Challenges, Approaches and Solutions to Strategic Change: Evidence from German Small and Medium-Sized Enterprises

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ABSTRACT, Due to rapidly changing business environments, strategic change has become inevitable for companies. According to current literature, companies fail to implement big parts of the strategy they formulated as they face a lot of challenges on their way. Consequently this research is to point out challenges and come up with solutions to improve the effectiveness of strategy implementation. Therefore five qualitative interviews were conducted in small and medium-sized companies operating in different industries. Results show that most essential challenges for management, facing strategic change, are (1) setting measurable short-term goals in strategy formulation; (2) raising the effectiveness of communication throughout the company and (3) involving employees in strategic change to increase motivation.

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1. INTRODUCTION

Strategy, as defined by Chandler (1963), is "the determination of long-run goals and objectives of an enterprise and the adoption of courses of action". This is to say that strategy is setting the long-run goals that determine the way each individual in the firm looks at business. Therefore both, managers as well as other employees, act in order to achieve these long-term goals.

Strategy must be seen as a process having several stages. This paper is especially concerned with the strategy implementation stage of firms, trying to adjust their business to the "dynamic and complex environment that is continually changing"(Hilman & Siam, 2014) in order to stay competitive. Consequently companies have to learn from the changing environment and, based on this, revise their strategy.

As actual research shows, "the current challenge for management lies in implementing strategy, rather than formulating it" (Dobni, 2003). This is to say that, according to literature, generating an adjusted strategy causes less problems than actually implementing it. So what is very essential to a businesses' success, is that strategy "must be implemented before it can be of specific value to an organization" (Heide, Grønhaug & Johannessen, 2002). Therefore this topic is worth being investigated, as it is to help firms improve the effectiveness of their strategy implementation and thereby generate business success. Nevertheless, in contrast to literature stated above, this research will consider strategy formulation as essential part of successful strategic change.

When investigating the topic, this paper will focus on key aspects impacting strategy implementation. According to Heide et al (2002) these are: (1) information systems, (2) learning, (3) allocation of resources, (4) formal organizational structure including control systems, (5) personnel management, (6) political factors, and (7) organizational culture. As already stated, this paper will also include strategy formulation when dealing with key aspects impacting strategy implementation, like for instance Hrebiniak (2006) and Brenes, Mena & Molina, (2007) did. Looking at these aspects, challenges a company faces will be investigated, which is to pave the way to create an environment supporting effective strategy implementation.

In contrast to current literature, which is mostly focused on the generating phase of strategic change instead of its implementation, on the one hand this paper is to focus on strategy implementation and on the other hand to point out that formulation and implementation are interrelated. Therefore it investigates key aspects impacting strategy implementation, with strategy formulation being one of these aspects. In the following the paper tries to create guiding principles for the effective implementation of strategy and closes a gap in existing literature.

Consequently the research question the following research investigates is:

How can companies implement their strategies more effectively?

Therefore a literature review is performed in the beginning, concerned with the aforementioned important aspects when it comes to strategy implementation and approaches in current literature about how to tackle strategy implementation. Making use of these findings, an interview template will be developed. Afterwards five managers of five different companies get interviewed and the findings will be stated. In the end, this paper is finished by presenting conclusions and concrete recommendations for companies.

2. LITERATURE REVIEW

The first part of this literature review is to investigate challenges and problems strategic change brings. Therefore it makes use of the model of Heide et al (2002), focussing on seven key aspects they identified to raise effectiveness of strategy implementation ((1) information systems, (2) learning, (3) allocation of resources, (4) formal organizational structure including control systems, (5) personnel management, (6) political factors, and (7) organizational culture). Moreover this literature review contains an additional aspect, namely strategy formulation, as it is clearly interrelated with implementation and should support all of the other seven aspects. As strategy formulation is the basis of effective strategy implementation and the other seven aspects, which can be categorized as organizational enablers of strategic change, the review starts with strategy formulation and then goes on to the seven aspects. Main challenges found in the literature review are also listed in table 1. In the following part of the literature review, four different approaches are presented to describe ways in which companies can address strategic change.

2.1 Challenges concerning strategy implementation

2.1.1 Strategy formulation

In his paper, Hrebiniak (2006) states that "formulation and implementation are interdependent" and "Planning affects execution. The execution of strategy, in turn, affects changes to strategy and planning over time". So, as strategy formulation and implementation go hand in hand, managers have to think about concrete ways to implement strategy already while formulating it.

To further facilitate strategy implementation Hrebiniak (2006) proposes, when formulating a strategy, to set measurable short term objectives. This is to help firms keep on track in the implementation process, as progress can be controlled and feedback will be generated. In the following companies objectives can be adjusted according to the circumstances.

Brenes, Mena & Molina (2007) add, that a challenge for companies is formulating a clear and consistent strategy, which is written down. This is an important point, as the message has to be clear in order to facilitate its communication throughout the whole organization.

Besides that an aspect both sources aforementioned notice is what Brenes, Mena & Molina (2007) call the "internal partners' degree of involvement". This is to say that change is lead from a lot of different people in organizations and it is important to involve these people in strategy formulation. As different people are specialists in different parts of the company, and there cannot be one person who knows it all, these views are important to include and align to each other. A final point Brenes, Mena & Molina (2007) make is that firms have to set priorities. As a company will not be able to do all aspects of

change at once, it is important to rank the actions to be taken according to their importance.

2.1.2 Information Systems

A lot of companies suffer from insufficient vertical communication. Heide et al (2002) even say, that "the major implementation barriers are related to various types of communication problems". 70 % of the firms they investigated in their study suffered from vertical communication problems hampering strategy implementation.

Beer & Eisenstat (2000) in their research paper investigate a number of companies and find out that most of them "failed to communicate downward a coherent story showing why the changing world outside the organization demanded new ways of working. Employees never heard how the strategy affected priorities nor received any guidelines". Additionally many employees think that top management is not well informed about what happens at lower levels of companies (Beer & Eisenstat, 2000). This illustrates the distance between top and low level staff that exists in a lot of companies and results in information transfer problems.

