, and about 70% of all change initiatives fail (Beer & Nohria, 2000). Other statistics state that nine out of ten strategies fail to be successfully implemented (Speculand, 2009).

Strategy implementation affects performance in business organizations. It is the ability to translate ideas into actionable assignments that are executed in a manner that fulfills the firm's objectives (Pearce II & Robinson, 2013). Even the most superior strategy will not succeed without effective implementation (Hrebiniak, 2006). A key premise in strategic management research is that managers play a dominant role in the implementation of an organization's corporate strategy (Westphal & Fredrickson, 2001). Jespersen and Bysted (2016) confirmed that managers play a

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critical role in determining the outcome of decisions made and the level of success in implementing strategies. Several scholars have noted that, even the most superior strategy is not beneficial and will not succeed without effective implementation (Ikavalko,2002; Hrebiniak, 2006). Akinnubi and Oyeniran (2012) recommended that managers should be more committed to the implementation of strategies to realize better performance.

Strategic planning systems are multifaceted management systems which are contextually embedded. They consist of the people who do the planning as well as the mechanisms of planning (King, 1983). Ogbeide and Harrington (2011) defined strategy implementation as a complex process concerned with designing systems that achieve an integration between people, structures, processes and resources. Strategy implementation is a dynamic, iterative, integrative and complex process comprising of a series of activities and decisions that turn plans into reality to achieve organizational objectives (Jalali, 2012). Strategy implementation process serves as a vital link between a firm's strategic choices and the achievement of superior performance. Branuer and Schmidt (2006) study confirmed that over-performing firms displayed higher strategy implementation consistencies and are quicker in responding to unforeseen changes in the external environment.

There exist gaps in the moderating influence of strategy implementation and performance studies. Ramadan (2015) studied the influence of strategy implementation drivers on projects effectiveness in Warsaw, Poland. He established that strategy implementation drivers; leadership, culture, structure and resources allocation have strong positive impact on projects effectiveness. Strategic planning systems and performance implications are key areas of investigation in strategic management research. Scholars advocate for strategic planning as a basis of better performance. Armstrong (1982) argued that strategic planning enables firms to achieve an alignment with the environment. Empirical research has sought to elucidate the relationship, but the results are fragmented, contradictory and no consensus has emerged yet. The answer to the ongoing debate could lie in the moderating influence in this relationship. This paper seeks to establish how strategy implementation moderates the relationship between strategic planning systems and performance in the Kenyan EPZ.

This study makes a contribution to the resource-based theory by supporting the perspective that a firm's competitive advantage is a function of strategic planning systems and strategy implementation. The study established that strategic planning systems are valuable resource bundles. By showing that strategy implementation moderates the relationship proves that strategy implementation constitutes a valuable resource within an organization. Through the moderation of strategy implementation, the study demonstrated that sustained performance is a function of successful strategy implementation. This study contributes to business and public policy by providing evidence of the correlation between planning systems and the performance.

2. LITERATURE REVIEW

2.1. Theoretical Perspectives of the Concepts

Penrose's pivotal work in "bridging strategic management and organizational economic" took another approach in analyzing the behavior of firms. By focusing on internal capabilities as opposed to external factors, she proposed the idea of viewing the firm as a pool of resources (Kor & Mohoney, 2004, p. 183). Strategy theorists (Wernerfelt, 1984; Barney, 1991a, 1991b) were inspired by Penrose's work of viewing resources as bundles and advanced this concept to define a firm's "capabilities or competencies" as the value created from the unique combination of resources (Mazzucto, 2002, p. 2). Wernerfelt (1984) said "resources and products are two sides of the same coin" (p. 171). He outlined the differences between tangible and intangible assets while maintaining that resources should be available to the firm on a semi constant basis and difficult to replicate by others.

A resource is anything that a firm can use as a strength (Wernerfelt, 1984). Barney (1991) adds that resources are controlled by the firm and are essential in creating and implementing strategies

in order to improve firm efficiencies and effectiveness. In his resource-based theory (RBT), Barney (1991) extended Penrose's work by focusing on the relationship of a firm's internal resources and its performance in the context of creating a sustainable competitive advantage; organizations compete using resources available to them. Barney says, "Firm resources include all assets, capabilities, organizational processes, firm attributes, information knowledge, etc. controlled by a firm" (p. 101), they can be classified as physical, human or organizational resources (Barney, 1991), or as tangible and intangible assets (Barney & Hesterly, 2006).

Strategic planning systems have been conceptualized differently by different scholars. In an attempt to conceptualize strategic planning systems, Ramanujam, Venkatraman, and Camillus (1986) identified design elements and contextual elements. According to them, design elements of strategic planning systems consist of factors related to system capability, planning techniques, attention to internal facets, attention to external facets and functional coverage. Contextual elements on the other hand consist of planning resources and resistance to planning. Dayson and Foster (1982) added participation as part of the contextual elements. Therefore, contextual factors are associated with the planning context while design elements are those related to the inputs and outputs. Strategic planning systems are considered as firm-based resource bundles. The Resource Based View (RBV) considers firms as sets of resources that produce competitive advantage. This theory is rooted in the work of Penrose (1959) who viewed firms as bundles of resources. Wernerfelt (1984) defined resources as those assets which are tied semi permanently to a firm.

The growth of a firm internally and externally depends on the manner in which its resources are employed. Building on the inroads made by Penrose (1959), Wernerfelt (1984) argued that for the firm, resources and products are two sides of the same coin. In other words, while the firm's profits are directly driven by products, they are indirectly driven by resources used for production. Firms may earn super profits by identifying and acquiring resources which are critical to the development of the demanded products. Therefore, the critical task of top management is to develop new and valuable products through the exploitation of core competencies.

The resource-based view is useful in understanding the growth of firms. However, it lacks substantial managerial implications. It emphasizes managerial development of the resources but is silent on how it should be done (Connor, 2002). Further it makes the illusion of total control, trivializing property rights while exaggerating the extent to which managers control resources and predict future value (McGuinness & Morgan, 2002). According to Connor (2002) the resource-based view is relevant to large firms with significant market power. Further, the resource-based view is more relevant to firms striving for sustained competitive advantage, for firms satisfied with their competitive position the resource-based view is irrelevant. By nature and scope the resource based view focuses on the resources while ignoring process which transform the resources into customer value.

