

Implementation of the Strategy: Problems and Solutions

Yashin N.S. ^a

Andreeva T.A. ^b

Serebrjakov A.V. ^c

Bagautdinova N.G. ^d

^{ab} Russian Economic University named G.V. Plekhanov, Saratov Social and Economic Institute, Saratov, Russia, 410003

^c SSTU named Yuri Gagarin, Engels Technological Institute (branch), Engels, Russia, 413100

^d Kazan Federal University, Institute of Management, Economics and Finance, Kazan, 420008, Russia

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Abstract

The paper deals with the implementation of the strategy as a key element of the strategic process. Developed organizational and management mechanism of the process of implementation of the strategy involves the exercise of choice of methods and resources management in accordance with the nature of the factors of internal processes (capacity) of the enterprise and the external environment in which it operates, and to exercise control on the basis of information on the implementation of the organization's processes and stakeholder satisfaction in accordance with the principles of quality management. To evaluate the effectiveness of the implementation of a procedure for strategic verification. Statistical processing of the data obtained by the method of rank correlation has identified strategic indicators, most affecting the level of strategic impact. Integrated use of expert and mathematical processing of information provides a more complete picture of the impact of the implementation of the strategy.

Keywords: strategy, implementation strategy, the effectiveness of implementation

1. Introduction

Process of strategic management, from beginning of working out of strategy till its successfully realization - long enough and laborious. Many organisations owing to a considerable quantity of the objective and subjective reasons find it difficult to pass it successfully. Under the different researches, only from 20 to 40 % of the organisations successfully and in full realise the planned strategy and receive desirable results. The reasons such «strategic rupture» (not conformity of actual results of realisation of strategy to strategic target indicators) increasingly become object of scientific researches [7, p.5].

To problems of successful realisation of strategy and revealing of factors of occurrence of «strategic rupture» in different years many domestic foreign scientists were engaged [1, 3-4, 10]. However such questions as process of implementation of strategy, control over its realisation, estimations of implementation are less clear and are understandable, than problems of the strategic analysis, the formulation and choose of a strategy: «all have well learnt to plan, but very few people is able to make» [1, p. 3].

2. Essence, Principles, the Mechanism of Implementation the Strategy

The variety of approaches to a problem of successful implementation the strategy has defined necessity of working out of the effective mechanism of implementation. Implementation of strategy can be structured on three interconnected stages: directly realisation of strategy, monitoring of results and strategy updating. The methodology successful implementation defines necessity of working out of principles, a choice of necessary means and methods of realisation of this process and working out of methodical recommendations about its realisation (tab. 1). Active integration in instrumental and methodical plan of strategic management and quality management will allow to achieve synergetic effect and steady success of the organisation in long-term prospect.

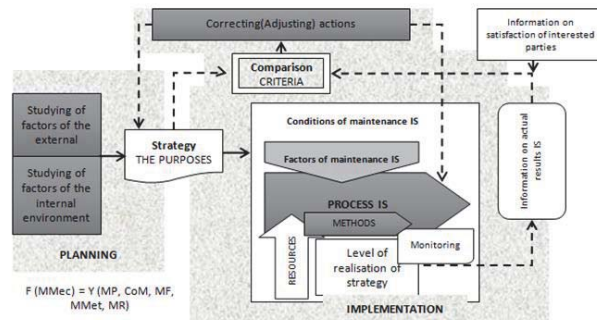
Table 1. Methodology of complex system of implementation the strategy

Implementation of the strategy - process of realisation of strategic plans, monitoring of their realisation and correcting (adjusting) actions for process optimisation of implementation		
The purpose	Achievement of strategic targets of the organisation	
Key steps	Principles	Tools
Realisation	Leadership of the head, personnel involving, the process approach, mutually advantageous relations with suppliers, constant perfection	Qualitative expansion of plans, structure of splitting of works, network schedules, the business plan, the process approach, 6 σ, kaizen, TPM, quality mugs, 5S, Kanban, the Gant's diagram, QFD, FMEA, procedure PPAP
Monitoring	Regularity, the system approach, decision-making factual	System of the balanced strategic indicators, strategic audit, internal audit, self-estimation, methods of the comparative analysis, statistical quality monitoring of quality, self-estimation, audit competitions on quality
Updating	Leadership of the head, efficiency, constant perfection	Analytical and expert methods of an estimation, the FMEA-analysis, FCA method, etc.

