

## Evaluation of the Strategy Management Implementation in Project-Oriented Service Organizations

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**Abstract:** Although developing strategic and operational plans is a difficult and complicated process, their successful implementation is much more difficult. Many organizations fail in the full implementation of their strategies. This is not due to the partial definition of strategies and organization's operational plan, but this is likely due to the lack of strong framework for creating alignment between employees and operational process and the organizational goals. To implement strategies effectively and to develop a comprehensive management system and to improve the performance, Robert Kaplan and David Norton introduced a modern management system which is Balanced ScoreCard. Likewise they introduced five main criteria: leadership, translation, alignment, every day process and ongoing process for a strategy oriented organization. This paper is intended to offer a systematic approach for measuring the effectiveness and efficiency of the strategic plan performance. For this study the questionnaire was distributed in a project-orientated service organization and after collection, by the use of statistical. Analysis especially factor analysis the grouping of sub-criteria under the five main criteria was confirmed. The statistical analysis showed that, two criteria of alignment and every day work had the lowest scores in terms of both implementation and effectiveness in the organization's senior and executive manager's point of view. With deep interview, studying of scorecards and meeting of the strategic committee of the studied organization, the two dimension of alignment and every day work were further examined and after identifying upgradeable areas, some suggestions for improving the effectiveness and efficiency of the studied organization were presented.

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### 1. Introduction

Due to the environmental changes and more complex organizational decisions, comprehensive program must be prepared to deal with these changes and

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complexities. This plan is nothing but a strategic plan. The strategic management includes activities related to investigation, evaluation, strategies selection, adopting any internal or external measures for implementing these strategies and finally controlling the performed activities. Considering the need for strategic plan, many organizations develop and implement it but in many cases after a while the organization realizes that it hasn't achieved the expected effectiveness and efficiency. This paper is intended to offer a systematic approach for measuring the effectiveness and efficiency of the strategic plan performance. The designed mechanism is implemented in a public service provider organization and the effects of the implemented strategic plan are assessed and the results are presented.

## **2. Literature**

Evaluation and performance management is the result of organization's strategic and operational plans. Although developing strategic and operational plans is a difficult and complicated process, their successful implementation is much more difficult. Many organizations fail in the full implementation of their strategies. This is not due to the partial definition of strategies and organization's operational plan, but this is likely due to the lack of strong framework for creating alignment between employees and operational process and the organizational goals. (Creelman & Makhijani, 2008, pp. 1-16)

By simply relying on tangible assets, today's organizations cannot carry out performance evaluation and thereby the comprehensive performance management. (Kaplan & Norton, 2004; Kaplan & Norton, 2000)

To implement strategies effectively and to develop a comprehensive management system and to improve the performance, Robert Kaplan and David Norton introduced a modern management system which is Balanced ScoreCard.

Balanced scorecard management system was introduced as a comprehensive framework for performance evaluation and strategy promotion and it leads to balance between short term and long term goals, financial and nonfinancial measures, internal and external performance, internal and external stakeholders and conducting and functional indicators of performance. (Niven, 2008; Niven, 2006)

Kaplan and Norton (founders of balanced scorecard model), announced that for the complete performance evaluation of the companies and organizations, this performance should be evaluated from four perspectives.

1. Financial perspective;
2. Customer perspective;
3. Internal processes perspective;
4. Growth and learning perspective.

After this step companies should determine their goals in each of these four perspectives and choose indicators to evaluate success in achieving each perspectives objective and then the quantitative amount of each of these indicators for the specified evaluation period should be calculated. The most important tool in this model is BSC or Balanced ScoreCard. Due to the use of colors in Balanced Scorecard it is also called Traffic Light Report. (Chavan, 2009, pp. 393-406; Davis, & Albright, 2004, pp. 135-153; Yüksel, & Dağdeviren, 2010, pp. 1270-1278)

