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Does the Effective Execution of an Organization's Strategic Priorities Affect its Corporate Value? To what Degree?

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Abstract

Organizations have over the years been bedevilled with challenges ranging from the level of competition, to how they satisfy their customers, and how to acquire a large percentage of the market share, amongst others. To build and maintain competitive advantage therefore, organizations would typically define a set of strategic priorities upon which the pillars which would facilitate the attainment of its corporate vision, would be built. However, for the priorities to deliver the desired value to the organization, they must be executed correctly and timely. Strategy, therefore, no matter how beautifully curated and well-intended, without a sound execution plan, may not deliver on its promise because the correlation between both is dependent. Some things are thus important such as an understanding of the factors which can encumber strategy, good leadership (from top to bottom), alignment of strategy with other organizational parts, sound performance management system, concise and effective communication, amongst others. A study of a globally recognized financial enterprise with a presence in four continents, on how well effective Execution could impact Strategy, was carried out using a convergent parallel design approach because of its capability to seamlessly combine the rudiments of stratified and cluster sampling. The Regression results exposed a significant relationship between Strategy Execution and Corporate Value with an R value of 0.61. An F-value variance test result of 141.62; $p < 0.05$ revealed a statistical significance; while a $\beta = 0.61$; $p < .05$ helped to demonstrate that strategy execution significantly influenced corporate value completed the analysis.

Keywords: *Corporate Value, Execution, Effective Communication, Regression, Strategy.*

Introduction

All businesses experience varied difficulties at different times of their life cycles. To tackle these priorities from a vision and value perspective, organizations create strategic priorities with which they aim to be competitive amongst its peers. But the problems of achieving the strategic priorities set by an organization have continuously become a source of concern for stakeholders and the management of the organizations. Between the three pillars of an organization's defined strategic priorities, its chosen structural philosophy, and the manner of execution, it is vital that there is an understanding of how these pillars fuse together to create a nexus of synergies which would lead to better corporate value: typically, the objective. This intrinsic relationship leads to specific questions which require investigation.

A lot of theories abound on how organizations can make strategic decisions on the most useful ways to navigate fluid business

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environments and extract value with which it can advance on its contemporaries. But there are not so many concepts on the importance of strategy execution and how to manage the various intricacies, some of which might be intrinsic to an organization.

The Strategy Diamond

In the aftermath of the determination of an organization's strategic intent, finding the right approach to communicating the strategic intents is crucial, if only to eliminate ambiguity and incomprehension amongst other possible pitfalls, but while promoting execution albeit simultaneously [1].

While hopes and dreams are imaginary, a Strategy Diamond is a concise, visual and analytical summary of the parts of strategy. Hambrick and Fredrickson [1] are generally credited with the creation of the concept of a Strategy Diamond, a notion which illustrates how the different parts of strategy synthesize with each other, and how these can be effectively communicated to stakeholders. It (Strategy Diamond) refers to the critical themes which are central in the strategic management process and are crucial when defining a strategy or when considering a strategic selection. **Figure 1** below is a graphical illustration of the Strategy Diamond and provides insight into the architecture of strategy and its linkages, in the form of a diamond [1].