Considering a complex of problems which is necessary for solving in a course of implementation the strategy (scheduling, definition of economic levers and the stimulus used in practice of a management; formation of organizational structure, methods and style of work of directing bodies; realisation of various forms of participation of the personnel in production management), *under the implementation of strategy authors understand the integrated multilevel system of forms and methods of influence as the mechanism for achievement of the established purpose, on factors on which condition the result of activity of operated object, namely, result of implementation of strategy depends.*

At construction of differentiated (i.e. changing depending on initial and current factors and operating conditions) schemes of the organizational-administrative mechanism of implementation the strategy all uncountable set of factors influencing this process we will unite in two classification groupings: factors of internal processes (potential) of the enterprise and environmental conditions in which it functions (fig. 2). Similar division helps to organise more accurately process of realisation of strategy, but also to take measures on elimination of some negative influences.

To start action of the given mechanism, strategy of the company which realize, taking into account of available internal possibilities and external conditions, and is materialised in concrete results of activity – the fact sheet on realisation is initial developed on a stage of planning. At detection of deviations at an analysis stage of the data received as a result of monitoring action of forces in the block of comparison with target indicators begins and there is a decision-making concerning correcting influences.



MMec - the management mechanism; MP - the management purposes; CoM - criteria of management; MF - management factors; MMet – management methods; MR – management resources

Fig. 2. The differential scheme of the organizational-administrative mechanism of implementation the strategy (IS)

One of problem places in effective implementation of strategy which have been designated in the beginning of discussion beginning - an effective translation of target strategic reference points from the higher hierarchical levels of strategic management on levels of business units and divisions of the enterprises. It is a problem zone of such functions of management, as the organisation and motivation. One of innovative approaches for the decision of problems «expansions of a policy and the purposes», known in world practice and borrowed from systems of quality management and economical manufacture is the methodology of Hosin Kanri, in which basis the multidimensional X-matrix in which four fields allow to establish correlation interrelation between various categories (strategic target reference points, tactical ways of realisation of strategy, concrete processes and concrete indicators, i.e. results of realisation of strategic plans). Expansion of the basic strategic targets established at the level of the state, the branch ministries, the corporate center and the enterprises entering into it is offered to carry out by means of the cascade of X-matrixes and method «catch a ball» which means process of the coordination of plans «from above – downwards» and «from below – upwards» [9, p. 117].

3. Technique and Results of an Estimation of Productivity Имплементации Strategy

The key element which is responsible for productivity of process of implementation the strategy is monitoring (supervision continuous process), and consequently and for necessity of its updating on the higher and the average levels of hierarchy of the oil and gas companies. The rating of strategic productivity can show the fullest and operative picture of results of monitoring. For rating construction are necessary quantitative and quality indicators which characterise the process of implementation of the strategy.

The category «productivity» characterises level of achievement of the purposes. We suggest to treat this category taking into account basic principles of quality management as *degree of achievement of the results, to the established strategic indicators which satisfy certain requirements of interested parties and conditions for constant perfection of activity of the organisation create.*

Recently appears more and more materials (article, performance, methods) according to productivity of quality management systems (QMS) which are similar to problems of an estimation of level of strategic productivity [8, p. 88], but many of them suffer one lack – they are a little difficult for execution and suppose a wide field for interpretation of an estimation of productivity of QMS.

The program of intracorporate strategic verification is developed for definitions of level of strategic productivity and drawing up of a corresponding rating by the author on the basis of a self-estimation, with application of the adapted criteria of an estimation on the basis of office product EXCEL, promoting reception of as much as possible objective results. Verification according to the standard of GOST R ISO 9000-2005 (items 3.8.4): Confirmation on the basis of representation of objective certificates (3.8.1) that the established requirements (3.1.2) have to be executed [2].

The effective system of verification (within the limits of monitoring) processes of industrial divisions, is extremely actual, as creates atmosphere of competitions between separate economic units in corporation, makes active realisation of achievement of objects in view, helps to reveal «narrow» places in the functioning processes influencing development of the enterprise, helps to carry out a choice of priority directions of development for the purpose of increase of investment appeal and strengthening of trust of the interested.

System of an estimation of strategic productivity, it is offered to construct on the basis of four complex indicators, to corresponding four strategic prospects of development which are detailed by means of concrete indicators of strategic development for each of which the index of productivity (tab. 2) is defined. As *indicators of strategic productivity (SP)* we will understand the generalised strategic target indicator, representing set of the balanced strategic indicators on one strategic prospect.

