CATALYSING GROWTH THROUGH BOARD MEMBERS ENGAGEMENT IN STRATEGY EXECUTION

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ABSTRACT. Strategy Management, a widely spoken attribute among organizations, exhibits their repute on a global platform. Employing strategy to shape the organizational growth is an approach which demands significant research, experience, intelligence and foresight to ensure its success at each level within the organization. The traditional perception of strategy designing reflects the board as the sole responsible authority, with keen awareness of organizational aspects, which include resources, finances, limitations and challenges. Later, when the strategy is rolled out to management and executive levels; many of the strategies lead to a messy, disorderly and disjointed process. Reason behind poor strategy management in the execution phase is the lack of leadership initiatives by board members after strategy planning. This study reviews the role of board members in strategy formulation and challenges faced at Malaysian Government Link Companies (GLCs) particularly in the service sector. It is also looking at minimizing the strategy failure by enhancing the role of board members at deep-rooted levels of strategy execution. In order to capture the rich data from GLCs, this research adopts qualitative approach in its efforts to explore a new dimension in strategy execution. Often challenged by the human perspectives at different levels, the higher lever board tends to limit their scope towards visualizing and rolling out a strategy. This paper

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addresses the conventional strategy management archetype and introducing the board room engagement at multiple levels, to make certain the organizational growth not for a short span but in a long run, hence ensuring organization sustainability.

Keywords: Strategy Management; Board Members; Strategy Execution; Engagement; Strategy Success

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1. Introduction

Organizational growth in terms of business expansion, profit maximization, competence employees and management members followed by employee training retention, reward and performance management and minimization of risks involved while making a new change or initiating a new project is crucially determined by the effectiveness of any strategy employed to achieve it. The traditional perception of strategy designing reflects the board as the sole responsible authority, with keen awareness of organizational aspects which include resources, finances, limitations and challenges. Strategies proposed by the top management are deliberated and approved by the Board. Later, when the strategy is rolled out to management and executive levels; many of the strategies lead to a messy, disorderly and disjointed process (Bordean & Maier, 2011). Reason behind poor strategy management in the execution phase is the lack of leadership initiatives by board members after strategy planning (Project Management World Library, 2013).

Being the third largest exporter of service and second largest contributor to economy, the Malaysian service sector received maximum attention from the government since 9th Malaysian Plan (EPU, 2005). The dream of making Malaysia a "global service hub", as reported in government

documents, can only be realized if Malaysia achieves superior performance in a cost-effective manner. To realize this challenging task, focus has been shifted to strategic-fit framework in relation to service innovation and execution management especially within the Government-Link Companies (GLCs) and Government-Link Investment Companies (GLICs).

This paper reviews the role of board members in strategy formulation and challenges faced while implementing it. Also, minimizing the strategy failure by enhancing the role of board members at deep-rooted levels of strategy execution is emphasized by overcoming challenges and board audit measures.

2. Literature Review

2.1. Overview of Strategy Execution in the Organization

Strategy execution is commonly defined as the practice of bringing a strategy to fruition. As defined by RogenSi's Strategic Leadership Execution Framework, four critical forces that drive strategy execution at an exceptional level are: Set Direction, Engage & Excite, Execute and Sustain Momentum (RogenSi, 2012).
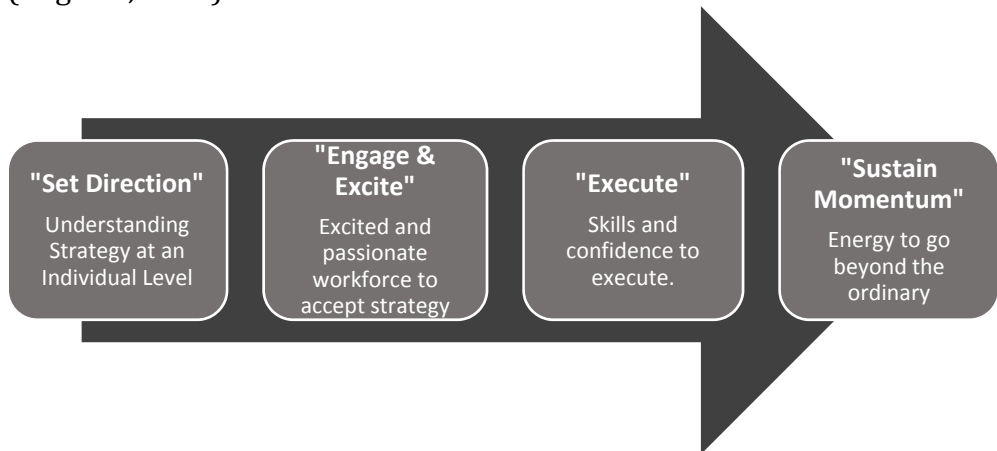