Resources enable firms to achieve improved performance both in the short term and in the long term. Strategy implementation conceptualized in terms of action planning, institutional alignment and coordination is part of internal firm resources. Barney (2001) argued that firms which possessed resources that are valuable and rare would attain competitive advantage and improved performance. He contended that, for a firm to sustain competitive advantage over time, its resources must also be inimitable and non-substitutable. While extending this line of argument, Newbert (2007) posited that in addition to possessing valuable, rare, inimitable and non-substitutable resources, firms seeking competitive advantage must demonstrate the ability to alter the resources in such a way that the full potential is realized. This could be equated to strategic change which is an outcome of effective strategy implementation. Strategic implementation skills could ensure proper resource exploitation.

2.2. Strategic Planning Systems and Strategy Implementation as Resources

Barney (1991) developed the Value, Rareness, Imperfect Imitability, Non- substitutability (VRIN) framework to analyze various resources as potential sources of a firm's sustained competitive advantage. This model was revised by Barney and Hostelry (2006) who added an O for organization

to the initial model to making it VRIO. To apply the VRIO model, two assumptions are made: firms within an industry may be heterogeneous in the resources they control and the heterogeneous state may persist (Penrose, 1958; Wernerfelt, 1984; Barney 1991) and firm resources are not perfectly mobile in terms of barriers since a mobile resource is easily attained and used by new entrants into an industry (Barney, 1991; Peteraf, 1993). Resources are perfectly immobile when they cannot be exchanged or are specialized to firm specific requirements (Peteraf, 1993). The assumptions are contrary to homogeneity and perfect mobility condition, these circumstances would eliminate any sources of sustainable competitive advantage for a firm since sameness and easily transferrable qualities would not offer any benefits.

To review impact of a resource on performance, Barney (1991) uses internal characteristics of a company based on four indicators: the resource must be valuable in the sense that it exploits opportunities/neutralizes threats in a firm's environment, it must be rare among a firm's current and potential competitors, it must be imperfectly imitable and finally, there cannot be strategically equivalent substitutes for this resource that are valuable but not rare or imperfectly imitable. The VRIN framework by Barney (1991) identified resources as potential sources of creating sustainable competitive advantage. To cater for scenarios whereby a firm's guiding principles of policy and procedures are structured to support the utilization of its valuable, rare and imperfectly imitable resources, Barney and Hesterly (2006) later revised the VRIN framework by adding organization to the structure hence VRIO.

2.2.1. Valuable Resources

Resources are valuable only if they facilitate the conception or implementation of a firm's strategy to improve "efficiency and effectiveness" (Barney, 1991, p. 106). The RBT theory being an efficiency-based theory explains that performance differences result from not only the possession and use of intrinsically superior or efficient resources but also from creating greater value for customers. Hence, RBT is among the 'economizing' and not 'strategizing' view of firms (Peteraf & Barney, 2003). A resource will not be a source of competitive advantage if it is valuable but not rare, is easily imitated or easily substituted. Competitive advantage is the value created from strategic decisions experiences by only one firm at a particular time. Competitive advantage results from having more valuable resources in an environment of heterogeneous resources (Peteraf & Barney, 2003). Sustained competitive advantage (SCA) happens when the advantage remains after duplication efforts by other firms stop: it cannot be invalidated by imitations from competitors. Sustained competitive advantage accounts for potential competitors in addition to existing ones (Barney, 1991).

2.2.2. Rare Resources

These are resources which are not possessed or used concurrently by large numbers of competitors (Barney, 1991). Scarcity is a natural restriction in supply compared to demand for a resource. A firm can expect to have competitive advantage if it uncommonly employed rare resources more so those that enabled the creation or execution of value-creating strategies (Peteraf & Barney, 2003). If multiple firms have access to a particular valuable resource, rarity can be determined by the way the resource is implemented, the distinct mix of a bundle of resources can give rise to rarity. The possession of rare resources without the element of being valuable will not lead to competitive advantage. All four items in the VRIN framework must be met for a resource to be a source of sustained competitive advantage (Barney, 1991). Competitive advantage is a result of having more valuable resources in an environment of heterogeneous resources (Peteraf & Barney, 2003).

2.2.3. Imperfectly Imitable Resources

For a resource to be a source of sustained competitive advantage, it must not only be rare and valuable but also unattainable by competitors. A resource is imperfectly imitable: due to unique historical conditions (Barney, 1991). A first mover will have access to a location which others will not have or

be able to imitate. Barney goes on to give second reason for a resource being imperfect imitable as causal ambiguity. This is when actual source of sustained competitive advantage due to a resource is hard to understand or the complexity of a business makes it difficult to duplicate resources. Finally, a resource is imperfectly imitable because of social complexity, for example unique internal relationships, company culture, reputation or customer relations (Barney, 1991). However, imitation can come from duplication or substitution (Barney & Hesterly, 2006).

2.2.4. Organization

This deals with the firm's structure and controls. These must be aligned to give people the ability and incentives to exploit the firm's resources (Barney & Hesterly, 2006). Weick (1976) notes that organizations with structures and controls are highly adaptive when confronting diverse, segmented environments that make them more effective in adapting opportunistically to local circumstances. Strategy implementation selects, develops and promotes resources that best fit the situation while strategic planning systems allow for either complete integration or isolation. Strategy implementation is compartmentalized and segregated making it a loosely coupled entity that operates independently. Meyer and Rowan (1977) add that the lack of tight coupling would intentionally limit an organization's formal structure to protect and nurture its core resources. This is why strategy implementation today seeks to decouple formal and administrative devices from technical resources. The pursuit of identifying formal structures from the technical core is the reason why strategic planning systems is a resource; without knowing what is core, then strategy implementation does not know what to buffer. Strategic planning systems allow organizations to isolate critical variables of their organizations thus providing a foundational underpinning of competitive advantage.

Strategy implementation has been defined differently by various scholars. Scholars have noted that many times "implementation", and "execution" are used interchangeably (Sashittal & Wilemon, 1996; Hrebiniak, 2013). Some authors describe strategy implementation from a process perspective, others perceive it from a behavioral perspective, yet others opt for the hybrid view of the concept (Li, Guohui, & Eppler, 2008). Effective strategy implementation is facilitated through action planning, institutional alignment and coordination. According to Hinton (2012), action planning establishes activity timelines, estimates the resources required, allocates responsibilities and defining expected output. Institutional alignment focuses on all the firm level institutions including culture, structure, systems, policies and communication networks. Coordination integrates bits and pieces of the implementation process together ensuring a smooth flow and transition. Getz & Lee (2011) observed that organizations need to refocus and rethink about innovation and creativity during implementation of strategy.

