

An empirical analysis of strategy implementation process and performance of construction companies

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Abstract. Strategy implementation is known as action stage where it is to be considered as the most difficult stage in strategic planning. Strategy implementation can influence the whole texture of a company including its performance. The aim of this research is to provide the empirical relationship between strategy implementation process and performance of construction companies. This research establishes the strategy implementation process and how it influences the performance of construction companies. This research used quantitative method approached via questionnaire survey. Respondents were G7 construction companies in Klang Valley, Selangor. Pearson correlation analysis indicate a strong positive relationship between strategy implementation process and construction companies' performance. The most importance part of strategy implementation process is to provide sufficient training for employees which directly influence the construction companies' profit growth and employees' growth. This research results will benefit top management in the construction companies to conduct strategy implementation in their companies. This research may not reflect the whole construction industry in Malaysia. Future research may be resumed to small and medium grades contractors and perhaps in other areas in Malaysia.

1. Introduction

Strategy implementation is the most critical part of strategy planning. It is defined as the conversion of strategies into actual action plans [1]. It is admittedly tedious and more complicated than formulating the strategy itself [2]. Successful strategy implemented enables for a company to improve its overall performance [3]. Strategy implementation also helps a company to gain its competitive advantage [3]. However, a good strategy formulated but not being implemented successfully will not serve its purpose [4].

Construction industry in Malaysia is growing throughout years. There are roughly about 64,000 construction companies were registered with CIDB as of August 2017. However, studies have shown that the failure rate of Malaysian construction companies is critical due to improper strategy implementation by the construction firms [5]. Previous research showed that 90% companies failed to implement strategies successfully due to the mistakes made in the strategy implementation process [6]. Major obstacles in strategy implementation process are to transfer the strategy from managerial level to lower organisational levels employees [6]. Unawareness of lower organisational levels employees towards company strategy may be the major issue which contribute the strategy implementation inefficiency [6].



Strategy implementation can influence the whole texture of a company including its performance [6]. However, many construction companies in Malaysia have yet to formalize the strategic process [7]. Therefore, a study on relationship between strategy implementation process and performance of construction firms needed to be carried out. This research will be able to provide the empirical relationship between strategy implementation process and performance of construction companies.

2. Literature review

2.1. Strategy implementation process

Strategy implementation has become an essential part of business strategies for companies to stay internationally competitive [8]. A formulated strategy can only benefit the company if it is successfully implemented [9]. To implement strategy successfully there is several processes needed to be considered [10].

A good strategy implementation naturally starts with a good strategic input [11]. The management team has to ensure the employees are aware of the company's vision and mission and understands it well [11]. Acceptance and strong understanding of company's strategy by employees will helps the strategy implementation runs smoothly and effectively [12].

Strategy implementation only works when there is a clear strategic action plan [1]. Strategic action plan consist of who does what, when, at what cost [11]. Therefore, building a strategic action plans helps to segregate task, provide datelines and estimate the cost.

Allocation of resources is another critical activity in strategy implementation [1]. Without resources, strategy cannot be implemented smoothly [1]. Resources allocation for strategy implementation must align with the strategic action plan [4]. Resources allocation in strategy planning includes human resources, physical resources and technological resources [13].

Employees are a human being and humans do not like to move out from the comfort zone [9]. During initial strategy implementation, usually employees will resist to make any changes in their working routine [1]. Training helps to eliminate employees' resistance toward changes and helps to adapt employees into implementing the strategic action plan [11].

Successful strategy implementation can also be influence by the involvement of employees in decision making [1]. An organic organisation structure helps to increase employees' involvement in decision making by providing low formality in reporting relationship and shared in authority with employees in decision making process [14].

Reward is closely related to the successful of strategy implementation [1]. Rewards helps to give positive stimulation and helps to influence employees' behaviour [15]. Either monetary or non-monetary incentives, rewards help to motivate the employees to implement the company's strategy [15].

Corporate culture is another human factor which influences company performance. Corporate culture as "a set of norms and values that are widely shared and strongly held throughout the organization" [16]. Corporate culture as the way group learning, solving its problems and adapt to the external environment [17].