A consequence of upward communication problems can be that companies lose their "early warning systems" (Beer & Eisenstat, 2000) as lower level staff is not able to inform top management about problems in time. So companies can just correct their actions as projects have already failed. Finally these problems with communication will result in a "lack of trust" (Dobni, 2003).

To conclude, complex strategies need an effective coordination between different parts of an organization, which challenges the firm to establish effective information transfer systems (Hrebiniak, 2006).

2.1.3 Allocation of Resources

Resource allocation is of vital importance for strategy implementation as missing resources hinder strategy implementation. According to Johnson, Whittington & Scholes (2011) and Heide et al (2002), the most critical resources are financial and human resources. Financial resources enable strategic change and also "affect the allocation of human resources" (Heide et al, 2002). Human resources like managers need to be allocated according to their skills and the firms' need for these skills. Therefore Lorange (1998) states the challenge to be able "to mobilize relevant teams, behind ad hoc project plans, depending on the strategic mode and an ability to tailor (…) human resource efforts according to the strategic context". This does not only mean that companies have to put their human capital into action where it will be most profitable, but on the other hand also to withdraw human capital when facing strategic problems in order not to waste it (Lorange, 1998).

2.1.4 Organizational Structure

In their research, Heide et al (2002) also rank their seven barriers according to their frequency in practice. Results show that organizational structure barriers are the second most frequent problem.

Organizational structure, according to Hilman & Siam (2014), is "defined by three constructs, namely formalization or the degree to which decisions and working relationships are governed by formal rules and procedures, centralization or the degree to which decision authority is closely held by top managers or is delegated to middle and lower level managers, and specialization or the extent to which the organization employs experts or generalists". Following these constructs, companies' structure can be categorized into mechanistic or organic structures. Companies having a mechanistic structure have central authority, formal rules and procedures and strict control of work and information flow, whereas companies being organic concerning structure are decentralized, do not value formal rules and are working and communicating/exchanging information openly (Hilman & Siam, 2014).

Consequently a challenge for business is to align organizational structure to the circumstances it faces, in order to support strategy implementation. On the one hand organic structures are suitable for companies facing a rapidly changing environment, as they need to adapt to these changes and be flexible. On the other hand mechanistic structures are suitable for companies acting in a stable environment, trying to work as cost-effective as possible. However, in most cases companies cannot focus on one of these structures but have to implement a mixture of it as certain parts need to be adaptive to environment and other parts need to be cost-effective.

When having chosen for a suitable structure, managers have to establish routines, clear lines of responsibility and improve coordination and communication among different units (Heide et al, 2002).

2.1.5 Personnel Management

According to Heide et al (2002), "organizations and their staff tend to be interdependent." Furthermore Bolman & Deal (1991) add that "staff expect their organization to satisfy a number of economic, personal and social needs, while the organization cannot function properly without the energy and talent of its staff". This is to prove the vital role personnel plays also when it comes to strategy implementation.

In most studies the term "personnel" is subdivided in "leadership" and "staff".

Johnson et al (2011) state, " leadership is the process of influencing an organization in its efforts towards achieving an aim or goal". Additionally "leadership of change … needs to happen at different levels of an organization" (Johnson et al, 2011). This point is also catched by O'Reilly, Caldwell, Chatman, Lapiz & Self (2010), who state that leadership from different levels of the organization need to be consistent to support change. This is a big challenge companies are facing when implementing new strategies.

In addition to that Johnson et al (2011) are concerned about different leadership styles. In their point of view, different contexts require different leadership styles. For instance " collaboration may be most appropriate for incremental change…but where transformational change is required, more centralized control or directive approaches may be more appropriate" (Johnson et al, 2011). Therefore, as Håkonsson, Burton, Obel & Lauridsen (2012) state, "the alignment of executive style and strategy yields better performance than when they are not aligned". So they suggest suitable types of leaders for different situations companies can face.

Preceding to the second point concerning personnel, namely staff, Fahey and Randall (1994) "discover that successful strategies are the result of the degree of staff involvement in organizational analysis and, specifically, in implementing strategy. Staff in different areas and operational levels in the firm is usually more aware than managers are of the kind of coordination required to successfully take the action required by the firm's strategy." This is to prove the vital role staff plays for strategic change. Consequently having „suitable, motivated, human resources committed to the firm's strategy", is of crucial importance (Brenes, Mena & Molina, 2007). Therefore Brenes, Mena & Molina (2007) advice to align personal interests with the strategy of the firm by developing incentive systems to reward personnel for doing the right thing. Moreover, as staff does not just have to be motivated but also needs to have suitable skills, trainings and evaluative systems can be implemented to encourage learning (Brenes, Mena & Molina, 2007).

2.1.6 Political Factors

Implementation of a strategy also means "empowering those responsible for implementing various strategic actions" (Brenes, Mena & Molina, 2007). This is to say that personnel, finally implementing strategy, needs to gain power and influence like for example the ability to allocate resources, communicate effectively and so forth. In addition to a "reconfiguration of power structures" (Johnson et al, 2011), current literature also proposes to gain support from influential personnel and form coalitions. Results from the study of Hrebiniak (2006) also support this thesis stating that "an ability to form coalitions and gain the support of influential people in the organization will help immensely with the execution of formulated plans". Besides gaining support from influential people, it is also essential to remove resistance to strategy implementation as much as possible. Consequently managers should chose for a strategy, that does not offend personal interests of staff and does not conflict with power structure within the company (Hrebiniak, 2006; Heide et al, 2002).

2.1.7 Organizational Culture

Heide et al (2002) define culture as "cognitive systems and behavioural patterns that exist in all organizations. A company's culture can act as a kind of organizational glue." Hilman & Siam (2014) explain that culture is concerned with shared values, norms and behaviour, which determine the way people act within an organization and enable strategy implementation.

However, in order to successfully enable strategy implementation, culture needs to be clear and consistent (Crittenden & Crittenden, 2008). Besides that managers have to focus on creating an atmosphere of trust, which goes in hand with improving communication (Hilman & Siam, 2014).