Strategy implementation is more difficult than strategy formulation, since it requires precision planning, leadership skills, and organization of resources and activities, besides making sure that people are commitment to the new strategy. On the other hand, strategy formulation requires understanding the business, creativity and an understanding of the business, assessment of the market opportunities and the firm's strengths (Ashkenas & Francis, 2000; Cater & Pucko, 2010). For successful strategy implementation, five recommendations given to leaders are; (i) pay attention to both crafting and implementing strategy; (ii) supervise and commit to review and frequently share the status of the implementation with employees (iii) Align and review the strategy and implementation as required (iv) provide an enabling environment and culture that support the strategy implementation (v) Monitor and follow up on each milestone in the strategy formulated (Speculand, 2014).

All managers are involved in strategy implementation. Top management best understand the need to commit resources necessary for implementation (Pun, 2004). Speculand (2009) revealed that weaknesses in leaders' thinking and wrong attitude towards implementation were major setbacks among managers globally. Strategy implementation is a key challenge for today's organizations and most strategies stagger at the implementation stage (Li, Guohui, & Eppler, 2008; Coulson-Thomas, 2013). In order for organizations and business entities to reach the ambitions set out by their strategies,

they need to give thought to how they go about implementing their organizations' strategies (Getz & Lee, 2011).

Kazmi (2008) indicated that the apathy in strategy implementation research could be ascribed to strategy implementation failure, complexity of the process and the practical difficulties encountered in researching about middle level managers. Kaplan and Norton (2008) observed that successful strategy implementation has two basic rules: an understanding of the management cycle and the link between strategy and operations. More importantly, Peng and Litteljohn (2001) posited that managerial knowledge about which tools to apply at each stage of the implementation cycle is equally critical. Aaltonen and Ikavalko (2002) study showed that communication is pervasive in every aspect of strategy implementation and is related to processes, context and objectives. Conversely, Brauer and Schimdt (2006) confirmed that earlier presumptions maintain top driven strategy implementation and bottom up directed processes. From the social psychological perspective, strategy implementers are reminded that various leadership roles are critical to project success. For instance, top management must support the effort, but not define the procedures to be used while end users should manage the implementation to ensure coordination with both top management and technical personnel (Carlopio and Harvey, 2012).

Planning systems have specific inputs and visible outputs. Dayson and Foster (1982) posited that the inputs of strategic planning systems constitute of the people, funds and time while the outputs consist of missions, objectives, strategies, goals, resource allocations and strategic programs. Strategic planning systems take into account the fundamental requirements of people working in organizations. The planning systems enhance people's abilities and systematically get the management team to address with real honesty and zeal the issues faced by the organization for it to thrive, not just survive (Mclarney, 2003). Therefore, strategic planning systems are the foundations upon which strategic planning is based.

There are two categories of strategic planning systems, notably the design-oriented systems and the contextual oriented systems. Ramanujam and Venkatraman (1987) argued that planning systems are important to strategic planning. They contend that an organization cannot succeed unless adequate resources are allocated to planning. The resources could either be tangible or intangible. Ramanujam, Venkatraman and Camillus (1986) noted that it is important for an organization to identify and overcome sources of resistance in planning. Organizational members could show resistance in form of withdrawal from planning activities, lack of acceptance of planning outputs or gaming behavior. In essence, resistance to planning exerts negative effects on the effectiveness of the strategic planning systems. Ramanujam and Venkatraman (1987) found that five dimensions of strategic planning systems had significant impacts on the effectiveness of strategic planning process. These included planning resources, attention to internal facets and attention to external facets, functional coverage and use of planning techniques.

Level of environmental turbulence affects strategic planning outcomes. Mclarney (2003) research demonstrated that in different levels of environmental turbulence, contextual elements were stressed differently. He observed that in more turbulent environments, organizations devoted more resources to the planning function, paid more attention to internal and external facets, employed more planning techniques and encouraged greater functional coverage. In a plausible extension of the above argument, Jennings and Disney (2006) argued that strategic planning systems in complex and turbulent environments are more flexible and plans are reviewed frequently. In essence, firm's planning systems facilitate achievement of a balance between adaptation and integration. This study focused on three elements of strategic planning systems: planning resources, management participation and strategic planning techniques.

2.3. Organizational Performance

Pun and White (2005) argued that measuring performance play an important role in translating strategy into results. However, as noted by Hubbard (2009) measuring performance is difficult especially when

what has to be measured keeps changing and is multifaceted. The need for organizations to align their performance measures with goals are well documented in literature. The complexities of managing the organizations today require that managers analyze different dimensions of performance because performance itself is multidimensional. Performance measurements are not ends in themselves, but are useful tools through which managerial purposes are achieved. Behn (2003) identified eight managerial purposes achieved through performance. He observed that performance is used in evaluation, control, motivation, promotion, celebration, learning and improvement of different processes. Therefore, no single performance measure is adequate in capturing all the eight performance uses hence the adoption of multidimensional measures of performance defined by the balanced score card.

The balanced score card gives a holistic view of the organization by simultaneously looking at the four important perspectives of financial, market, internal processes, learning and growth. It is based on the stakeholder theory where a firm is seen as having responsibility to wider sets of stakeholders. Hubbard (2009) posited that stakeholder theory assesses the organization performance against the expectations of variety of stakeholder groups with specific interests in the organization. Kaplan and Norton (2001) argued that to ensure the long-term survival and growth of a business there has to be a balance between the four performance perspectives. Therefore, company survival depends on how well it can position itself based on the four perspectives and optimization of its efforts.

2.4. Strategy Implementation and Performance

Effective strategy implementation is facilitated through action planning, coordination and systems alignment. Action planning entails assigning responsibilities, indicating timelines, determining expected output and estimating resource requirements which all have to be well coordinated. Ghamdi (2005) established that 75 percent of the firms reported ineffective coordination during strategy implementation. Alignment in terms of structure, culture and systems is a precursor to successful strategy implementation. Communication, decision making, and commitment building stem from the compatibility of institutional alignment and facilitate firm performance (Carlopio and Harvey, 2012). Effective strategy implementation is critical to firm performance.