Figure 1. Critical Forces of Strategy Execution

(Source: Adapted from RogenSi, 2012)

Strategic execution relies on unambiguous leaders and good leadership. An efficient and updated management model, supporting the strategy is required. A review of changes in work processes, functions and operations incorporated by the execution of strategy is required to evaluate the modification in their scope (Mayer, 2011). Martinelli (Martinelli, 2010) says strategy identification and formulation is the domain of business owners and top-level managers, often comprising a board. The activities of board serve as a guideline to all decisions taken at managerial level and below. Strategy's effectiveness is determined by the integrity of short-term goals cohesively accelerating the organization to achieve its long term goal. Strategy execution gradually becomes a culture when mentored by a strong board (Mayer, 2011).

Several challenges are observed during the process of strategy execution, irrespective of the strategy's efficiency to let organization growth. These challenges arise due to complexity during strategy execution for organizations with several functional and operational business units geographically (Johnson-Cramer & Cross, 2007). Also, strategy formulation demands intrinsic involvement of board members, managers and team leads across all functions during early stages of strategy execution. Whereas, management involved at early stages often cite the experience as bureaucratic, unnecessary and slow in action (Balogun, 2006; Burgelman & Grove, 1996; Line, 2004).

2.2. Role of Board Members Engagement in Strategy Execution

Addressing challenges in making strategy an accepted move to boost growth, following measures can be taken. Areas where board members can participate and create awareness are creating a common sense of purpose and enhancing shared commitment, to make strategy a success. It is up to the Board members to initiate the pre-implementation steps for formulating a strategy, by involving team members from each level to participate in designing short-term goals. These short term goals, when aligned with long-terms goals of board members, will lead organization to adapt a culture favoring the changes incorporated in new strategy (Martinelli, 2010). Board members also make use of risk analysis tool, precisely at the beginning, to allow them to revise the objectives if required. Risk evaluation even helps to back-out a strategy by unleashing the hidden perilous factors in the beginning or even before roll out (Siciliano, 2002).

Strategic execution in the organization is influenced by the capabilities depicted by strong Boards and limitations of a weak board. Mayer's (Mayer, 2011) observations about strong and weak boards outline the organization behavior associated with them. A strong board understands its role, connected to the community and strongly believes in their self-assessment, evaluation and continual improvement as a team. Mature organizations remain clear about the roles played by board members in leading successfully, and tend to invest months in planning a board and cultivating potential board members. It is characterized by precise in job description of board individuals. Also, it is led by a leader council, which motivates debates and discussions, and prevents arguments turning into conflicts. On the other hand, a weak board has poor job definitions, lack of appropriate communication with staff, and limiting the potential of strong individuals to perform as a unit. A weak board may become its own liability if not assessed righteously.

Board members also often play the important function of evaluating the effectiveness of strategy. The successful execution is determined or audited before strategy planning and rollout. The board's evaluation helps an organization to determine the following (Cropp, 1996):

1. Membership accountability and governance
2. Board operations and their worthiness
3. Legal responsibilities
4. Financial overview
5. Planning procedures adapted by board
6. Board-management relations

2.3. Inter-relationship between Board Members Engagement and Growth

Growth of an organization by strategy management is classified into two dimensions (CFERF, 2012): Financial measures of growth like revenue and profitability; and Secondly, elements of growth like customer satisfaction, development of the human resources, cost efficiency & market image makeover. Growth measurement criteria vary from business to business and tend to be domain specific. Board members usually approved planning for a strategy within these two dimensions thus need different measures

to evaluate growth. Expansion of business by new acquisitions and mergers, introducing or launching a new service/ product, closing the non-profitable ventures to improve sustainability are financial measures to ascertain growth, but they are spear-headed by the Board members of the organization. Furthermore, digging the core practices followed in the company through strategy formulation, and targeting growth at a granular level (Fortna, 2012) from the perspective of strategy change management leading to internal growth is also initiated at the Board level.