Strategy Formulation	-setting measurable objectives
	-formulate strategy clearly and consistent
	-involve the ones who finally implement it
Information Systems	-downward communication
	-upward communication
	-lack of trust
Allocation of Resources	-allocate resources where needed
	-withdraw resources when there are problems
Organizational Structure	-finding the right structural mix (mechanistic vs. organic)
Personnel Management	-align leadership at different levels
	-find a suitable leadership style for the situation
	-having/building skilled staff
	-motivating staff
	-involve staff
Political Factors	-reconfiguration of power structure
	-gain support for strategic change
	-remove resistance to strategic change
Organizational Culture	-establish shared values, norms and behaviour
	-establish a consistent culture
	-lack of trust

Table 1: Challenges to Strategic Change

2.2 Approaches to strategy implementation

As companies face different conditions and externalities, they need to tackle strategic change in different ways. Consequently each company has to find its own way to address strategy implementation. Theory proposes a lot of different approaches for strategy implementation. Each of the four approaches in this section considers different challenges important and provides methods and solutions to address them. However, companies are not able to address all challenges the same way, which is why they have to set priorities and decide for the approach that is best suitable to its' situation. These approaches are presented in the interviews that will be performed in order to find out more about the priorities set by companies and the approaches that can be considered useful in practice.

2.2.1 Rational step-by-step approach

In his research paper, Okumus (2003) presents what he calls the "Strategy implementation framework", treating strategy implementation as a rational step-by-step process a firm has to run through. Changes and new trends in the external environment of a company, as well as "problems and inconsistencies in the internal context require new initiatives"(Okumus, 2003), force a company to undergo strategic change in order to stay competitive. Consequently a company has to adjust its strategy to these circumstances.

When there is a new strategy, which is to be implemented in the company, internal context is to be altered in a way to support strategic change. Internal context consists of organizational structure, organizational culture and leadership, all playing a crucial role in facilitating the implementation of the new strategy. The leader/CEO has to support the new strategy and communicate it throughout the company. Besides that he plays an important role "in manipulating the internal context to create a context receptive to change" (Okumus, 2003). Concerning organizational structure "the shape, division of labor, job duties and responsibilities, the distribustion of power and decision-making procedures" (Okumus, 2003), are important aspects to be considered and altered. When it comes to organizational culture, "the shared understanding of employees about how they do things within an organization"(Okumus, 2003), say their norms, values and shared believes, are to be shaped according to the new strategy.In the following the strategy implementation framework focuses on operational processes to manipulate the internal context and finally implement the strategy. Key aspects are operational planning, resources, communication, people and control.

Operational planning is concerned with "initiating the project" and "planning the implementation activities and tasks" (Okumus, 2003) and clearly impacts the other four aspects of the operational process.One of these aspects, namely resource allocation, is all about "ensuring that all necessary time, financial resources, skills and knowledge are made available" (Okumus, 2003).Besides that it is essential to a company to hire the right people for strategic change. Also the company has to provide certain training to acquire skills and knowledge, and to align the interest of its staff with the overall interest of the company with the help of incentives.

Moreover, mechanisms to support and improve communication throughout the company are vital for coordination across different units. Clear messages are inevitable when directing the company. Finally the company has to introduce "formal and informal mechanisms that allow the efforts and results of implementation to be monitored and compared against predetermined objectives" (Okumus, 2003). This helps the company to measure progress and adjust their actions.

All of the above will result in certain outcomes, which again have to be evaluated by the company and will help improving future strategic implementation processes.

2.2.2 Trial-and-Error approach

According to this approach, strategic change cannot be a rational step-by-step process, like companies analysing the circumstances, planning a new strategy, creating an atmosphere enabling change, introducing certain mechanisms and finally implementing it, as it makes the company too inflexible and slow. Due to a very complex environment, which is constantly changing, companies need to be very flexible and fast in adjusting their strategy. Therefore they are supposed to change strategy incrementally, with the help of a trial-and-error process (Okumus & Roper, 1999). To cite Mintzberg (1994): "We try things, and those experiments that work converge gradually into viable patterns that become strategies. This is the very essence of strategy making as a learning process".

The most important factors enabling such a learning process are said to be a well functioning internal politics as well as organizational culture (Okumus & Roper, 1999).

2.2.3 Behavioural Change Management approach

That is the case when the CEO of a company applies "behavioural science techniques to manipulate his organization into compliance with his strategic plan" (Bourgeois & Brodwin, 1984). Therefore the approach proposes three different techniques: alterations in structure and staff, the implementation of supporting systems and developing a culture, which supports these strategic plans.

The structure of a company needs to be adjusted to the circumstances it faces. If the company for instance focuses on cost-efficiency, its structure has to be centralized. Besides that the company has to "add, remove or shift personnel in order to lead the firm in the desired direction" (Bourgeois & Brodwin, 1984),

Supporting systems a firm should use are for instance information systems to facilitate information sharing and communication throughout the company and incentive compensation schemes to align staff's interest with the interest of the company.

Third important point to facilitate strategy implementation is adjusting the culture. Therefore executives have to "convey to employees a sense of desired behaviour" (Bourgeois & Brodwin, 1984), which can for example be achieved by clearly presenting the needs and objectives of the organization. Furthermore executives act as a role model for further staff and so should act according to the desired behaviour.

2.2.4 Make-Strategic-Change-Measurable approach

Provided by Kaplan & Norton (2006), this approach is a tool to align strategy and structure of a company. Firms have to "identify and measure the sources of corporate value creation at each of four levels or perspectives- financial, customer, process and learning and growth" (Kaplan & Norton, 2006). Companies using this tool start by setting value creating objectives for each of the four perspectives and draw a map showing how certain objectives will be affected or themselves affect others. Having identified these objectives and illustrated their relationships, they have to make use of the balanced scorecard. Therewith companies introduce clear measures, objectives and targets, which will "provide both a template and a common language for assembling and communicating information about value creation" (Kaplan & Norton, 2006). The third step is called the action plan. It enlists cross-functional projects and the budget available for these projects and is to direct the different units towards goal achievement.