Strategy implementation encompasses activities and choices required for the execution of a strategy. Transforming strategies into action is complex and difficult to achieve (Aaltonen and Ikavalko, 2002; Kazmi, 2008). Strikingly, organizations fail to implement 70 percent of their strategies (Miller, 2002). In a plausible extension of the foregoing argument, Mankins and Steele (2005) observed that 40 percent of the planned value is never achieved due to implementation challenges. Sterling (2003) while concurring with Miller (2002) posited that 70 percent of strategies are never implemented successfully due to changing market conditions, shorter Product Life Cycles (PLC), emergence of new technologies and insufficient resources. Therefore, institutional alignment within the organization is pertinent to the success of strategy implementation.

Strategy implementation is a social psychological process which takes place over time. Prior studies indicate that strategy implementation is linked to superior performance. In his study, Sterling (2003) observed that unanticipated market changes can upset strategy implementation process causing failure of the organization to recognize and react appropriately to the changes thus eroding business performance. He argued that shorter PLC negatively impact on financial performance specifically on sales and profits while technological changes emerge with greater frequencies challenging the status quo and existing assumptions thereby creating external obstacles to strategy execution. Discontinuity in technological innovation is the basis of product and service obsolescence.

The financial position of a firm is contingent to a firm's implementation process because it impacts on responsiveness, level of opportunity seeking and the firm's exploratory behavior. Through strategy implementation, organizational systems undergo significant changes in terms of learning, adaptation and growth in order to successfully execute a new strategy (Mankins and Steel, 2005; Carlopio and Harvey, 2012). Ogbeide and Harrington (2011) provided support for the association between higher implementation success and financial performance.

Indeed, strategy implementation and organizational learning abilities are dynamic capabilities which define the level of performance in organizations. Nutt (1999) studied strategy decisions in organizations located in the USA and Canada and concluded that half of the strategic decisions failed because of problems during strategy implementation process. Beer and Eisenstat (2000) established that pertinent aspects that lead to implementation success include a leadership style which learns from feedback, clear strategy, priorities, an effective management orientation, open vertical communication and effective coordination. Similarly, Morgan, KatsiKeas and Vorhies (2012) identified communication of the strategy, nurturing employee commitment and organizational alignment as the panacea to implementation success.

2.5. Strategic Planning Systems and Performance

Strategic planning systems are multifaceted management systems that are contextually embedded in organizations (Ramanujam, Venkatraman, and Camilus, 1986). They are structured entities that organize and coordinate the activities of the managers who do the planning. An effective strategic planning system takes into account specific firm situations along the dimensions of time and diversity. While extending this line of argument, King (1983) defined strategic planning systems as complete sets of processes and entities through which a firm does planning. Hence, strategic planning systems consist of the people who do the planning as well as the mechanisms of planning. The strategic planning systems play a significant role towards the achievement of long-term objectives against specific inputs.

Strategic planning systems are among the least evaluated functions in organizations. Empirical research has been directed to the planning processes rather than systems (Elbanna, 2008; Falshaw, Glaister, and Tatoglu, 2006). However, focusing on planning processes does not provide results that are operationally useful to management (King, 1983). To fairly assess strategic planning, attention should be focused on the degree to which diverse benefits are achieved and the specific systems that facilitate achievement of various benefits. Strategic planning evaluation needs a methodological framework involving the assessment of the system inputs, outputs, feedback mechanisms and the relative impacts made in terms of goal achievement. Ramanujam and Venkatraman (1987) posited that strategic planning systems are multidimensional in nature and affect organizational learning.

Strategic planning systems impact on firm performance through different channels. Ramanujam and Venkatraman (1987) posited that the organization ability to engineer the right configuration of strategic planning systems fosters strategic alignment and adaptability. In essence, well configured systems become more effective in the future. In line with Ramanujam, Venkatraman, and Camillus (1986) the appropriate configuration eventually leads to the achievement of superior performance. Past studies have recognized the positive association between strategic planning systems and firm performance (Ramanujam, Venkatraman, and Camillus, 1986; Ramanujam and Venkatraman, 1987; Elbanna, 2008). Dayson and Foster (1982) in their study argued that changes in the level of participation leads to positive changes in effectiveness. They further said that participatory planning systems which are widely communicated improve effectiveness. They concluded that in participative environments the planning function becomes well integrated into the decision-making process leading to better performance. On the other hand, King (1983) argued that planning effectiveness is measured by how well the strategic planning systems meet the intended goals like identification of new business opportunities which had been previously overlooked within the business environment.

A good configuration of strategic planning systems eventually fosters performance. Such a configuration consists of enough resources provided for planning, participative management style and application of appropriate planning techniques. This is because the ultimate effectiveness of strategic choices is reflected in the ability of the system to yield positive business performance. Ketokivi and Gastner (2004) observed that management participation generates informational, affective, and emotional effects. It means that participation enforces positive organizational effectiveness specifically in terms of information sharing and development of commitment amongst all the actors.

An effective planning system achieves strategic goals, enhances system capability and fosters better business performance. In line with this argument, Tegrden, Sarason, and Banbury (2003) established techniques such as benchmarking and establishing key success factors in an industry over time leads to effectiveness of the planning system. Similarly, a study conducted by Andersen (2000) revealed that strategic planning systems are associated with superior performance in all industrial settings. He argued that strategic planning systems are developed to integrate functional activities in marketing, production, human resource function together with research and development. Long term organizational actions like participation at different levels and application of appropriate techniques facilitate corporate performance.

2.6. Planning Systems, Strategy Implementation and Firm Performance

Strategic planning systems are transformed into tangible performance outcomes through the implantation process. Bustinza, Molina, and Aranda (2010) argued that strategy implementation produces capabilities through coordination and integration hence facilitating better performance. Through strategy implementation firms precisely identify business strengths, weaknesses and specify the existing and potential comparative advantages (Morgan, KatsiKeas, and Vorhies, 2012). Planning systems enables the organization to manage turbulent environment and achieve strategic alignment which sustains business growth. Eggers and Kaplan (2013) recognized that strategies are formulated through resource capabilities which are redeployed and implemented by managers.

