

# Identification and Investigation of Barriers Ahead of Implementation of Strategies in Islamic Republic of Iran Petrochemical Industry (Case Study: Zagros Petrochemical Company)

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## ABSTRACT

In today's giant organizations, even the lowest levels of management have active participation in designing missions, goals and strategies. Commitment of all organizational units to mission and strategies makes it possible for an organization to reach its objectives. The present research aims to investigate barriers ahead of implementation of strategies in Iranian Petrochemical Industry. Research design is a descriptive one and simple random sampling method was used for sampling. 108 questionnaires were returned and Friedman Variance method was used to analyze data. In the end, results showed that managerial barriers, human resource barriers, cultural barriers, perceptual barriers, structural barriers and strategic barriers disturb strategy implementation. In other words, all research hypotheses were supported.

**KEYWORDS:** managerial barriers, human resource barriers, cultural barriers, perceptual barriers, structural barriers, strategic barriers, strategy implementation

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## INTRODUCTION

Strategic planning in organizations was introduced in 1950s and it became popular over 1960s and 1970s. Managers found that strategy is a solution for many problems. In 1960s, qualitative and quantitative models were developed for strategy design. In the early 1980s, shareholders value model and Porter's model were standard models. In the second half of 1980s, market-oriented models and models which were based on pivotal competencies were common. This period and early 1990s was the onset of emergence of second-generation models of strategic planning which were mainly concentrated on the importance of organizational adaption to changes, flexibility, strategic thinking and organizational learning. Most theories in management literature emphasize on the importance of strategic planning and appropriate strategy design. Over the years, a long queue of planning techniques and models have been developed and provided for managers. Although managers usually understand most parts of them and know how to use them effectively but weak performance problem is not typically related to planning but it is related to implementation (Denison, 2000). For effectiveness and maintenance of success in organizations, managers should possess special attributes potential capabilities and efficiencies and long term knowledge and communicational-social skills (Rahnama et al., 2011). One of the main concerns of managers of Zagros Petrochemical Company is the implementation of designed strategies developed to reach long-term objectives. After holding several meetings, managers and experts of the company came to this conclusion that implementation of strategy involves the following operation: change in sale area, addition of new units, closure of several units, employment of new staff, changing organizational pricing strategy, preparation of financial budgets, offering new privileges to employees, costs control, change in advertisement strategies, construction of new units, fresh employees' training, transfer of managers to other units and finally, establishment of a better computer information system. It is natural that in these activities are different in public, production and service companies (Grant, 2007). Today, it has become more difficult the attraction and retention of customers in country insurance industry regarding to activation of private insurance companies and segmentation of markets, information and communication development internationally and becoming more aware and skillful, and only organizations have an appropriate position in competition area that core axis of their activities be attraction and retention (Rahnama et al., 2012). Therefore, high-rank managers of Zagros petrochemical company came to this conclusion that management is confronted with the following problems in implementation of strategies: determination of annual targets, policy-making, resource allocation, change in the present organizational structure, re-engineering, revision of motivational programs and rewards, reduction in resistances against changes, adaption of managers to strategies, cultural support for strategies, compatibility of production/operation processes, effective human resource strategies and if necessary, reduction in human resource. Management change seems to be essential if an organization has to take steps in a new path during

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strategy implementation process (Porter, 2008). Senior managers always have always mentioned strategy implementation as the most challenging managerial issue. Studies conducted on high-performance companies reveal that success in strategy implementation requires a managerial framework for clarification of strategies and linking them to employees, processes and technology. Organizations with prize performance do not leave strategy implementation to chance. In Zagros Petrochemical Company, considering its industrial nature, there is a big question and that is why some strategies designed in comprehensive planning document are not implemented? And why Zagros Petrochemical Company does not have any plan for implementing its strategies? Why Zagros Petrochemical Company cannot move from formulation step to implementation step?

### **Theoretical background**

In the past, strategic planning process was dealt with by planning units of organizations. At present, however, senior executive employees of a firm are the frontline employees of this process and responsible for making planning process succeed. Of course, this does not mean strategic planning process is independently related to senior professionals of a firm. However, most employees in different organizational levels play role in this process. For example, board of managers, high-rank management of firms, operational managers, and executive professionals take part in creation of strategic decisions (Campbell, 2004). The most important point in strategic planning processes is determination and recognition of compatibility of past and present activities of a firm with its mission (Cusumano, 2001).

Fred David views strategic management as an interactive process which requires coordination among all executive, departmental, marketing, finance, production or operation, R&D, computer information systems and accounting managers. He believes that organizational success depends on cooperation of managers and employees of all departments and organizational units so that they can produce ideas, viewpoints and make amendments. Every department must know about the needs of other departments and this involves interdisciplinary cooperation among operational units. Failure to understand and recognize inter-departmental relationships is a disadvantage to strategic management. Relationships increase as workforce inhomogeneity, geographical scattering, number of products and services provided by a firm increase. In general, establishment of strategies and successful strategic planning process involves coordination among all organizational units (Wells, 2000).