3. METHODOLOGY

3.1 Method

As the topic of strategic change includes many aspects and is a very complex one, the following research prefers to make use of qualitative research methods. This way research on the one hand aims to understand the topic in more detail, and on the other hand it aims to explore the field and maybe generate new ideas about the whole concept. Therefore this paper makes use of five qualitative interviews, which are all based on the same template to be able to compare results in a cross-case analysis afterwards. The template has been developed on basis of the findings of the literature review. Consequently it contains questions about challenges and approaches, which were introduced in the literature review. Besides that the interview template also includes questions about challenges and approaches experienced by the managers in practice and their solutions to these situations.

For this research interviews are very helpful to gain real world experiences. Moreover, due to the complex topic, personal interviews include the possibility of asking follow-up questions, which will surely come up.

3.2 Sample

The sample consists of five interviews, conducted with five managers from different companies. All of the companies are included in the category of SME's (small and medium-sized enterprises). Besides that they all act in different industries and are independent from each other in order to be as representative as possible.

The first interview partner is employed in a company operating in the furniture industry. The company manufactures furniture, especially desks, as cost efficient as possible in order to provide it to discounters. So it is clearly cost focused. The interviewee himself is the sales manager of the company and has to keep an eye on external changes and adjust strategy.

The second respondent is active in the automotive industry. His company produces tools for building cars. Consequently it is also a business-to-business organization. The respondent is employed as sales manager and might grant insights in practical

strategy implementation as he is part of the companies "Steuerkreis".

Another interview was performed with a manager acting in a hospital (health industry). He is really inward focused and tries to raise efficiency with the help of technologies and by improving processes.

In the following an interview is performed with a manager working for the banking industry. He is a branch manager of the bank. Consequently he is involved, among other, in strategy formulation, as well as the final implementation in his branch.

The final respondent is the CEO of a company operating in the metalworking industry. His company produces springs for other companies. The CEO is involved in every issue concerning this company and therewith also in strategy.

	Size (employees)	Industry	Respondents Position
Pete's Good Value Furniture	51	Furniture Manufacturing	Sales Manager
Automotive Tools Company	143	Automotive	Sales Manager
Saint Martin Hospital	88	Health	Manager
The German Bank	15	Banking	Branch Manager
Springs GmbH	97	Metal Processing	CEO

Table 2: Sample Information

4. RESULTS

4.1 Case descriptions

4.1.1 Pete's Good Value Furniture

As mentioned in the methodology part the first interview is conducted with as sales manager operating in the furniture manufacturing industry. When asking for factors he considers important for strategy, he advised to put special effort in the analysis of the external environment and optimal resource allocation. According to him strategic change means steadily observing developments and trends in the external environment, formulating a strategy which is short and easy to understand and then implementing strategy with the help of certain mechanisms. The most important mechanism he names is letting employees be a part of decision-making and strategy formulation.

Commenting on the four approaches found in the literature review, he considered the rational step-by-step approach most preferable for his situation. According to him the other three approaches were lacking in analysis and cost efficiency.

Concerning the challenges he faces when implementing strategy he stresses the motivation of personnel. In his firm top management does not consider to involve employees in strategic change, although they are "at the front" and know best

what to do. This situation demotivates the personnel and at the same time management misses the chance to generate important ideas and feedback. Furthermore he recognizes the problem that management creates an inconsistent strategy because of a variety in interests, which again results in inefficient strategy communication downward the hierarchy.

As he names efficient communication and personnel motivation to be the main facilitators of strategy implementation, he presents two main solutions. Management should introduce regular meetings, exchanging viewpoints and finding compromises, and employees should clearly be integrated in strategic change as this motivates personnel and at the same time generates crucial information from the very basis of the organization.

4.1.2 Automotive Tools Company

The second interview is conducted with the sales manager of a company operating in the automotive industry.

Performing the interview, he was asked what aspects he considers most important when it comes to strategic change. What he said to be most important is a steady analysis of the companies' environment. "When the environment changes, so does our company," he said. Besides that an effective communication and coordination as well as setting measurable short-term goals when formulating a new strategy are of crucial importance. When talking about approaches to tackle strategic change he outlined the companies approach like this: "At first the companies management analyses the external market for trends and changes as well as the internal of the company with the help of the SWOT analysis. Thereafter managers formulate an adjusted strategy, which is transformed in concrete goals and action plans. Finally project teams are created for each goal, taking care about its implementation." After his description of the companies' strategic change, he was asked to comment on the four approaches found in the literature review. The sales manager found the "trial-and-error approach" to be most suitable for their company as the environment requires quick changes and because of day-to-day business he said his company is not able to run through a long process. However, he said the approach is lacking an analysis part before and a review part after the trial-and-error part. This is to reduce errors and therewith also costs. He liked the "rational-step-by-step process approach", but stated that it is not doable for SME's because of lacking time and personnel. Therefore he would advice this approach to bigger companies.

Asked about the challenges for strategy implementation his company has, he framed finding the right structure to be the main problem. The firm has to find the right mix of standardization of processes in order to be cost efficient and be flexible in order to be able to respond quickly to environmental changes.

Finally he was confronted with problems from literature and stated certain solutions his company found for such problems. Concerning vertical communication problems he proposed to have regular information meetings for the whole company and provide prospects to distribute information through the whole company. Further he proposed to interview "employees at the very basis of the organization" to receive feedback and their points of view. Going on to inconsistencies in the board of the company, his company performs democratic decision making. Finally he advised companies to provide study programmes for their employees to get them skilled and motivated.

4.1.3 Saint Martin Hospital

The third interview was performed with the manager working for the health industry.

As in all of the interviews, the first question was about aspects he considered critical when facing strategic change. According to him, an important point is to perform an analysis, internally as well as externally. Furthermore he also mentioned efficient communication and an enabling culture, which is based on trust. Proceeding to the approach his organization pursues concerning strategic change, he stated that management of the hospital analyses the external environment and even more important also the internal one, adjusts strategy to the results of the analysis, creates an action plan and builds project teams to support implementation. Confronted with the four approaches from the literature review, in his opinion the "rational step-by-step approach" was the best one to address strategic change. But the manager also added that this kind of approach takes a lot of time and personnel so that it is just worthwhile if an organization has got enough employees.