3. Methodology

The impact of engagement directly affects the growth of an organization. Also, the current practices followed by boards of various organizations in strategy visualization, devising methodology to incorporate people, strategy and operations in a calibrated way with available resources, was reviewed. Process of strategy planning incorporates 10% of talent & resources, and strategy execution incorporates 90% of it. Still, merely 5% of the organizations implement the visualized strategy successfully (Ottinger, 2012).

The proposed study aims to review, analyze and understand a scenario of strategy visualization and role of board members till its execution phase. The methodology adopted in this research is based on qualitative research design, which allows the researcher to explore, analyze and evaluate the data obtained with respect to the research topic (Seglen, 1994). It is based on content analysis strategy by which the various selected articles and case studies have been analyzed independently on the basis of main topic of research, setting of research, sources of data collection and definition of the concept (Karin Klenke, 2008).

The objectives of the study are:

1. Mining the factors which can capitalize the participation of board members in leading strategy to success.
2. Understanding the process of strategic execution, and mining the factors which can capitalize the participation of board members in leading strategy to success.
3. Reviewing the role of board members, their limitations, strategy's performance and overall organizational growth by engagement of board members.

4. Findings / Discussion

The role of board members is not limited to strategy visualization and formulation by evaluating the competitive factors (Ferkins, Shilbury, & McDonald, 2009). The role further extends to ensuring the right guideline being followed in organization at each level of strategy execution. This section analyzes the engagement aspects of board members in planning a strategy.

The strategy management approach as a step-by-step paradigm consists of following activities (Arnoud Franken, Chris Edwards, & Lambert R., 2009):

1. Visualize Strategy
2. Measured Accordingly
3. Report Progress
4. Make Sound Decisions
5. Identify Strategic Projects
6. Manage the Projects
7. Align Individual Roles
8. Reward Performance

The above points are deems critical to majority of Malaysian Government-Link Companies especially those under tutelage of Khazanah Nasional and Permodalan Nasional Berhad (PNB) group of companies (Zeti Akhtar, 2008). Furthermore, the inter-connectivity between leadership and decision makings are quite abroad and required a strong mandate from the board / stakeholders.

Nadler (Nadler, 2004) reframed Strategy Management processes into the following 4 categories which are; Strategic Thinking, Strategic Decision Making, Strategic Planning and Strategic Execution. Details of the activities correspond to each category are shown below:
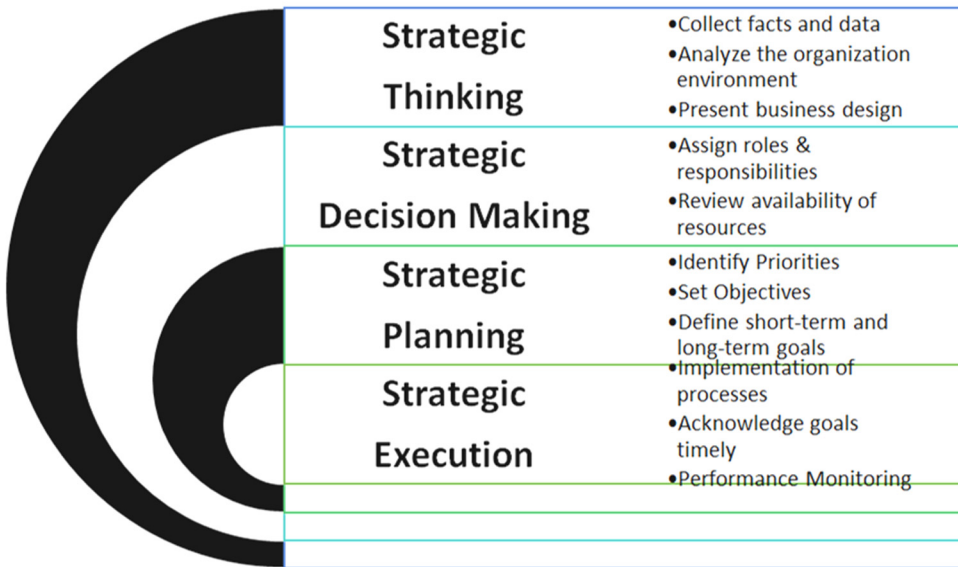
Figure 2. Activities of Corporate Strategy

(Source: Adapted from Nadler , 2004)

Based on the above figure (Figure 2), it is quite common that Strategic Decision Making is made by Board Members whereas the remaining three components are cascaded to Top Management Team (C-Level) and Middle Management Team (Senior Managers and Executives). Due to internal policies; most Malaysian GLCs having a non-flat structure for their operation (Putrajaya Committee on GLC High Performance, 2015). These will eventually widen the gap especially in terms of understanding the central ideas for any strategy to execute due to differences in information received.