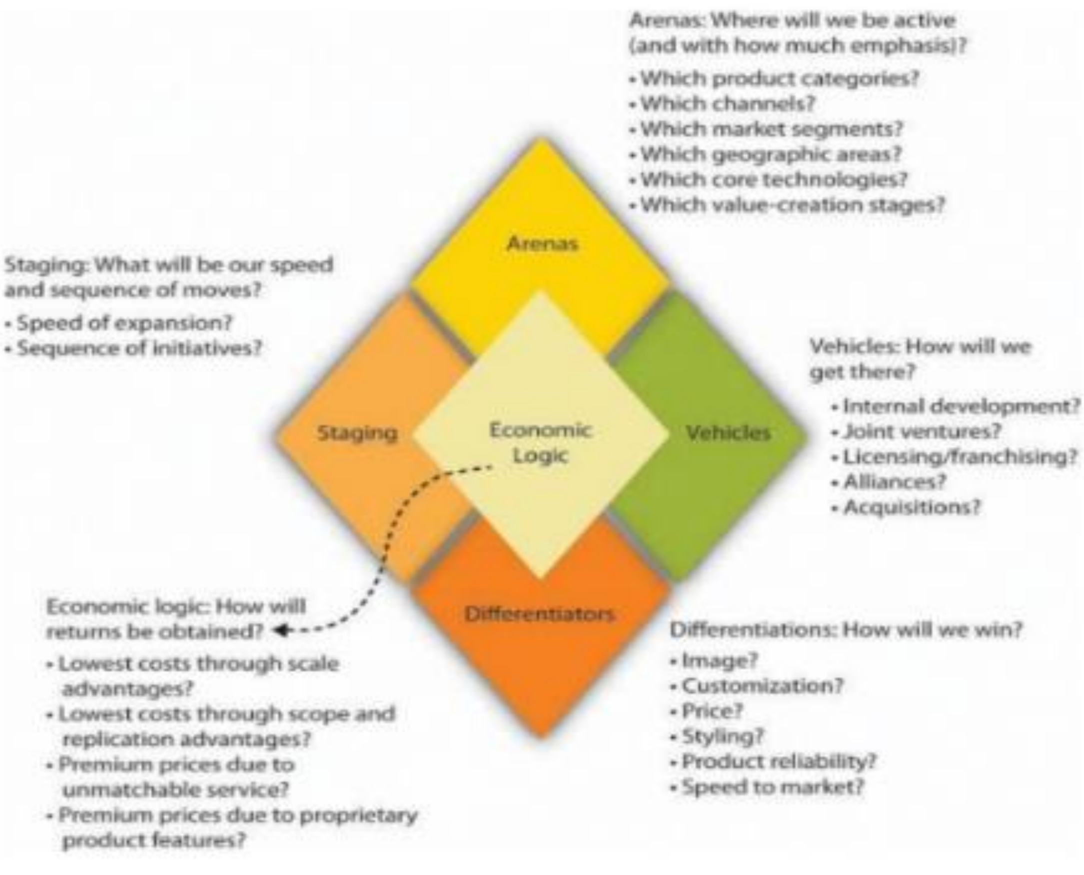

Figure 1. The Strategy Diamond [1]

Source: Adapted from Donald C. Hambrick and James W. Fredrickson, "Are You Sure You Have a Strategy?" Academy of Management Executive 19, no. 4 (2005): 51–62

While Figure 1 is an excellent graphical pictorial of the Strategy Diamond, a simpler depiction, using the central questions around each theme is shown in tabular form in Table 1.

Table 1. The Strategy Diamond [1]

S/No	Theme	Critical question
1	Arena	In which markets/industry/sector will we play?
2	Vehicles	How will we reach our destination? What will take us there?
3	Differentiators	How will we win in the marketplace? What will be the uniqueness of our value proposition?
4	Staging	What will be our velocity and order of actions and initiatives?
5	Economic logic	How will be achieve/obtain our returns

Source: Adapted from Donald C. Hambrick and James W. Fredrickson, "Are You Sure You Have a Strategy?" Academy of Management Executive 19, no. 4 (2005): 51–62

Strategy Execution

According to Cote [2], Strategy execution is the implementation of a strategic plan towards achieving the set corporate goals and objectives. Execution of strategy therefore entails everyday activities involving structures, systems, and operational goals that motivate work teams to always be eager to achieve success. Successful strategy execution is all about commitment to success while wading off those setbacks and likely threats that can hinder organizations from a successful strategy execution. It is therefore vital for strategists and managers of corporate organizations to understand several factors that can impede strategy execution. Cote [2] identified poor communication of strategic objectives, lack of employee buy-in, and ineffective risk management as major setbacks to strategy execution in an organization.

Secondly, it is also expected that a solid structure should precede the implementation of every strategic plan. That will not happen without fusing strategy with structure. Such an action will align perfectly with Chandler's viewpoint when he proposed that "Structure follows strategy." This implies that for an organization to effectively deliver on its objectives, it needs to have a near perfect and seamless fusion between its strategy and its structural form. These two variables are dynamically related simply because a key element of structural design is the pursuit of strategic objectives [3]. Another expert, such as Rhodes [4] encapsulated Chandler's thoughts when he said that "when considering a change in organizational structure, organizations must keep in mind the following criteria for a good structure:"

1. Aligns the organization to best follow strategic direction.
2. Allows for clearly defined roles and responsibilities.
3. Clarifies who makes what decisions.
4. Enables clear accountability.
5. Minimizes handoffs that affect the customer experience and minimizes the customer "runaround."
6. Minimizes handoffs that create confusion over who is responsible for what outcomes.
7. Pulls together the people who most need to work closely with each other.

8. Allows information to flow unrestricted to those who need it.
9. Creates manageable spans of control.
10. Is augmented by informal channels of cross boundary communication.

Furthermore, Olivier and Schwella [5] identified and discussed seven main barriers to successful strategy execution. They include poor leadership (especially from the CEO or top management), poor strategic planning (not SMART, nor cascaded), poor project management, poor alignment of the strategy with the rest of the organizational elements (staff, skills, culture, structure, processes, technology, and budget), lack of sound performance appraisal system, poor internal drive, and poor engagement (of management and staff in strategic management during the planning process and throughout execution).