Going on to the challenges strategic change brings, he noted one main problem namely formulating strategy in a realistic, short-term and also measurable way. The hospital manager recognized that a lot of companies simply do not tackle strategy, because it is formulated very long and in a rather abstract way. Consequently he states that it is essential to break a rather long and abstract strategy up in measurable short-term goals.

After the discussion about challenges of strategic change, challenges from the literature got presented to the manager, asking for comments or solutions. Most important advices he gave were to improve communication through regular meetings for the whole organization, in which also employees can talk about what they would change in the organization, and reducing inconsistencies in top management level of an organization by reducing the number of managers. Concerning the latter, the manager said that a lot of companies consist of more employees in management than in operating or manufacturing, which makes management inconsistent.

4.1.4 The German Bank

Another interview was collected from the branch manager of a bank.

In the beginning of the interview he named aspects he considered important for strategic change. According to the branch manager, creating an enabling culture and organizational values are the core of successful strategy implementation. Furthermore the formulated strategy has to be consistent and transformed in measurable short-term goals so that it is easy to understand and above all easy to communicate throughout the whole organization. In the following the branch director outlined the companies approach to strategic change. It starts by analysing the external market, which is vital in order to recognize changes and new trends. When changes and trends are found it is time to adjust organizational strategy. This is done by the board of directors, who have regular meetings and discuss about a new strategy, specific goals and finally also action plans. All these information are then presented to the employees downward the hierarchy. While presenting, employees can give feedback and further input. This

presentation takes place regularly in a period of about two months. As the director finished presenting the companies approach, he was shown the four approaches found in literature. He just commented that the "rational step-by-step process approach" would be desirable for him and his company, but that it is unrealistic for them because it takes too much effort, which makes the company inflexible and unresponsive to the fast changing environment.

Going on to the main challenges his company experienced in the past, he stated that keeping strategy short and easy to communicate is an obstacle to strategy implementation in a lot of companies. He continued that a lot of companies he knows have got a long and written down strategy on their desks but they kind of fear to really address strategic change because it is too abstract and does not include concrete short-run terms. Additionally he blamed personnel and communication problems to cause problems in strategy implementation. According to the branch manager, top management of companies makes way too little of feedback and ideas of employees, who are really at the basis of the company. This in turn causes demotivated personnel. Employees do not get involved in strategic change and sometimes do not even understand measures and strategic goals they are told. Consequently it is a challenge, and even may turn out to be a big advantage, to give their employees a voice.

Afterwards he read through challenges found in literature and was asked to give solutions if possible. Finally he was able to present three solutions to these problems: (1) to improve communication he would implement steady meetings to pass information downward the hierarchy and establish an internet platform that passes ideas and feedback upward or even regularly interview these employees; (2) to reduce inconsistencies in top management he would decrease the number of managers; (3) provide learning programmes for employees so that they get the right qualifications for their job.

4.1.5 Springs GmbH

The last interview was conducted with the CEO of a company operating in the business of metal processing.

He considered strategy formulation as a key for strategy implementation. In his case, managers of the company do not have much intention to change strategy because their strategy is way too long, more visionary formulated and abstract so that employees do not even know where to start. Therefore the company focuses on making the best of their core competencies, which works really well. But when they feel the need for changing strategy, the first thing he would do is "making strategy short-term oriented and setting measurable goals". "People have to get concrete aims and action plans to follow and they have to be able to see progress," he added.

Going on to his companies' approach to strategy formulation he would outline it like this: "A team of managers regularly analyses the market to recognize changes and trends, which results in a creation of an action plan and a set of measurable aims. Then the action plan needs to be realized. While implementing the new strategy, managers review the outcomes and adjust actions in order to reduce the number of errors in strategic change."

Consequently, when getting confronted with the four approaches from the literature review, the CEO preferred the first approach for a simple reason, namely the amount of effort. He noted that the fast changing environment requires quick adjustment, which makes it hard to run through a whole process like in the "Rational step-by-step approach". Besides that he noticed that his company has not enough personnel to run such an approach.

Main problems companies can face concerning strategic change, in addition to the strategy formulation problem the CEO already mentioned, in his opinion deal with personnel. According to the CEO one challenge is to keep personnel motivated, which is not as easy as it seems. "Bonuses are taken for granted by time. A more effective way to motivate personnel in the long-run is to let them be part of the companies decision making. Employees have got a lot of ideas and information, which can be very valuable for a company," he says. After presenting the challenges he experienced, the CEO was asked to comment on problems found in literature. Main solutions he gave were: (1) setting up regular meetings and brochures to improve communication and (2) organizing events to create trust among the employees like for example team building activities.

(A table including most important aspects from the interviews can be found in the appendix.)

4.2 Cross-Case Analysis

The following section is to compare results from the interviews with each other.

When asked, which aspects are important to consider for strategic change, 3 of 5 interviewees named the analysis of the market, as it is to help companies find new trends and changes and make them feel the need for strategic change. Another three respondents gave strategy formulation a special importance. According to the respondents, it is vital for companies to keep strategy short-term oriented in order not to loose focus and to keep it measurable by setting concrete aims. Other important aspects for the respondents concerning strategic change were efficient communication/coordination and setting up an enabling culture containing companies' values (two respondents each). Besides that efficient and rapid resource allocation was also named once.

Going on to the description of the companies' approaches to strategic change, all of them start with analysing the market for trends and changes. However, just two of the respondents also analyse the organization internally. In the following all of the sample companies formulate an adjusted strategy and a goal/action plan. This is done by management of the company. Employees may just get involved at later stages. After strategy generation, it is time for implementation. Two companies present their results to their employees leaving implementation to them. Another two companies want to foster implementation by creating several project teams, each focussed on one explicit goal or action project. The last interview partner said his company implements strategy by using mechanisms like bonus payments. After implementation the process is completed for three respondents. In contrast to that the other two of respondents continue by management regularly reviewing results, collecting information and feedback from employees and adjusting strategy.