There is a general consensus from literature that strategy implementation is an important link between strategies and superior performance (Sterling, 2003; Branuer and Schmidt, 2006). There is widespread agreement among management scholars that strategies are of little value if they are not implemented successfully to produce results. If implementation has to be successful, there is need to link strategies to operational plans, resource allocation and coordination. Aosa (1992), in a study focusing on large manufacturing firms in Kenya, found that companies which maintained the strategy versus budget link were more successful in implementing strategies than those which did not maintain such link. Similarly, Pearce and Robinson (2007) argued that strategy implementation translates strategies to meaningful value.

Planning systems focus on ends while strategy implementation focuses on the means. Planning systems define how the organization ultimately achieves the objectives through resources, participation and the subsequent use of planning techniques. Ogbeide and Harrington (2011) contented that a combination of strategic systems and implementation enables the organization to achieve the outcomes. Strategic planning systems affect the outcomes of strategies. If the resources are adequate, participation spread along different cadre and appropriate use of planning techniques are in use, organizations enhance chances of success. Sterling (2003) posited that strategy implementation is greatly affected by structure, leadership and culture.

One of the key planning systems is management participation in the strategy process. Lines (2004) argues that participation in strategic change has a number of positive consequences. He says that managers need to participate in the planning process so as to formulate better plans and facilitate strategy implementation success. Participation by management also facilitates commitment to the plan thereby reducing behavioral impediments that may lead to strategy implementation failure. Feigner (2005) posited that managerial participation increases the number of strategic alternatives hence diversifying strategic choices thus enabling choice of the best alternative.

Adding voice to the role of management participation, Floyd and Woolridge (1997) say that participation across different management cadre facilitates convergence of strategic priorities hence creating an enabling environment to strategy implementation. Resource availability and successful coordination ensure the right levels of organizational flexibility for different situations that may arise within the business environment (Bustinza, Molina, and Aranda, 2010). Ogbeide and Harrington (2011) linked participative management style, strategy implementation and financial performance in the food service industry. The findings indicated that regardless of firm size, higher degree of

management style resulted in higher implementation success, profitability and financial performance. Harmonious managerial participation by all cadres of management is a useful approach and increases the likelihood of strategy implementation success. Hence this study proposes the following hypothesis:

H10: Strategy implementation has no significant moderating effect on the relationship between strategic planning systems and firm performance.

H10a: Strategy implementation has no significant moderating effect on the relationship between strategic planning systems and return on Investments.

H10b: Strategy implementation has no significant moderating effect on the relationship between strategic planning systems and market perspectives.

H10c: Strategy implementation has no significant moderating effect on the relationship between strategic planning systems and internal business process perspectives.

3. METHODOLOGY

The study adopted a descriptive cross-sectional survey. This enabled the researcher to capture data at a given time of the study while minimizing temporal effect of the study variables so as to interpret the relationships among study variables (Namada et al., 2014). A cross sectional approach was preferred because it facilitates data collection from different respondents at one point in time. O'Sullivan and Abela (2007) argued that cross sectional approaches are robust in relationship studies and enhance the credence of results at a given point in time. Saunders, Lewis, and Thornhill (2009) observed that cross sectional approaches are robust in relationship studies and enhance the credence of results. Since there were only 84 firms EPZ in Kenya, the study adopted a census survey where all the firms were targeted and used in the study. Data was collected using both primary and secondary methods (Table 1).

The study conceptualized strategy implementation as a moderator in the relationship between strategic planning systems and firm performance. This hypothesis was tested using the procedure suggested in the literature (Dawson, 2013). A moderator is a variable which affects the association between independent and dependent variables. Moderated effects in regression models capture the effect of an independent variable on the dependent variable as a function of a third variable. The dependence on a third variable is referred to as the interaction effect. According to Hayes, Glynn, and Huges (2012), an interaction effect describes a situation in which the effect of an independent variable on the dependent is conditional upon the value of another variable, usually termed a moderator variable (Hayes, Glynn, and Huges, 2012). This study used regression models to test and specify the moderation effect. Where moderation was significant, Dawson (2013) graphical approach was used to probe interaction effects and display interactive relationships.

The test of moderation was done at three different levels. Dawson (2013) argued that in order to test for moderation effect, three different statistical tests are mandatory. In step one, the direct effect between the independent and the dependent variables is tested and confirmed for significance. If the output from step one is significant, one proceeds to step two. Step two tests multiple relationships between the independent, moderator, interaction term and the dependent variables. If in step two the results show model significance and the interaction term is significant, then one proceeds to step three which involves, plotting, probing and determining the interaction effects. Dawson (2013, pp. 2) posited that interaction effect is at the heart of testing moderation. He argued that "interaction is tested only and only if the interaction term is significant".

In the moderation effect, step one shows the output of the direct relationship between strategic planning systems and performance presented by the equation; $Y = \beta_0 + \beta_1 X + \epsilon$. Where Y is performance, β_0 is the intercept/constant; β_1 is the coefficient of strategic planning systems, x is strategic planning systems while ϵ is the error term. Step 2 shows the output of the moderation, together with the interaction term represented by equation; $Y = \beta_0 + \beta_1 X + \beta_2 Z + \beta_3 XZ + \epsilon$. Where Y is performance, X is strategic planning systems; Z is the moderator while XZ is the interaction term created by multiplying the predictor and the moderator.

Table 1. Operationalization of research variables

Variables	Indicators	Measures	
Strategic Planning Systems	Planning resources	Amount of financial resources, quantity of time, number of business networks and contacts, number of working equipment for planning, number of personnel in planning department.	
	Management Participation	Management communication in planning, management involvement in decision making, quantity of managerial actions, quality of managerial actions, management expertise used in strategic planning.	
	Strategic planning techniques	Porter's Five Force Model	Threat of new entrants; economies of scale in production/service delivery, amount of capital requirements. Threat of substitute products; availability of substitutes, attributes of substitute products/services. Bargaining power of suppliers; availability of supplies in the market, ability to integrate forward. Bargaining power of buyers; buyer switching power, buyer knowledge about prices and costs. Rivalry within the industry; number of competitors in the industry, price cuts by rivals.
		SWOT	Strengths; level of product differentiation, number of strong business alliances established. Weaknesses; no clear strategic direction, capabilities not well matched with key success factors. Opportunities; demand for products/services, online sales. Threats; Competition, shifting consumer preferences.
Strategy Implementation	Action planning	Assigning responsibilities, indicating timelines, estimating resource requirements, determining expected output.	
	Activity coordination	Timelines of activities, timely communication at different levels, effective conflict resolution.	
	Institutional alignment	Structural alignment, cultural alignment, systems alignment.	
Firm Performance	Financial indicators	Sales growth ratio. Return on investment ratio.	
	Non-financial indicators	Customer perspectives; number of repeat customers, number of referrals from customers, number of compliments, number of complaints, market share, number of returned products, customer collaborations, customer retention, customer loyalty. Internal business processes; plant utilization, production efficiency, number of defective products, operational standards, frequency of machine breakdown, production innovation, creative techniques, quality control systems, established distribution networks.	