2.2. Strategy performance

Construction's companies need to stay competitive to survive this increasing globalize competitive construction industry. Effective strategy implementation enables for construction firm to improve the company's performance [3].

Successful strategy implementation will maximize the revenue of the company and helps to give positive profit growth [18]. Revenue is the total amount revenue within a specific time period which usually is 12 months whereas; profit is the net income of the business [19].

Employees' growth is another positive indication that a company is improving its performance [20]. When a company successfully grows its business, more employees are required to fulfil company needs for the growing capacity [19].

3. Relationship between strategy implementation process and the construction companies' performance

Strategy implemented definitely give impact to companies' performance [21]. A successful implementation of strategies will influence the company performance to a better state [21]. However, there are still a lack empirical evidence proving the relation [22]. Therefore, this research provides the empirical relationship between strategy implementation process and performance of construction companies. These hypotheses guided the direction of the study:

- H1.* There is strong positive relationship between strategy implementation process and construction companies' performance
- H1a.* There is strong positive relationship between strategy implementation process and construction companies' profit growth
- H1b.* There is strong positive relationship between strategy implementation process and employees' growth in construction companies

4. Methods

4.1. Sampling and data collection

The research focuses on the relationship of strategy implementation process with the performance of construction's company in the Klang Valley, Selangor which is the one of most rapid development areas in Malaysia and focus point for most of the construction companies in Malaysia [23]. The competition between construction companies in this area is definitely high and required a proper strategy implementation to enable the survival of the construction companies.

It was assumed that, not entire population of small and medium construction companies conduct strategy implementation [24]. Hence, this research targeted contractors registered as Grade G7 with CIDB Malaysia because almost all large construction companies conduct strategy implementation [7]. In this pilot study, twenty-five (25) samples of questionnaires survey were collected.

4.2. Research constructs

Conceptual framework was developed based on the findings from previous research. The framework is shown in 'figure 1'. The framework emphasizes on the relationship between strategy implementation process and construction companies' performance. Previous research showed that, profit growth and employees' growth are critically influence by strategy implementation process. Thus, construction companies that established such strategy implementation process have high potential in gaining positive company's performances.

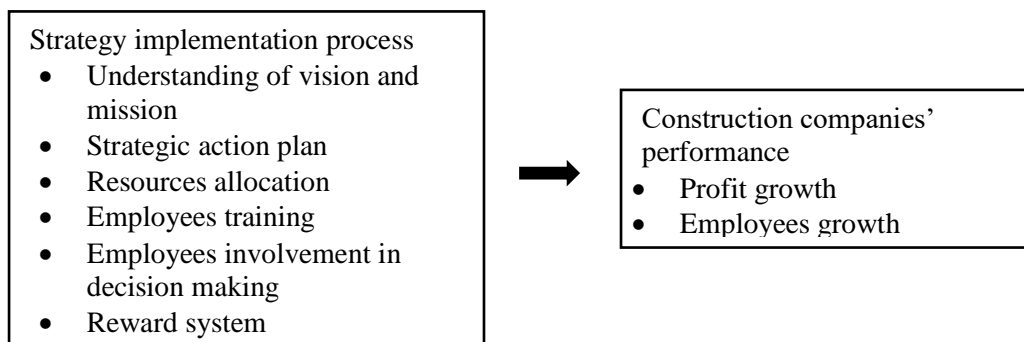


Figure 1. Conceptual framework of strategy of implementation process and the construction firms' performance.

5. Discussions of results

Respondents for the questionnaires survey consist top management such as Head of Strategic Planning, CEO of construction's company, Administration Manager and Human Resources Manager. Statistical Package for the Social Sciences (SPSS) Software was utilized as tool to analyse the data.

The Spearman's correlation analysis was carried out. The result shown in 'table 1'. It can be seen that there is a relationship between strategy implementation and the performance of construction companies.

Table 1. Pearson correlation analysis between strategy implementation process and the construction companies' performance.