Top management, business owners and stakeholders across the globe are in the process of analyzing the reasons behind failure of strategy execution processes even for simple strategies within the organization. The assumption that firms will change their current processes and methods according to new strategy often remains unaddressed by the challenges and complexities of the strategy execution phase. Researches on the issue of strategy execution and the role of Board members in it are scarce and very

few frameworks incorporate the methods to address these issues. A successful strategy is the outcome of engagement of effective board members from its initiation phase, till it becomes a practice by all elements of the organization.

The outcomes of a document analysis conducted throughout selected seven Khazanah Nasional companies (Khazanah Nasional, 2015) reveals the following characteristics for an engaged and effective boards:

1. Clear Expectation – Make everybody aware and fully understood what should be delivered. Individual contributions and progress are tracked accordingly. Improvement and alignment could be done ahead of time shall there is a needs for it.

2. Accessible Information – Board members and their top management team are given the information they need to perform their tasks. Resources, materials, equipment, and other requirements easily accessible thus encouraging transparency while eliminating bureaucracy and administrative inefficiencies.

3. Two-ways Communication – Each and every personnel are encourage to share their views with respect to their routine jobs. This is to ensure blind spots are eliminated and weaknesses in board management identified.

4. Utilization of Talents – Board members traditionally were chosen due to their strengths on certain area. A composition of strong board members will lead towards business continuity and sustainability to an organization.

The literature about aligning board members in strategy execution phases emphasizes on harnessing the powers and capabilities of individuals as a team. Performance of board members unit often demands audit, to maintain the organizations repute on a wide platform, among stakeholders, clients and business owners. Board members' performance audit process is an assessment process comprising evaluation of board in terms of, board's self-evaluation, a separate committee evaluating the board, a non-board committee evaluation as well as incorporating an external consultant or audit team to provide an unbiased, independent view on board's performance as a team of leaders. Overcoming the challenges of strategy execution, exuding potential and exceptionally strategic strong board exacts and strengthens organizational growth not for a short span but in a long run.

5. Conclusion / Implications

Many companies that start well find it difficult to sustain high performance after few years. Ineffective governance appears to be one of the contributing factors (Schmidt & Brauer, 2006). Apart from defining the firm's strategies, the role of board's engagement from a legal perspective is to include the review and monitoring of strategy (Taylor & Stiles, 2002). In a wider perspective, board's engagement is expected at different stages of strategic planning processes, such as defining the business, outlining mission and vision, understanding the environment followed by selecting and implementing a set of strategies (Hilmer, 1998; Tricker, 1994; Zahra & Pearce, 1989)

With focus on the growth of the organization, Board members are responsible to engage in decision making to empower the organization to adapt itself to changes required by a strategy (Goodstein, Gautam, & Boeker, 1994). Long term performance of an organization is also governed by organization-wide resource management &allocation (Judge & Ziethaml, 1992). Significant debates and researches have been conducted to define the strategy visualization and similar responsibilities of the Board, but lack of proven framework often instigates management to explore how Boards fulfil this responsibility (Taylor & Stiles, 2002). Engagement of Board members post strategy analysis and formulation in the process of decision making at different levels is a continual process / activity (Mcnulty, 1995; Zahra & Pearce, 1989). Thus although there exist researches that highlight the need for Board members to engage in strategy execution process, there lacks consensus on present trends about the same, and methods and ways in which members can participate in execution of strategy.

It is expected that the researcher will get to understand critical success factors for strategy execution for the benefit of both Malaysian academia and industry. This will also give the opportunity to understand how underlying elements are affecting critical success factors at the time of strategy execution management. The potential role of the Board in the success of strategy execution will be revealed. This study will eventually formulate a successful strategy execution management methodology or system in the Malaysian service sector is crucial to ensure competitive advantage in the global service network and to realize targets set by the Malaysian government for 2020.

Execution is the result of thousands of decisions made every day. There are four fundamental building blocks management can consider influencing those actions - clarifying decision rights, designing information flows, aligning motivators, and making changes to structure. In efforts to improve performance, most organizations opt for structural changes. Structural change could help organization to improve execution. In fact, quantitative analysis shows that actions related to right decision and information are far more important, about twice more effective than the other two building blocks.

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