4. FINDINGS AND RESULTS

Data analyzed for this study was collected from 40 firms out of a total of 60 making it 66.67 percent response rate. Initially 84 firms had been targeted but 20 firms could not participate in the study due to temporary closure during the study time.

The first sub hypothesis was:

H10a: Strategy implementation has no significant moderating effect on the relationship between strategic planning systems and return on Investments.

In Table 2, model one showed R^2 of 0.076 while the introduction of the moderator in model two showed a coefficient of determination was 0.199. It means that the moderation effect of strategy implementation on the relationship between strategic planning systems and return on investment performance explain 19.9 percent of return on investment performance. The remaining 80.1 percent were explained by other factors not considered in the model. Further, the interaction term which defines moderation was 0.82 which is not significant. In both the steps one and two for return on investment the adjusted R was notably negative.

The ANOVA table further shows the overall significant of the model with moderated effect indicating a p-value of 0.680 which was greater than 0.05. The null hypothesis was thus not rejected

Table 2. Moderation of strategy implementation on strategic planning systems and return on investment performance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	0.276	0.076	-0.129	1.062		
2	0.446	0.199	-0.101	1.049		
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.677	4	0.419	0.371	0.826
	Residual	20.323	18	1.129		
	Total	22	22			
2	Regression	4.386	6	0.731	0.664	0.680
	Residual	17.614	16	1.101		
	Total	22	22			

a Dependent Variable: Zscore(CompROI)
 b Predictors: (Constant), Zscore(CompSPS), Zscore: Expatriate employees, Zscore: Company ownership, Zscore: Total employees
 c Predictors: (Constant), Zscore(CompSPS), Zscore: Expatriate employees, Zscore: Company ownership, Zscore: Total employees, InteractSPSSSI, CompSI

and concluded that strategy implementation did not have a moderating effect in the relationship between strategic planning systems and return on investment performance.

Table 3 shows beta coefficients of the moderation of strategy implementation in the relationship between strategic planning systems and performance. Model one shows that the coefficients of the control variables and the independent variable. Model two shows the relationships with the moderator and the interaction term. However, none of the coefficients was significant which means that the independent variables did not explain changes in return on investment performance. Further, the interaction term was not significant, therefore no further probing of the interaction effect was required.

The second sub hypothesis was:

H10b: Strategy implementation has no significant moderating effect on the relationship between strategic planning systems and market perspectives.

Table 4 shows the coefficient of determination of 0.347 in model one while model two with the moderator and the interaction term had a coefficient of determination of 0.452. It means that the moderation effect of strategy implementation on the relationship between strategic planning systems and market performance explain 45.2 percent of variation in market performance. The remaining 54.8 percent was explained by other factors not considered in the model. Table 4 shows the overall significance of the model with a p-value of 0.004 which is less than 0.05. The null hypothesis was rejected and concluded that strategy implementation had a significant moderating effect in the relationship between strategic planning systems and market performance. However, no moderating influence was noted.

Table 5 shows coefficients of explanatory variables in model one while model two shows the coefficients of explanatory variables together with the moderator and the interaction term.

The regression equation was represented as:

Table 3. Coefficients of moderation of strategy implementation on strategic planning systems and return on investment performance

Coefficients								
		Unstandardized Coefficients		Standardized Coefficients	t-Value	Sig.	Collinearity Statistics	
		B	S.E.	Beta			Tolerance	VIF
1	(Constant)	6.22E-17	0.222		0.000	1.000		
	Co. Own	-0.052	0.240	-0.052	-0.219	0.829	0.894	1.119
	Tot. Emp	0.233	0.267	0.233	0.873	0.394	0.721	1.386
	Exp Emp	0.088	0.229	0.088	0.386	0.704	0.981	1.020
	CompSPS	0.038	0.252	0.038	0.149	0.883	0.810	1.235
2	(Constant)	0.191	0.254		0.749	0.465		
	Co. Own	-0.057	0.237	-0.057	-0.242	0.812	0.892	1.121
	Tot Emp	0.294	0.272	0.294	1.081	0.296	0.676	1.479
	Exp.Empl	0.031	0.230	0.031	0.136	0.894	0.947	1.056
	CompSPS	-0.126	0.312	-0.126	-0.405	0.691	0.516	1.940
	CompSI	0.252	0.356	0.215	0.708	0.489	0.546	1.833
	SPS x SI	-0.639	0.435	-0.347	-1.467	0.162	0.894	1.119

a Dependent Variable: Return on Investment

Key: Co.Own - Company ownership; Tot.Emp - Total employees, ExpEmp – expatriate employees; CompSPS - composite strategic planning systems, CompSI - Composite strategy implementation; SPS x SI Interaction term.