After the objectives and their quantitative values are determined, actions and executive innovations should be planned and implemented to achieve these objectives. It is proven in practice that a kind of cause and effect relationship exists between the objectives and the indicatives that link them together. This means that to achieve financial gains (in financial perspective) we should create values for our customers (in customer perspective). This will not be possible unless we become superior in operational processes and comply them with our customers' demands (Internal process perspective) and achieving operational superiority and developing a value adding process is not possible unless a suitable working environment for staff is developed and innovation, creativity, learning and growth are strengthen. (Fernanses, et al. 2006, pp. 623-634; Kaplan & Norton, 2008)

According to previous researchers, failiure in strategies is not due to weakness in formulating them, but this is due to their unsuccessful implementation. (Parmenter, 2010; Blokdiijk, 2008)

When managers of successful organization are asked about how they have achieved this success, two words are used frequently, alignment and concentration. To achieve strategic alignment and concentration, these organizations use a specific and same model which is recognized as five principles of a strategy oriented organization. These principles can be summarized as:

1. Translate strategy in to operational terms;
2. Align the organization with strategy;
3. Convert the strategy in to employee's every day work;
4. Make the strategy a continuous process;
5. Evolve the organization by senior management leadership. (Kaplan, & Norton, 2001, pp. 84-104; Johnson, 2001, pp. 319-330; Papalexandris, et al., 2005, pp. 214-227)

### **3. Methodology**

According to the studies carried out by Kaplan and Norton on five principles of a strategy oriented organization, these principles are used in this paper for evaluating the performance of a strategic management implementation. According to the five principles, questionnaire was designed with five main criteria: leadership, translation, alignment, every day process and ongoing process. To design the questionnaire interviews were done with strategic management experts and they were asked about the reasons of success or failure in implementing the strategic plan. Then criteria determined by Kaplan and Norton in their studies were complied with the criteria derived from interviews and the questionnaire was designed. The questionnaire was distributed in a project- orientated service organization and after collection, by the use of statistical analysis especially factor analysis the grouping of sub-criteria under the five main criteria was confirmed.

The method used in this study is Mixed Research Methodology. Mixed researches are those researches which are done by the use of combination of qualitative and quantitative research methods. (Teddie, & Tashakkori, 2009)

## **4. Evaluating the Implementation of Strategic Plan in a Project-Oriented Service Organization**

### **4.1. Introduction of the Studied Organization**

According to the statute, this Company was established with primary goals of supply, production, transmission, distribution and sale of electric power for all electricity consumption in the organization's area of activity. It includes deputies of planning, design and development, operation, financial support, human resources, coordination and independent office of protection, board, public and legal relation. To achieve its objectives, company fulfills the activities that can be classified into five areas of activity:

1. Operating activities;
2. Development and construction activities;
3. Financial activities;
4. Planning activities;
5. Activities related to human resources.

From the second half of 2009, this Company decided to develop a strategic plan using (BSM) Balanced Strategic Management.

After about 2 years of developing and implementing the strategic plan in this organization, it was required to evaluate the strategic plan. This assessment is based on the research method which was previously discussed in this article and the process and results will be discussed later in the article.

## **4.2. Investigating the Performance of Strategic Plan Implementation through Measurement of Opinions Based on Kaplan and Norton Studies**

The main objective of the present discussion is to examine the implementation status and also to examine the effectiveness of strategic management process in general and also separately in each of the dimensions: leadership, translation, alignment, every day work and ongoing process.

According to the studies conducted by Kaplan and Norton on the five principles of a strategy oriented organization, these principles have been used in this article to evaluate the performance of strategic management implementation.

This questionnaire measures the five dimensions emphasized by Kaplan and Norton in implementing the strategies. However after being designed, the mentioned questionnaire was given to experts and scholars and their desired reforms based on the research environment were applied on both form and the content. This questionnaire is consisted of two sections and 27 questions. In the first part of the questionnaire, the question which is trying to be answered is to what extent the company has implemented each of the items mentioned in the questionnaire. In the second part the respondents' evaluation of the effectiveness of implemented items are evaluated. In this regard, after collecting the distributed questionnaire and calculating the factor analysis with the use of SPSS software, results showed that the factor loads for all the indicators is more than 0.5 which again confirms the validity of the questionnaire. The mentioned action was also done for effectiveness assessment part and the validation was also confirmed.