		Profit Growth	Employees' Growth
Ensuring vision & mission are understood by the employees	Pearson Correlation	.471*	.533**
	Sig. (2-tailed)	.018	.006
	N	25	25
Making strategic action plan to achieved the strategic objective	Pearson Correlation	.397*	.394
	Sig. (2-tailed)	.049	.052
	N	25	25
Allocating sufficient resources for strategic action plan	Pearson Correlation	.618**	.429*
	Sig. (2-tailed)	.001	.032
	N	25	25
Providing sufficient training for employees to carry out the action plan	Pearson Correlation	.641**	.560**
	Sig. (2-tailed)	.001	.004
	N	25	25
Involving employees in decision making	Pearson Correlation	.600**	.482*
	Sig. (2-tailed)	.002	.015
	N	25	25
Rewarding employees	Pearson Correlation	.427*	.503*
	Sig. (2-tailed)	.033	.010
	N	25	25
Strong corporate culture	Pearson Correlation	.422*	.532**
	Sig. (2-tailed)	.036	.006
	N	25	25

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The results of ensuring vision and mission are understood by the employees during strategy implementation is that they have the pure understanding on the importance their contribution to construction company. This will helps to successfully implement the strategy. The construction companies will then able to increase their the profit growth. The expansion on profit growth allow the companies to grow and expand their horizon. Thus, more employees are employs which contributes to the construction firm employee growth. In addition to that, the employees also will be motivated when they know that they can contributes towards achieving the companies vision and mission.

Strategic action plan enable for construction companies to achieve the strategic objective during strategy implementation. Proper strategic action plan helps the construction companies increase profit growth. This is as showed in 'table 1'. Strategic action plan helps to increase the profit growth because a good action plan implemented able give a construction firm sense of direction in achieving it vision and mission. However, strategic action plan does not influence the employees' growth.

'Table 1' also highlighted that allocating sufficient resources for strategic action plan is crucial in order to increase profit growth. This is because without sufficient resources allocation, the strategy implementation cannot be implemented properly. Nevertheless, allocating sufficient resources will not impact employees' growth. Although, proper resources allocation also seems to give impact towards

the employee growth but not as powerful as the impact of ensuring vision and mission are well understood by the employees.

The result shows that providing sufficient training for employees to carry out the strategic action plan helps the construction firms to extremely increase in both companies profit and employees' growth.

This variable shows the most significant correlation between strategy implementation process and the construction companies' performance. This is proven in 'table 1' where the Pearson's correlation coefficient is at the highest for both profit growth (.641) and employees' growth (.560) which exceed large correlation coefficient ($r = .5$) [25]. It can be deduced that, employees training can increase the capabilities to execute the action plan which then, increase the profit growth as well as the employees' growth.

The involvement of employees in decision making motivates employees towards the achievements of the companies' strategic objectives. The result shows that, involvement of employees in decision making impacted profit growth as well as the employee growth. However, the correlation is higher towards profit growth.

Similarly, rewarding employees helps to motivate employees in working toward achieving the construction company objective. Thus, it resulted in an increase to the profit growth and the employees' growth in construction companies. However, the correlation is found to be not too significant as others. Therefore, rewarding employees is not that crucial in strategy implementation process.

Having strong corporate culture also helps to motivate employees in working toward the construction companies' strategic objective. The result shows that it helps to increase both the employees' growth and companies' profit growth.

In the nut shell 'table 1' has shown that, the construction companies G7 in Klang Valley, Selangor have conducted strategy implementation and it has contributed to positive construction companies' performance both in terms of profit growth and employees' growth.

5.1. Conclusions and recommendation

This research acknowledges and supports the relationship between strategy implementation process and construction company's performances. The empirical evidence shows that there is significant relationship between strategy implementation process and construction companies' performances. This research also proved that, the G7 construction companies in Klang Valley conducted strategy implementation and this has result a positive construction companies' growth. However, this research may not reflect the whole construction industry in Malaysia because it is only focuses on G7 in Klang Valley, Selangor. Therefore, a future research may be resumed to small and medium grades contractors and perhaps in other areas in Malaysia.

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