Table 4. Moderation of strategy implementation and strategic planning systems on market performance

Model Summary						
	R	R Square	Adjusted R Square	Std. Error of Estimate		
1	0.589	0.347	0.265	0.857		
2	0.672	0.452	0.343	0.810		
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.479	4	3.12	4.244	0.007
	Residual	23.521	32	0.735		
	Total	36	36			
2	Regression	16.276	6	2.713	4.126	0.004
	Residual	19.724	30	0.657		
	Total	36	36			

a Dependent Variable: Zscore(Compocustomerperspectives)

b Predictors: (Constant), Zscore(CompSPS), Zscore: Expatriate employees, Zscore: Company ownership, Zscore: Total employees

c Predictors: (Constant), Zscore(CompSPS), Zscore: Expatriate employees, Zscore: Company ownership, Zscore: Total employees, InteractSPSSSI, CompSI

Table 5. Coefficients of strategy implementation, strategic planning systems and market performance

		Unstandardized Coefficients		Standardized Coefficients	t-Value	Sig.	VIF
		B	S.E.	Beta			
1	(Constant)	-9.88E-17	0.141		0.000	1.000	
	Co. Own	0.035	0.151	0.035	0.229	0.820	1.119
	Tot. Emp	-0.171	0.168	-0.171	-1.014	0.318	1.386
	Exp Emp	-0.229	0.144	-0.229	-1.590	0.122	1.020
	CompSPS	0.601	0.159	0.601	3.783	0.001	1.235
2	(Constant)	0.048	0.155		0.310	0.759	
	Co. Own	0.018	0.143	0.018	0.128	0.899	1.121
	Tot Emp	-0.204	0.164	-0.204	-1.240	0.225	1.479
	Exp.Empl	-0.234	0.139	-0.234	-1.688	0.102	1.056
	CompSPS	0.328	0.188	0.328	1.744	0.091	1.940
	CompSI	0.511	0.215	0.435	2.376	0.024	1.833
	SPS x SI	-0.161	0.263	-0.087	-0.611	0.546	1.119

a Dependent Variable: Zscore(Compmarket perspectives)

Key: Co.Own - Company ownership; Tot. Emp - Total employees, ExpEmp – expatriate employees; CompSPS - composite strategic planning systems, CompSI - Composite strategy implementation; SPS x SI Interaction term.

$$\text{Market Performance} = 0.048C + 0.511 \text{ Strategy Implementation}$$

$$\quad \quad \quad (0.759) \quad \quad (0.024)$$

The regression equation indicates that, a unit change in strategy implementation causes an increase of 0.511 in market performance. It means that unit changes in action planning, activity coordination and institutional alignment causes an increase of 0.511 change in market performance within EPZ firms. Although the moderator was significant at $\alpha = 0.05$, the interaction term was not significant. Therefore, no further probing of the interaction effect was done.

The third sub hypothesis was:

H0c: Strategy implementation has no significant moderating effect on the relationship between strategic planning systems and internal business process perspectives.

Table 6 shows coefficient of determination of 0.502 while in model two with the introduction of the moderator and the interaction term the coefficient of determination was 0.598. It means that moderated relationship between strategic planning systems and internal business process performance explain 59.8 percent of variation in internal business process performance. The remaining 40.2 percent was explained by the other factors not considered in the model. The overall significance of the model with a p-value of 0.000 which is less than 0.05. The null hypothesis was rejected and concluded that strategy implementation had a significant moderating effect in the relationship between strategic planning systems and internal business process performance. Table 7 further shows the coefficients of explanatory variables in model one while model two shows the relationship with the moderator and the interaction term. In model two, strategic planning systems had a positive coefficient while the interaction term had a negative coefficient.

The relationships were represented by the following equation:

Table 6. Moderation of strategy implementation on strategic planning systems and internal business process performance

Model Summary						
	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	0.708	0.502	0.437	0.750		
2	0.773	0.598	0.515	0.696		
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.558	4	4.390	7.802	0.000
	Residual	17.442	31	0.563		
	Total	35	35			
2	Regression	20.94	6	3.490	7.198	0.000
	Residual	14.06	29	0.485		
	Total	35	35			

a Dependent Variable: Zscore(CompInternalbusprocesses)

b Predictors: (Constant), Zscore(CompSPS), Zscore: Expatriate employees, Zscore: Company ownership, Zscore: Total employees

c Predictors: (Constant), Zscore(CompSPS), Zscore: Expatriate employees, Zscore: Company ownership, Zscore: Total employees, InteractSPSSSI, CompSI

$$\text{International Business Process Performance} = 1.07C + 0.109SPS \quad (1)$$

(1.00) (0.000)

$$\text{International Business Process Performance} = 0.162C + 0.544SPS - 0.543SPS \times SI \quad (2)$$

(0.239) (0.002) (0.025)

The regression equation shown above indicates that in the relationship which is not moderated, a unit change in strategic planning systems causes an increase of 0.709 in internal business process performance while in a moderated relationship, a unit change in strategic planning systems causes an increase of 0.544 in internal business process performance. It means that an appropriate configuration of planning resources, management participation and application of planning techniques causes an increase of 0.544 in internal business process performance. Conversely, the interaction between strategic planning systems and strategy implementation causes a decrease of 0.295 in internal business process performance. The interaction term was significant therefore further probing of the interaction effect was done using Dawson approach as presented below.

Figure 1 indicates the interaction between strategic planning systems and internal business process performance moderated by the level of strategy implementation. The coefficient of the interaction term was -0.543, while the predictor coefficient was 0.544. The moderator had a coefficient of 0.264 while the intercept had 0.162. The interpretation of the graph is done according to Dawson (2013) recommendation. The negative coefficient of the interaction term (-0.543) indicates that the association between strategic planning systems and internal process performance is not always positive. It could move from negative to positive depending on the effectiveness of strategic planning systems.

Table 7. Coefficients of moderation of strategy implementation on strategic planning systems and business process performance

		Unstandardized Coefficients		Standardized Coefficients	t-Value	Sig.	Collinearity Statistics	
		B	S.E.	Beta			Tolerance	VIF
1	(Constant)	1.07E-17	0.125		0.000	1.000		
	Co. Own	0.136	0.134	0.136	1.015	0.318	0.894	1.119
	Tot. Emp	-0.016	0.149	-0.016	-0.104	0.918	0.721	1.386
	Exp Emp	-0.032	0.128	-0.032	-0.247	0.807	0.981	1.020
	CompSPS	0.709	0.141	0.709	5.028	0.000	0.810	1.235
2	(Constant)	0.162	0.135		1.204	0.239		
	Co. Own	0.130	0.125	0.130	1.046	0.304	0.892	1.121
	Tot Emp	0.031	0.143	0.031	0.219	0.828	0.676	1.479
	Exp.Empl	-0.079	0.121	-0.079	-0.654	0.518	0.947	1.056
	CompSPS	0.544	0.164	0.544	3.318	0.002	0.516	1.940
	CompSI	0.264	0.187	0.224	1.407	0.170	0.546	1.833
	SPS x SI	-0.543	0.229	-0.295	-2.373	0.025	0.894	1.119

a Dependent Variable: Internal Business Processes Performance

Key: Co.Own - Company ownership; Tot.Emp - Total employees, ExpEmp – expatriate employees; CompSPS - composite strategic planning systems, CompSI - Composite strategy implementation; SPS x SI Interaction term.