After the respondents were shown the four approaches from literature review, four of five interviewees chose for the "rational step-by-step approach" to be the best approach. The reasons for this were that it presented a concrete process to follow, including vital parts like analysis, enabling factors for implementation, concrete mechanisms and review. However, concerning suitability, all of them said that it is really hard or

even impossible for small and medium sized enterprises to pursue such an approach due to missing time and missing personnel. That is also the reason why two respondents finally chose for the "trial and error approach" to be more suitable, as they think it is easier to realize for SME's. But both of them added that companies pursuing this approach have to include an analysis and a review and adjustment part in order to minimize costly errors.

Proceeding to the challenges managers experienced when tackling strategic change, the core challenges lay in formulation, communication and personnel. The formulation of a new strategy was named by three of five respondents. All of them gave strategy formulation special importance. "While formulating strategy one already has to think of implementation," one of them stated. And this really seems to be the challenge. The managers advise not to formulate a long-run visionary strategy, but instead formulate it concrete and for the short-run. According to them a strategy has to contain short-run goals and action plans (for about half a year), which make it measurable. Employees have to see what they worked on. This keeps motivation high, which brings us to the next points, namely personnel and communication. These two points are directly interrelated. Three of five interviewees experienced the problem of personnel being demotivated. But how to motivate personnel. All of them dissuade from just using bonus payments as motivation, but promote the way of motivating personnel by simply including them in strategic change. This does not mean that employees can decide on the firms' strategy directly, but they get engaged by giving feedback and presenting ideas for improvement. "People have to feel that they are part of the community and therewith also part of strategic change. So there has to be a lot of communication and coordination throughout the organization," one of the managers stated to illustrate that communication can become a main obstacle to strategy implementation. So all three point out the crucial importance of efficient and a lot of communication and propose employees involvement in strategic change as motivation tool.

Furthermore a challenge also named two times was finding the right organizational structure. The two managers admitted problems in finding the right mix between standardizing operational processes to work as cost-efficient as possible and keeping the companies' processes flexible and responsive to environmental changes.

Two additional challenges, each named by the same manager, were a lack of trust in the company and inconsistent management. He found that managers in top management in his company were distrusting each other and therewith minimized communication. This resulted in a misalignment of interests in top management and in inconsistent management of the company. Although just observed once, this is a very crucial point. Management has to be consistent in order to drive a company in a successful way. Such inconsistencies are likely to lead to organizational failure.

Consequently creating an atmosphere of trust and an enabling firm culture is vital to companies. In contrast to this company, the other four companies pointed out the role of their company culture, which may be the reason why they did not have such inconsistencies.

Finally the managers gave possible solutions for challenges presented from the literature. Concerning the improvement of vertical communication, they had several ideas. For instance they proposed regular information meetings, including the whole organization, to pass information downward the hierarchy and also to receive feedback. Furthermore prospects were advised, informing employees about all news about their

organization. On the other hand, to foster upward communication, Internet platforms were introduced. These platforms should give employees the possibility to express their ideas (good ideas generate personal bonuses) and communicate feedback to top management levels. Another good idea a manager had was to have somebody, who is independent and from outside the company, interview employees at the very basis of the business, because these employees know what is really important to the company as they deal with it from day to day. This is to improve upward information transfer and generate feedback and ideas for improvement.

Furthermore the respondents provide several solutions for inconsistencies in management. Two of the respondents said that there is too much management for a too small amount of employees. Therefore they simply advise to reduce the number of people in management in order to also reduce variety in interests. Besides that a manager proposed to follow the principle of democratic decision-making. "We are a number of five managers deciding on issues about the companies. Everyone has got another point of view and sometimes it is hard to find consensus. So when we do not find consensus we simply vote, just like in a democracy," he said. This way decision-making stays consistent and the company can overcome clashing interests. Additionally four respondents propose regular meetings among management, exchanging opinions and trying to adjust interests.

Moreover all respondents promote formulating short-term objectives for strategy to keep progress measurable and easy to communicate. If progress is measurable, companies can control progress and adjust strategy to the results regularly. Besides that most of the respondents state that employees have to be seen as an important source of information. They are the basis of the business and their day-to-day work is also determined by the strategy of a company. So they are the ones to give feedback and be included in strategic change, as they no most about the bottlenecks of a businesses' current strategy. Consequently the respondents advise to listen to what employees say and make the most out of it. Addressing the problem concerning culture and a lack of trust, two respondents say they would organize certain events for creating trust and team building like for example bike tours and so forth.

Challenges (How many respondents have experiences with the challenge?)
- Strategy Formulation (3)
- Demotivated Personnel (3)
- Inefficient Vertical Communication (3)
- Finding a suitable Organizational Structure (2)
- Lack of Trust (1)
- Inconsistent Management (1)

Table 3: Challenges to Strategic Change 1

5. CONCLUSION

This study aims to raise companies' effectiveness when it comes to strategy implementation. Therefore it points out main challenges companies experience during strategic change and tries to provide solutions.

Along with other factors affecting effectiveness of strategy implementation this paper points out three crucial points to strategic change: strategy formulation, communication and personnel. As three of the companies in this sample, many

companies seem to have problems in strategy formulation. For them strategy is written down on a lot of pages and seems to be more visionary, abstract and lacking of guidelines. That is the reason why a lot of companies struggle to implement strategy. Sometimes they even fear to deal with company strategy. Proceeding to the second vital point, namely communication, the problem this research illustrates is an ineffective vertical communication. In many cases companies' management fails to transfer information about new strategies downward the hierarchy. Furthermore employees are not able to give feedback and ideas for improvement upward the hierarchy. Concerning the last challenge, namely personnel, the biggest obstacle to strategy implementation is demotivated staff. Although staff is at the very basis of a company and strategy affects their everyday life, which is why they should know best how to change strategy in order to make it more efficient, most times managers do not recognize their potential to help the company. In other words, employees can generate a lot of useful feedback and new ideas but many managers do not even consider listening to them. Instead they themselves decide on strategy. This is a reason why staff gets demotivated and strategy implementation gets hampered. Taking a look at the interviews, these were the three main obstacles to strategy implementation that came up in practice.

6. RECOMMENDATIONS

Addressing the aforementioned conclusions about the three major obstacles companies face during strategic change, this section is to provide solutions/recommendations that came up in the interviews.