To maximize every opportunity to execute strategy successfully, Cote [2] offers five ways-out, including:

1. Showing commitment to a strategic plan.
2. Aligning current or future jobs/tasks to existing strategy.
3. Communicate effectively to empower the workforce.
4. Measuring and monitoring performance and progress, and.
5. Maintaining the expected balance between innovation and control.
6. In addition, Higgins [6], in his contributions offered eight S' of successful strategy execution. These include:
7. Strategy and Purposes: Establishing a strategy and sense of purpose worth pursuing are the keys to improving shareholder value.
8. Structure: He added that after a course of action has been rightly determined with a clear sense of purpose, a solid structure is the next to be put in place. This entails the leadership style of empowering managers and leading innovation and the entire product process from product development to delivery.
9. Systems and Processes: He perfectly mentioned and matched two essential systems, including information and rewards that will make strategy work perfectly as intended.
10. Leadership Style: He noted that successful strategy execution needs dynamic and forward-looking leadership that will help build relationships with managers around the new vision it sets to achieve.
11. Staff: After getting the leadership question right, he stated the need to hire a few selected managers and staff with growth and positive mindset and attitudes about quality and efficiency.
12. Resources: Next is to make available in the right quantity and quality resources that will be necessary to accomplish the objectives behind strategy and organizational purposes.
13. Shared Values: There's need for the team that is in charge to have some shared meanings about the firm's strategic vision, and that they are convinced and ready to buy into new values: quality, efficiency, and rewards for performance that the firm is currently seeking to achieve.
14. Strategic Performance: All the seven S' earlier mentioned must work together to deliver the financial results in a more convincing and positive manner than ever.

Overall, he posited that a firm must be able to align the seven contextual S' in order to achieve the eighth S of Strategic Performance at the end.

Limitations

The study was delimited to respondents from a first-class multinational bank with global presence in Asia, Africa, Middle East, Europe and the Americas. Another delimitation might be that the survey sample was partially delimited to surveying the opinions of selected senior members of staff and other fulltime employees from different functions and segments of the multinational bank. Non-fulltime employees were not necessarily considered.

Objective

This study examines the classic blend between the execution of an organization's Strategic Priorities and the attainment of desired Corporate Value with the specific objective being to examine the impact of Execution on Corporate Value.

Significance

This study will contribute to existing body of knowledge around the effective execution of an organization's strategic priorities and how such execution affects the attainment of an organization's Corporate Value. Experts, Academics and Practitioners would find it very useful because today, organizations are in need of more innovative ways to deliver their services in the face of massively changeable and emulous business environments which range from rapidly fluctuating regulations to policy stiffening, to the COVID-19 pandemic, to trade wars (USA v. China), military wars (Ukraine v. Russia), et al.

Corporate Value

Corporate value is a quality measure of how a firm is consistent in different efforts leading to the attainment of both financial and non-financial objectives of the company in a sustainable way [7]. Other experts [8]; [9]; [10]; [11] consider corporate value the belief system, philosophy, and a set of principles that drive a company or an organization towards the realization of its set goals and objectives.

Thus, a corporate value statement is expected to identify and enlist the core principles that serve as a set of guidelines and direction to the organizational purpose, its culture, and tends to help create a kind of moral compass underlying the uniqueness of behaviour and actions of the organization and its workforce [12], [13], [14]. Based on the foregoing, corporate value is an achievement desired by shareholders, who are owners of the organization [15] being a critical success factor of the overall business process management [16]. However, corporate value cannot operate in isolation. In fact, it is a by-product of, and consequent upon some actions and inactions of an organization.

Materials and Methods

Case Study

A global multinational banking institution with presence in 53 countries across the world was selected as the subject matter for this exercise. This was principally because the organization has a precise and defined set of strategic priorities which it runs with, and which was important for the data collection and results analysis.

Approach

The study embraced quantitative and qualitative research methods, from an approach perspective. Amongst the advantages of using a descriptive and cross-sectional design and a quantitative approach is that it enables the adoption or adaptation of quantitative research instruments like survey questionnaires to collect and analyse primary data from the target study population and sample, in a field exercise. Furthermore, the use of qualitative methods and techniques such as unstructured or semi-structured interviews would play a complementary role and help re-confirm or state otherwise of some of proxy data and figures obtained via quantitative study [17].

Experimental Design

A convergent parallel research design was employed as it allowed the elicitation of quantitative data through the use of questionnaire while also eliciting responses through qualitative data – interviews, and analysing both separately to have a proper in-depth insight on the subject matter [18], [17]. Though the study adopted mixed methods, but specifically a convergent parallel design so as to strengthen the study methodology and conduct a more comprehensive study to gain a very strong insight.