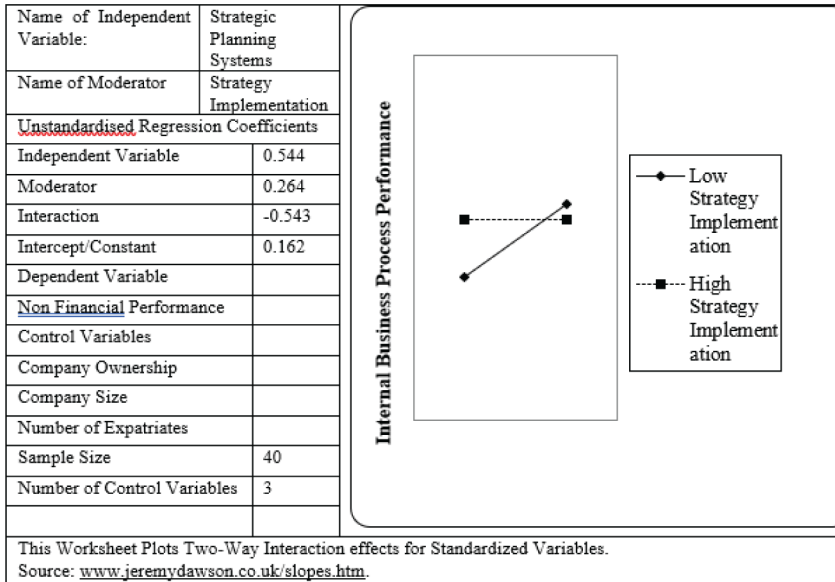
Similarly, the results from Figure 1 indicate that if strategic planning systems are low regardless of the levels of strategy implementation, it leads to negative internal business process performance. However, from the diagram, it shows that an increase of strategic planning systems causes an increase of internal business process performance. Therefore, high levels of strategic planning systems lead to the achievement of not only high but also positive internal business process performance. The study revealed that internal process performance depends both on strategic planning systems and strategy implementation. Therefore, the development of firm capabilities through action planning, coordination and institutional alignment are beneficial to firms because they lead to positive performance achievements.

5. DISCUSSION

From the findings strategy implementation is an indispensable factor that shapes and determines the success and failure of organizations. Strategy implementation forms a critical link in strategic management process. Some empirical studies focused on the problems that lead to failure of strategy implementation (Alexander, 1985; Beer and Eisenstat, 2000; Sterling, 2003) while others focused on the attributes associated with successful strategy implementation (Peng and Litteljohn, 2001; Aaltonen and Ikavalko, 2002). This study established that strategy implementation does not moderate the relationship between strategic planning systems and return on investment performance.

Many previous studies have linked strategic planning systems to performance either independently or jointly (Dayson & Foster, 1982; Ramanujam & Venkatraman, 1987; Elbanna, 2008). Miller (2002) posited that organizations fail to implement up to 70 percent of their intended strategies. Similarly, Mankins and Steele (2005) observed that 40 percent of the planned value was never achieved due to implementation challenges. In addition, Aosa (1992) strongly recommended that companies need to establish a link between strategy formulation and strategy implementation to avoid the negative

Figure 1. Two-way interaction plot in the relationship between strategic planning systems and internal business process perspectives



implication. Alexander (1995) found that compensation systems did not hinder strategy implementation while on the contrary Aaltonen and Ikavalko (2002) established that indeed compensation systems were the most problematic issue in strategy implementation.

The findings of this study established that strategy implementation moderates the relationship between strategic planning and market performance. There is a consensus amongst prior scholars that strategy implementation plays a vital role in strategic management. Jalali (2012) study showed that strategy implementation influences performance. Further, he concluded that strategy implementation acts and as a moderating variable between organizational characteristics, export commitment, environmental characteristics and export performance.

The study established that strategy implementation moderates the relationship between strategic planning systems and internal business performance. In line with previous studies, this study tested and confirmed the interaction effect of strategy implementation on the relationship between strategic planning systems and internal business process performance. Ogbeide and Harrington (2011) study reported interaction effects where management participation led to greater action plan success. Similarly, Newbert (2007) observed that scholars employing dynamic capability approach seek to confirm the degree to which specific resource levels improve a firm’s competitive position.

Since the interaction term between strategic planning systems and strategy implementation was negative, it means that the interaction between strategic planning systems and strategy implementation could lead to negative performance depending on the level. In essence, low levels of strategic planning systems and low levels of implementation mechanisms lead to negative internal business process performance while high levels of the attributes lead to high and positive internal business process performance. Carlopio and Harvey (2012) observed that failure to recognize and act on these facts, contribute to high strategy implementation failure rates.

7. CONCLUSION AND IMPLICATIONS

Strategy implementation moderated the relationship between strategic planning systems and non-financial performance. However, it has no moderating influence on financial performance specifically return on investments. The study established that strategy implementation was a significant moderator in the relationship between strategic planning systems and market performance on the one side and internal business process performance on the other side. The interaction effect showed that, low strategic planning systems and strategy implementation lead to negative business process performance while high levels lead to positive business process performance. Hence, the development of dynamic capabilities through strategy implementation mechanisms and appropriate configuration of strategic planning systems lead to improved firm performance. Organization strategic change implementation should focus simultaneously on both the hard and soft sides by having incentives reinforce change. To be successful in strategy implementation managers need to ensure that corporate strategy becomes an integral part of an organization's culture, top management involvement and commitment to strategy implementation.

Despite the plethora of writings on strategic issues, managers still appear unaware of the use of specific frameworks in strategic planning. The findings of this study raise two conclusions which have practical implications. The study supports the fact that strategic planning techniques are important to the achievement of performance. Hence, it is worth recommending the use of appropriate planning techniques as an important element in organizational success. An effective planning system requires an infusion of adequate resources to the planning efforts as well as knowledge of relevant planning techniques. To the management, it should be noted that scanning external environment alone is not enough to achieve competitive advantage rather the scanning should also focus on both the internal and external orientations.

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