Sticking to the first challenge, namely strategy formulation, respondents of the interviews advise to break down the lengthy strategy into smaller parts, including concrete and measurable short-term goals. These make it much easier for managers to address strategy. Besides that it helps to measure progress and adjust strategy to avoid errors. Concerning vertical communication problems, results of the paper open up several solutions to the problem. Proposals to foster downward communication are for instance regular information meetings and providing prospects introducing the latest news about a company, whereas upward communication should be improved by having external people interview employees, passing on information to the management and providing an internet platform, where employees themselves can generate feedback and publish their ideas. Finally addressing the third main challenge- demotivated staff- managers that took part in the interviews advise to include staff when the company is about to change strategically, which goes hand in hand with improving communication. It is recommended to look at staff as a valuable source of ideas and feedback and consequently managers are instructed to listen to their employees and like this make optimal use of the human resources a company owns.

By providing the aforementioned solutions to these obstacles, the paper intends to present ways to finally raise companies' effectiveness concerning strategy implementation.

7. IMPLICATIONS

Due to the results of the research certain things in literature have to be rethought. The statement from the introduction "the current challenge for management lies in implementing strategy, rather than formulating it" (Dobni, 2003) for instance needs to be reconsidered as results of the interviews show that the formulation of strategy may in fact be a big challenge for management in practice. Furthermore, according to the results

of this research, the alignment of employee's interests and the companies' interest seems to be a crucial point in strategic change, which is also emphasized by the research of Brenes, Mena & Molina (2007). But in contrast to their findings, this cannot be achieved just by paying bonuses, as respondents of the interviews state that employees will take bonuses for granted after a time and motivation will decrease again. According to the findings, a better way to motivate personnel is letting employees be part of strategic change by contributing their thoughts. That will motivate them and make them act in the interest of the company. On the contrary, literature also mentioned power structure to be important, which was not even mentioned during the interviews. A reason for this may be that the interviewees all were managers in power to cause strategic change. That may be why they did not perceive a change in power structure to be vital for strategy implementation. However, the role of the power structure needs to be investigated in more detail. In addition, none of the managers in practice knew exactly what the BSC was. But they got excited about it, because it catches the point of making strategy measurable. That is why they said to consider using it for the future.

8. LIMITATIONS AND FURTHER RESEARCH

This study is in a way limited. The literature review, and therewith also the interviews, concentrated on the aspects from the aforementioned framework. Therefore one cannot state that this research catches all aspects influencing strategy implementation but there may be certain other factors essential for successful strategic change. Furthermore, although interview partners are independent from each other and operate in a variety of industries, one cannot consider the sample representative for all small and medium-sized companies, as the sample size (five interviews) is rather small. Consequently further research has to be carried out in order to either confirm or neglect the findings of this paper. Besides that interviews in this study are only carried out with respondents from SME's. Therefore the outcomes may differ from the way strategic change is addressed at bigger companies. So for future research it would be interesting to interview managers from bigger companies and compare them to the SME's. A research question could aim for investigating the different challenges and approaches big enterprises face in contrast to the ones of small and medium-sized companies.

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10. APPENDIX
10.1 Interview

Interview (German with short description of the concepts)

Heutzutage finden sich Firmen in einer dynamischen und sich stetig verändernden Geschäftsumwelt wieder. Daher ist es wichtig für sie, ihre Strategie ständig ihrer Geschäftsumwelt anzupassen um wettbewerbsfähig zu bleiben.

Wie in der Fachliteratur zu lesen ist treten dabei eher Probleme in der Umsetzung als der Formulierung einer veränderten Strategie auf. Aufgrund dessen versuche ich anhand des folgenden Interviews Informationen zu sammeln über Herausforderungen/ Probleme, Herangehensweisen und Lösungen im Bezug auf strategische Veränderungen in der Praxis.

Zu den Fragen:

Welche Aspekte halten Sie für wichtig, wenn es darum geht eine veränderte Firmenstrategie zu implementieren? Warum halten Sie diese für wichtig?

Wie gehen Sie vor beim Verändern der Firmenstrategie?

Auf der zweiten Seite finden Sie verschiedene Herangehensweisen an strategische Veränderung aus der Literatur.

Welche der genannten Herangehensweisen würden Sie als realitätsnah bezeichnen und welche nicht? Aus welchem Grund würden Sie diese als realitätsnah/ bzw. –fern bezeichnen? (Alle 4 Herangehensweisen abarbeiten.)

Welche Probleme ergeben sich aus Ihrer Erfahrung beim strategischen Wandel?

Wie sind Sie diese Probleme angegangen?

Auf der vierten Seite sehen Sie welche Probleme in der Theorie auftreten.

Haben Sie spontane Lösungsvorschläge für die auf Seite vier gelisteten Probleme? Bzw. haben Sie selbst bereits Erfahrungen diesbezüglich gesammelt?

Haben sie noch Kommentare?

Ansätze

Strategische Veränderung nach dem Trial-and-Error Prinzip

Folgt man dieser Herangehensweise müssen Firmen sehr flexibel und sehr schnell handeln im Bezug auf strategische Veränderungen, da die sehr komplexe Betriebsumwelt sich auch stetig verändert. Deshalb sollten Firmen keinem rationalen step-by-step Prozess folgen, sondern viel mehr einem trial-and-error Prozess. Somit sind Firmen beraten zu experimentieren und Experimente, welche erfolgreich sind, zu konkreten Verhaltensweisen und letztendlich auch zu Strategie umzuwandeln.

Strategische Veränderung mit Hilfe von Verhaltensforschung

Nach dieser Methode wendet der CEO einer Firma Techniken der Verhaltensforschung an, um die Organisation in Einklang mit der Strategie zu bringen. Dafür werden drei Techniken vorgestellt: das Ändern der Firmenstruktur und des Personals (je nach Notwendigkeit zentralisierte oder dezentralisierte Firmenstruktur; einstellen, entlassen oder zuteilen von Personal), das Einführen von unterstützenden Systemen (z.B. Systeme zur Verbesserung der Kommunikation oder Anreizsysteme um das Interesse jedes Individuums an das Interesse der Firma zu knüpfen)und das Entwickeln einer Firmenkultur, die die Strategie unterstützt (Verhaltensweisen etablieren z.B. indem die Führungskräfte diese Verhaltensweisen vorleben).