Population of the Study

The study population was finite and a mixed sampling strategy with a combination of probability and non-probability sampling procedures was adopted alongside a multi-stage sampling technique to select a representative sample size from among the study population. This sampling procedure was adopted because of its multi-faceted features of combining perfectly the characteristics of cluster sampling with stratified sampling elements and advantages in dealing with a complex, larger and geographically dispersed population of a study.

The sample size computation was carried out as follows:

According to Yamane (1967):

$$n = N/[1 + N(e)^2$$

Where n = is the sample size

N = is the population

e = is the error limit (0.05 on the basis of 95% confidence level)

Therefore,

$$n = \frac{500}{[1 + 500\ (0.05)^2]}$$

$$n = \frac{500}{2.25}$$

$$n = 222.22$$

$$n \sim 222$$

The target sample size is therefore 222 based on the computation above

Data Collection Process

Both primary and secondary data were used for the study being a quantitative and qualitative study, and also due to the need to obtain and make use of both primary and secondary data sources. Hence, the primary data collection was done with the use of self-administered structured survey questionnaires designed for the planned field study. Two sets of questionnaires were designed for the study. One was a structured survey questionnaire which was designed for the target and selected members of staff of the bank while the second was an unstructured/semi-structured interview questionnaire designed for the collection of the qualitative opinions from the target respondents who were selected to participate in the study.

The survey questionnaire techniques were administered once, and a 5-scale Likert questionnaire design method was also adopted for each of the sets of questionnaires [19]; [20]. The questions of each of the survey questionnaire instrument were tailored alongside the major variables of the study. Each survey questionnaire design was divided into two separate sections – A and B with section A of the questionnaire featuring personal data entailing all relevant characteristics and profile of the respondents while section B consisted of relevant questions underlying the topic being studied.

The Likert response scale type that was adopted for the questions under section B were: Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D) to Strongly Disagree (SD) as applicable in each question.

Statistical Analysis

The study made robust use of quite a few statistical tools, some of which included:

1. Skewness tests to assess the normality of the data, and
2. Regression analysis to demonstrate influence or impact.
3. Regression analysis to demonstrate the degree of influence or impact of the independent variable in the study – Strategy Execution, on the dependent variable – Corporate Value.

Results

To assess the normality of the data, a test of skewness was adopted by the study. The skew value of a normal distribution is zero, implying a symmetric distribution. A variable is close to normal as a rule of thumb if the skewness has values between -3.0 and +3.0. using the rule of thumb, the results of the Table 2 revealed that all the variables had a skewness coefficient range from -0.465 and 1.018. Based on this, it was concluded that the data of the variables were normally distributed' in line with Bryman [18] and Saunders [17].

Table 2. Skewness Tests

Variables	**N**	**Sum**	**Skewness**	
	Statistic	**Statistic**	**Statistic**	**Std. Error**
Technology Innovation	246	839	-0.205	0.155
Service Delivery	246	881	-0.309	0.155
Wealth Management	246	1050	-0.104	0.155
Market Efficiency	246	978	-0.054	0.155
Improve Productivity	246	961	-0.057	0.155
Corporate Value	246	1036	-0.465	0.155
Organizational Structure	246	771	1.018	0.155
Strategy Execution	246	894	0.234	0.155

To assess the impact of Strategy Execution on Corporate Value, a multiple regression analysis was carried out with an R value of 0.61 showing the significant relationship between the independent variable – Strategy Execution and the dependent variable – Corporate Value, as can be seen in Table 3. An R^2 value of 0.37 indicates that 37% of the variance in corporate value is explained by the influence of organizational structure, while the remaining 63% could be caused by other factors not captured by this study. Summarily, the results revealed that strategy execution significantly influenced corporate value ($\beta = .61$; $p < .05$).

Table 3. Multiple Regression Result of the effect of Strategic Execution on Corporate Value

Variables	***B***	***Beta***	***SE***	***Sig***	***R***	***R^2***	***F***	***P***
Constant	1.43		.22	<.05				
Strategy Execution	.76	.61	.06	<.05	.61	.37	141.62	<.05

Dependent Variable: Corporate Value

Source: Field Survey Results (2023)

Discussions

The analysis which focused on the degree to which effective Strategy Execution does affect the attainment of Corporate Value in an organization was used to formulate the study objective.

The findings revealed that Strategy Execution significantly influences Corporate Value.

Conclusion

The results of the quantitative study clearly demonstrate the significant relationship between an organization's ability to effectively execute its defined strategies and the corporate value that will be attained upon a successful execution of these priorities.

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Conflict of Interest

The authors hereby declare that there was no conflict of interest in the study.

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