### **4.2.1. Implementation Status**

For the evaluation of the strategic management implementation status one sample t test is used. And since a 10-point scale is used here, number 5.5 is considered as the median. The evaluation results show that the implementation status of leadership and translation is desirable; the status in alignment, everyday work and ongoing process is undesirable.

### **4.2.2. The Effectiveness Status**

The evaluation result shows that the effectiveness of Translation is satisfactory, while, the effectiveness of other dimensions is unsatisfactory.

### **4.2.3. Conclusion of the Quantitative Study**

The assessment results of strategic management's dimension's implementation at the Company show that in respondents' view, alignment and every day work have the lowest desirability in comparison to the other factors. Therefore it is necessary to pay more attentions to these dimensions. Regarding the actions done in the field of the five dimensions of strategic management we faced a similar pattern. So that the situation of alignment and every day work are evaluated unsatisfactory in terms

of efficacy. Furthermore findings show that dimensions that have unsatisfactory implementation status don't have an optimal effectiveness either. In other words, if complete and appropriate actions are not taken in the implementation step of strategic management, this will ultimately reduce the effectiveness of these actions.

Since the findings show that in the studied company the dimensions of alignment and every day work do not have a satisfactory status in both implementation and effectiveness, it was required to examine these dimensions more closely.

### **4.3. Alignment Measures**

For evaluating strategic management performance, it is required to measure the organization's alignment in strategic management implementation and achieving the determined objectives through strategic actions and projects.

For this purpose, with the use of traffic light and quantifying objectives and processes and strategic projects as it will be explained later, the organization's strategic plan's performance can be analyzed.

#### **4.3.1. Description of Alignment Measurement Mechanism**

Balanced scorecards include extracted strategic goals which are important for the organization, measure or whatever the goals can be measured by them, are defined in these cards. More than a measure can be defined for a single strategic goal, and for each measure a dimension or a counting unit is determined. Then the responsible unit for improving the measure and thus the strategic goals improvement will be determined.

Maybe it will be required to define a project for improving or even evaluating the measures, which will be called strategic projects or actions. Measures and projects based on their access level to goals and their improvement based on plan, have specific colors in Balance Scorecards. Measures and projects which are marked in red have significant distance to strategic plan (more than 90% of deviation) Measures which are displayed in yellow have a slight gap (less than 10% of deviation) and those marked in green report an appropriate situation (without deviation and appropriate process of goals or improvement based on projects plans)It is necessary to remind that measures are displayed in green ,yellow and red in different situations but projects are only visible in green and red status. An indicator which is plan to show improvement in Balanced ScoreCard is the number of green measures and projects divided by the subtraction result of the total number of projects and measures from yellow measures, which is shown by  $I_{TLR}$  and is calculated based on the bellow formula:

Formula1-Traffic Light Report Indicator

$$I_{TLR} = \frac{\sum_{i'=1}^{n'} wi' + \sum_{j'=1}^{m'} wj'}{(\sum_{i=1}^n wi + \sum_{j=1}^m wj) - \sum_{i''=1}^{n''} wj''}$$

$j$  = projects;  $i$  = indicators;  $J'$  = green projects;  $i'$  = green indicators

$i''$  = yellow indicators;  $n$  = number of total indicators;  $m$  = number of total projects

$n'$  = number of green indicators;  $m'$  = number of green projects;  $n''$  = number of yellow indicators

As it was mentioned previously, this index shows the percentage of green indicators in the company's traffic light. And ideally the more indicators are inclined to 1 or 100%. The more the company's traffic light has improved. Based on the fact that the indicators are monthly targeted, and the projects improvement are assessed monthly, the TLR index can be calculated monthly. The trend for 2011 is shown in the table below.