Strategische Veränderung als Prozess

Viele Firmen sehen strategischen Wandel als einen Prozess an, den eine man durchgehen muss. Demnach analysiert man den externen Kontext auf Veränderungen und Trends und den internen Kontext auf Probleme und Unstimmigkeiten, welche einen Betrieb dazu veranlassen seine Strategie zu überdenken, anzupassen und neu zu formulieren. Nach dem Umformulieren der Strategie sollten Firmen den internen Kontext, welcher aus Struktur, Kultur und Geschäftsleitung besteht, veränderungsfreundlich gestalten.

In der Folge ist es Zeit für Betriebe Veränderungen an operationalen Prozessen vorzunehmen. Diese „operationalen Prozesse" beinhalten: operationales planen (planen von konkreten Aktionen), Ressourcen (Sicherstellen, dass Ressourcen wie Finanzen und

Wissen zugeteilt werden wo sie gebraucht werden), Kommunikation (Kommunikation erleichtern z.B. durch Einführung von Systemen wie einem Intranet), Personal (das richtige Personal einstellen; Weiterbildung) und Kontrolle (formale und objektive Mechanismen, die Kontrolle und Messbarkeit von Ergebnissen erlauben).

Strategische Veränderung muss messbar sein

Dieses Prinzip stellt nicht die Struktur, Kultur oder sonst etwas in einer Organisation in Frage, denn diese sollen bestehen bleiben. Nach dieser Herangehensweise würden Veränderungen diesbezüglich zu Inflexibilität und Identitätsverlust führen.

Daher teilt es einen Betrieb in 4 verschiedene Bereiche ein (Finanzen, Kunden, Prozess und Wachstum), um für jeden dieser Bereiche Ziele zu setzen. Danach benutzen Betriebe die „Balanced Scorecard", welche ihnen dabei helfen soll diese Ziele konkret zu formulieren um sie einfach kommunizieren zu können und messbar zu machen um in Zukunft den Fortschritt messen zu können. Zuletzt wird ein Aktionsplan ausgearbeitet mit Projekten für verschiedene Teilbereiche der Firma, welcher die Firma als Ganzes in eine gemeinsame Richtung lenken soll.

Mögliche Probleme bei der Implementierung neuer Strategie

-Unzureichende vertikale Kommunikation

    -Informationen über eine angestrebte strategische Änderung gelangen aus der Geschäftsleitung oft nicht zu den Arbeitern

    -Geschäftsleitung erlangt kein Feedback von den Arbeitern

-Betriebe finden nicht die passende Struktur

    -Mechanistisch vs. Organisch (oder Kosten effizient vs. Flexibel)

-Personalprobleme

    -Geschäftsleitung gibt verschiedene Richtungen vor

    -Demotiviertes Personal

    -Fehlende Qualifikationen

-Kulturprobleme

    -Fehlendes Vertrauen und dadurch gehemmte Kommunikation

    -Mitarbeiter fühlen sich nicht als Teil eines großen Ganzen

    -Fehler bei der Formulierung einer Strategie

-Formulierte Strategie ist nicht messbar weshalb der Fortschritt der Umsetzung auch nicht messbar ist

Interview (english)

Short introduction to the topic

Nowadays companies act in a dynamic and constantly changing business environment. So in order to stay competitive it became vital to companies to steadily adjust their strategies to these changes.

As empirical evidence shows, problems in practice come up in the final implementation stage rather than in the formulation of a new strategy. Therefore the following interview is to investigate the challenges companies face, the approaches they apply to these situations and the solutions they come up with, when it comes to strategic change in practice.

Which aspects do you consider important when it comes to strategic change? Why do you consider these aspects important?

How do you/does your company go about to really implement strategy?

Show the respondent the four approaches from my literature review.

Which of the four approaches do you consider suitable for practice in your situation?
Why do you consider them suitable /not suitable?

From your experience, list and explain challenges/ problems that came up in strategy implementation in the past?

How did you address each challenge/ problem?

Show the respondent the challenges/problems found in the literature review.

Have you got solutions for the challenges stated from the literature review? Or have you even experiences these problems?

Do you have any comment?

10.2 Short table on results of the interviews

Table on important aspects of the interview results

	Special Aspects	Challenges	Solutions
1. Interview (automotive)	-steady analysis of the externalties -internal and external communication -measurable short-term goals	-Finding the right structure (when standardize and when be flexible?!)	-info meetings and prospects -externals interview low level workers -democratic decision making in board -providing study programmes for personnel
2. Interview (banking)	-enabling culture and values -formulate consistent strategy and break it down in measurable short-term goals	-keep strategy short and easy to communicate -managers do not take feedback from lower levels serious -demotivated personnel because do not understand strategy	-to improve communication: steady meetings, interview employees and internet platform for presenting ideas and feedback -have less people on top so less conflicting interests -provide learning programms for employees
3. Interview (furniture)	-steadily analyse the market -perfect resource allocation	-strategy not communicated to and understood by employees -employees are not involved in strategy although they know best what to do (no	-in sme's a lot of mouth-to-mouth communication (better than mails) -steady management meetings to increase consistency

		feedback) - finding the right structure -demotivated personnel because of exclusion from strategy -lack of consistency in management -lack of trust	-include employees when changing strategy
4. Interview (hospital)	-analysis (especially internal) -strong and enabling culture -good communication	-main problem: formulating realistic, measurable and short term strategy and action plans	-Steady meetings including the whole organization (employees can also give feedback and ideas) -phone calls better than mailing or so -reduce the number of managers to reduce inconsistency
5. Interview (metal processing)	-formulate a short and concrete strategy that is easy to understand	-distance between managers and employees -strategy is too long and not measurable -bonusses do not motivate personnel a long time	-regular meetings, broschures and a lot of mouth-to-mouth communication -organize events to create trust (partys, teambuilding measures, etc.) -better let employees be part of strategic change than just paying bonuses -set realistic short-term objectives