Table 2. System of an estimation strategic productivity*

The indicator name	The plan for the accounting period (P _p)	Actual indicators for the accounting period (P _a)	$P_{ij}=P_{ai}/P_p$ Index SP	Normalised estimation of index SP (points)
The indicator - Consolidation and development gas distribution actives				
Extent of served gas pipelines, thousand in km.	2,87	2,89	1,01	3
Registration of gas pipelines in the property, thousand in km.	2,44	2,44	1,00	2
The size of participation in supervised organisations, million rbl.	0,01	0,01	1,00	2
Share of participation in controllable societies, %	100,00	100,00	1,00	2
Extent of gas pipelines, thousand in km.	2,73	2,73	1,00	2
<i>Average percent of deterioration of actives GDS, % **</i>	69,70	69,70	1,00	1
Total amount of investments in actives GDS under the investment program, million rbl.	15,07	19,27	1,28	3
Cost of actives GDS, million rbl.	542,22	540,19	1,00	1
Total value SP on indicator SP _{consol}				16
The indicator - Economic efficiency of activity				
Net wealth, million rbl.	682,00	752,93	1,10	3
Net profit, million rbl.	5,97	24,85	4,16	3
Incomes of other kinds of activity, million rbl.	609,16	616,95	1,01	3
<i>The cost price of realised production (services) in other kinds of activity, million rbl. ***</i>	400,39	413,62	1,03	0
<i>Administrative and general business expenses by other kinds of activity, million rbl.</i>	125,83	130,75	1,04	0
Profit by other kinds of activity, million rbl.	82,95	72,59	0,88	1
About Total value SP on indicator SP _{effect}				10

* - In the table is brought the data of one economic unit which is a part of Open Society «Saratovoblgaz» on two strategic prospects.

** Italics notes indicators the estimation on which is made on return system

*** Fat italics notes dependent indicators the estimation on which is made under the relation P_{ij} Indicator of incomes on return system

Indexes of strategic productivity (P_{ij}) Is the relative size showing, in how many time actual indicators of development differ from level of planned targets:

$$P_{ij} = \frac{P_{if}}{P_{jp}} \quad (1)$$

Where P_{if} , P_{jp} - the actual and planned data of the indicator characterising -j an index of productivity; -i – serial number of indicators; j – serial number of indexes of productivity of each indicator. The automatic system of rationing of the received values of indexes is developed for all groups of indicators.

By the offered technique of intracorporate strategic verification the estimation of activity of a part Open Societies «Saratovoblgaz» 16 SaA for 2012 has been carried out. In quality the visualisation tools, the received data such tool as the alarm map consisting of the total table, containing colour indication of results and the histogram reflecting a rating of strategic productivity (suggested to enter fig. 2). Drawing up of a rating of strategic productivity of each economic unit and corporation, as a whole, will give the chance to estimate its contribution to achievement of strategic indicators of corporation, will allow to reveal the most successful regional companies which can be attractive to investors, and also will concentrate attention of a management to updating of activity of the inefficient companies.

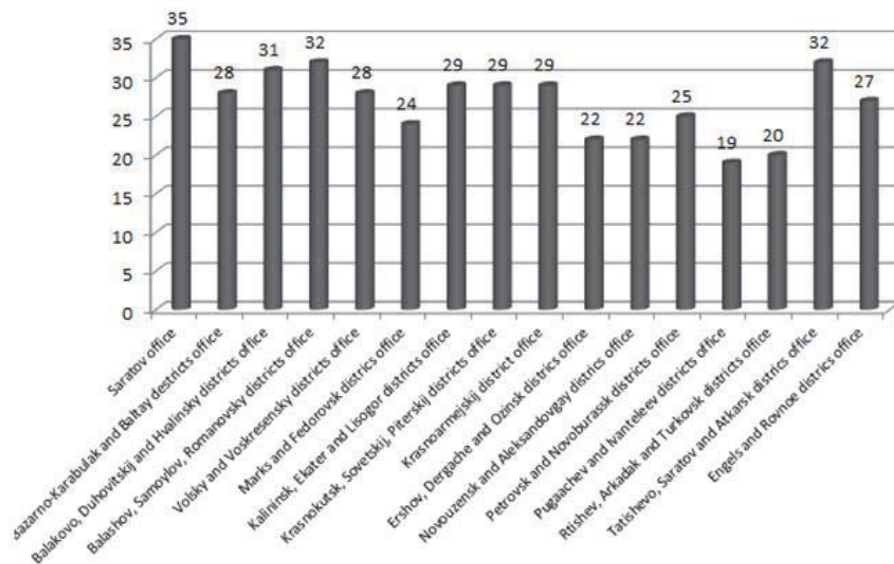


Fig. 2. A rating of strategic productivity of Open Society «Saratovoblgaz» for 2012