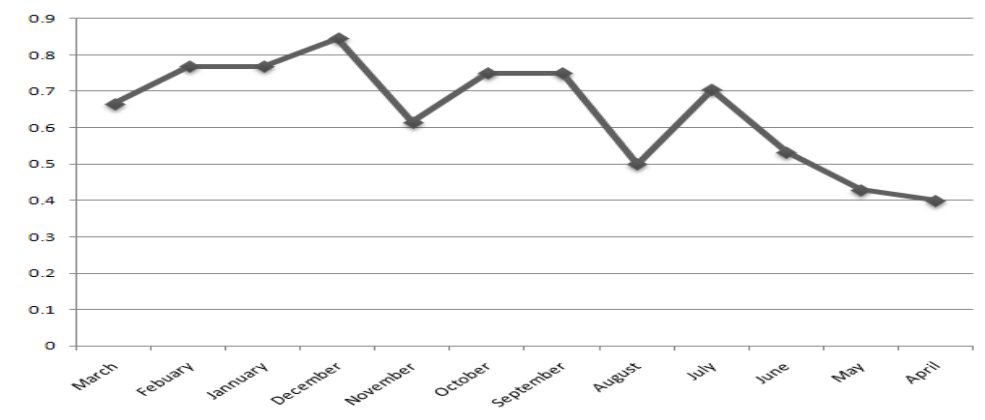


Figure 1. TLR Indicator Trend

In the last months of the year, due to the volume of activities related to the end of the year especially financial activities, the information was not provided for balanced scorecard committee on time, and some information like information related to the electric market activity, was not presented. That is why the TLR index does not have an appropriate trend. Another analysis which can be found in company's TLR, is the progress trend of the mentioned indicator for the company's major activities. In the TLR index of company's planning activities there are not

much fluctuation, only index decrease from November to February and its increase after that, is visible. About the development and construction activities, after the index growth in a seven months period, it is reduced. There is so much fluctuation in financial activities, the only time the financial indicators show a good status, is in June and July. In operating activities, there is so much fluctuation in color index. In this activity the process has always been between the minimum and the maximum but it was never one or zero in human resource activity, in half of the year, the index is zero and it indicates that there have not been any green indicators in these months.

Generally except for the planning activities, in all the other activities the sharp decline of the color index is evident and the result is the overall decline of the color index in the studied company.

#### **4.4. Company's Every Day Work Measurement**

In order to evaluate the company's determination in doing its activities with strategic vision and pursuing strategic goals as the most important daily work, the minutes of the strategic management's committee of the company needs to be investigated and the state of fulfilling the decisions taken at the meetings and senior management determination to implement the strategic decisions are examined.

With interviews and further investigation, some reasons for non-fulfillment of legislations on time were identified as follows:

- Not reviewing the minutes by members before attending the meetings and therefore forgetting the legislation;
- Not providing conditions for legislation's fulfillment;
- Other deputies not cooperating with the responsible deputy in implementing the legislation;
- Absence of members for explaining the legislation and not providing the committee's secretary with the result of the legislation;
- Optimistic prediction about the related legislation.

#### **5. Conclusion**

The investigation of the minutes of the Balanced ScoreCard committee in 2011 showed that more than half of the legislation was implemented in the expected time. Although the overall result seems desirable, not fulfilled legislations and the ones implemented with delay had an adverse effect on individual's satisfaction in the company.



On the other hand with comparing the TLR index and the minutes of the Balanced ScoreCard committee, it is concluded that, however almost all of the committee's decisions were implemented on time, they were not the ones which could improve the TLR index. This is either due to the inappropriate objectives or indicators in the traffic light report, or the items discussed in the Balanced ScoreCard committee include routine cases rather than strategic and important ones.

In the opinion of the organization's senior managements' point of view some of the major problems were as follows:

1. The indicators are not in line with organizational realities;
2. The custodian of some objectives are not appointed correctly;
3. The low level of the organization is not participated in the strategic plan ideally.

With senior managers and board members' opinion, it was decided to review the organization's objectives and indicators and then each department must become responsible to define its own objectives, indicators and projects in line with organization's strategic goals and strategic teams within the unit must become activated and responsible for following- up the unit's strategies.

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