By means of a rating of strategic productivity it is possible to display only degree of approach of current activity to an ideal mode. However remains not analyzed what indicators (so what kinds of activity) and in what degree influence increase or decrease in level of productivity. Therefore a following evaluation stage of productivity implementation of the strategy is revealing of the indicators, making the greatest negative impact on result and demanding improvement. For this purpose we will carry out procedure of the statistical analysis of communications between factorial and productive signs of statistical set. Statistical data processing is spent on the basis of a method rank correlations. Were used selective factor

of rank correlations of Spirmen (3):
$$r = 1 - 6 \frac{\sum d_k^2}{n^3 - n} \quad (2)$$

In which – d_k^2 squares of differences of ranks of each pair compared values, n – sample volume;

And also selective factor of rank correlations of Kendall (3):

$$\tau = 2 \frac{P - Q}{n^2 - n} \quad (3)$$

In which P , Q – accordingly number of positive and negative inversions of ranks, n – sample volume. In a case when the statistical importance of correlation communication proved to be true both for factor (2), and for factor (3), specification of factor of Spirmen taking into account repeating ranks [6, p. 56].

Rank correlation between indexes of achievement of planned targets and a deviation of actual level of strategic productivity of division from the level corresponding to planned targets is investigated. Calculation of critical values is spent at a significance value 0,05. As the basic statistical hypothesis absence of significant correlation communication

was accepted. Thus, presence of significant correlation communication was shown in a case when value of selective factor exceeded corresponding critical value. In addition the narrowness of communication was estimated qualitatively on a scale of Cheddok.

Based on the presented initial data it is established that for a deviation of level of strategic productivity takes place significant rank of correlation communicate with indexes of achievement of planned targets on the following indicators presented in table 3.

Table 3. Results of rank correlation

Display-indicators	Indicator	Selective factor of rank correlations of Spirmen	Critical value of distribution of Spirmen	Selective factor of rank correlations of Kendall	Critical value of distribution of Kendall	Character of correlation
Consolidation and development Gas development actives	Extent of served gas pipelines	0,59	0,46	0,45	0,36	Is frugal, put-telnaja
	Registration of gas pipelines in the property	0,54	0,48	0,43		Is moderated(moderate) th, put-telnaja
	Total amount of investments in actives GDS under the investment program	0,91	0,23	0,83		High put-telnaja
Economilal effect of actions	Net profit	0,50	0,50	0,46		Is moderated(moderate) th, put-telnaja

Having kept as explaining factors only statistically significant indicators from tab.3, we receive compact model for an estimation of influence of separate indicators on level of strategic productivity. We will estimate further adequacy of offered model. As strategic productivity is estimated by quantity of points on a discrete scale it is necessary to refuse use of the criteria similar to criterion of Fisher, applicable for continuous random variables with the normal law of distribution. We will be limited to an estimation of a relative error.

Let's consider values of strategic productivity U_k in two cases: U_k – at the account of all known indicators, \tilde{U}_k – at the account only statistically significant indicators. For an average relative error (4):

$$A = \frac{1}{n} \sum \left| \frac{\tilde{U}_k - U_k}{U_k} \right| \cdot 100\% \quad (4)$$

We receive value $A=8,6\%$. Such accuracy is represented sufficient for the preliminary forecast of strategic productivity.

Thus, the combination of the expert strategic analysis spent in the form of strategic verification and use of simple mathematical models allows to lift scientifically-practical validity of strategic decisions. It underlines importance, methodology interdisciplinary synergetic approach and its theoretical bases for perfection of development of system of strategic management.

4. Conclusion

Introduction of system of an estimation of strategic productivity will allow to focus attention of a management of the organisations to the importance for economic efficiency of activity of such indicators as personnel development, increase of a technological level of manufacture, the size of technological losses of gas at its transportation. The publication of given results becomes good stimulus for investors, including foreign, and starting step to start the mechanism of the investment promoting the further development, both separate economic units, and corporation as a whole.

The methodological approach offered in work and the methodical toolkit directed on increase of efficiency of strategic management at the enterprises of the oil and gas industry can be used at formation of strategy of development in other industries, and quality management inclusion in structure of standard tools of management of the modern enterprises becomes effective way of reception of competitive parity or competitive advantages.

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