### **Strategy and its implementation**

Conservation and survival in today's competitive business world which is characterized by speed, complexity and uncertainty, requires selection and implementation of effective strategies and continuous improvement of performance. This is obtained via design and formulation of targets and strategies, planning and implementation of strategies and therefore performance control and evaluation. Strategy implementation is today an important subject in management. A survey conducted on senior executive managers revealed that their greatest concern was "strategy implementation". Contrary to many managers' opinions, successful organizations have good strategy implementation rather than having good strategies. Of course, this does not mean that having a good strategy is useless but it means that failure to implement a strategy is the same as not having a strategy (Wells, 2000). Implementation of strategy is a difficult process due to several reasons. However, the main problem is that managers do not know what "strategy implementation" is or how should they treat it? Organizations which are able to understand new rules of the game have more chances to seize opportunities. New technologies, new approaches and novel methods can all change the present rules and create completely new conditions. In such conditions, successful organizations are those which can change their strategies (Denison, 2000). There are many definitions for strategy and each definition deals with several dimensions of strategy. Bruce Henderson defines strategy as "creation of a unique advantage for differentiation of an organization from competitors and considers differentiation as the base of business". Strategic planning is a systematic approach to definition of long-term business targets and identification of paths for achieving these targets. When an organization formulates its long-term targets, an efficient strategic plan enables the organization to form an annual business plan which includes essential annual targets, resources and actions needed for moving towards future (Alexander, 2005).

### **Challenges ahead of strategies implementation process**

Managers, planners and organizational strategists are confronted with the following challenges in implementation of strategies (Simkin, 2000). An important issue is that managers know about formulation of strategy more than that about its implementation. For instance, in most MBA classes, students deal a lot with strategy formulation and planning. Main courses are usually: competitive strategy, marketing strategy, financial strategy and so on. The question is that how many courses deal with implementation of strategy? Usually nothing. Of course, implementation is referred to but not separately and not in detail. There is a lot of emphasis on primary planning and not implementation (Bow Man, 1990). Of course, a reason for this may be the fact that implementation cannot be taught because implementation is obtained in action and is experienced. However,

managers can learn actions and key steps to successfully implement strategies. They can use an implementation model which proposes the process, steps and concerning decisions and provide managers with a logical approach to implementation of strategies. Such a model can mention future implementation steps and actions and guide them (Gordon, 1989).

### **Challenges and barriers ahead of effective implementation of strategies from commentators' viewpoints**

The above items were serious and potentially barriers ahead of strategy implementation. In spite of this, there are other challenges and barriers which prevent from successful implementation of strategies. From "Johnson and Schwls" viewpoint, strategic decisions can be important barriers ahead of successful implementation of strategies (Ghaffariyan, 2001):

- Strategic decisions are naturally complex. This is specifically true for organizations which cover a wide geographical area (international or multinational corporations).
- Strategic decisions may be made in uncertain conditions. Many strategic decisions are made in conditions in which future prediction is impossible.
- Strategic decisions need integrated managerial approach. Therefore, managers have to include other managers' ideas and their ideas may also clash. Further, managers should extend their relational network even outside their organization to suppliers, distributors and customers.
- Strategic decisions may involve fundamental changes in organizational structure and culture. This is very difficult for the case of organizations which create strategic partnerships and many such companies are harmed from this area.

Fred R. David believes that some barriers ahead of strategy implementation are (Saeednia, 2003):

- Strategic planning conducted purely for achieving control on decisions and resources by some managers.
- Conduction of strategic planning purely for fulfillment of some legal requirements by some managers.
- Failure to clarify and explain plans for employees
- Absence of senior management support for strategic planning process
- Failure to use plan as a standard for performance evaluation
- Failure to use key employees in different stages of strategic planning
- Failure to use all managers in planning process
- Excess formality in planning process so that flexibility and creativity are suppressed.

From some commentators' viewpoints like "Thomson" and "Streakland", the most important duty of managers which affects organizational success or failure is proper formulation of long-term organizational orientation. Of course, good strategy design and formulation is not enough and managers must be able to be able to implement strategies. Therefore, a good managerial standard depends on proper strategy design and its implementation in any conditions including uncertainty. Uncertainties and unpredictable changes should be considered in strategy formulation (David, 2000). "Northon" and "Kaplan" believe that main barriers ahead of strategy implementation are: 1. Failure to allocate resources, 2. Absence of management commitment, 3. Lack of coordination among employees, 4. Failure to transfer strategy. "Aker" also believes that an organizational analysis can help estimate costs and strategies feasibility. This analysis can be conducted by means of investigation of organizational features like structure, systems, individuals and culture (Brock&Sharp, 2011). Organizational structure defines communications and authorities lines and can be changed considering concentration degree and formality of communication lines. Management systems like: planning, budgeting and accounting, information and evaluation of salary and wage can all affect strategy implementation. Organizational culture which includes common values, behavioral norms and symbolic activities change a lot and compatibility of new strategy with organizational culture is of great importance (Pears, John and Robinson, 2001).

The importance of the role of senior managers in strategy implementation

In order to implement organizational strategies successfully, the most appropriate managing director must be selected. For any special kind of strategy, a special type of managers must be selected so that strategy implementation is successful:

Competitive strategy: this kind of strategy requires a manager and expert in the industry who is interested and bold.

Diversity strategy requires a manager and analyst of portfolios and different mergers.

Stability strategy requires a manager with a conservative morale.

Change strategy, requires a risk-taking bold manager.

Liquidation requires a manager who is specialized in liquidation and financial affairs.

Professor Chandler believes that: the most appropriate managing director of any company changes when the stage the company is in changes. He continues to say that successful managers must select managers which have necessary skills and features for that stage of organizational life (Ghaffariyan, 2001).

### Strategy and factors affecting it

Since 1980s, strategy concept has been spread in planning and management literature (Ghaffariyan, 2001). Strategy is defined as a collection of measures and policies which indicate general orientation and determine way of achieving goals. From Alexander's viewpoint (1991), strategic management process has two stages: formulation and implementation. From David's viewpoint (2003), factors which must be noted during strategy implementation process include: annual targets, policies, resource allocation, contradiction management, resistance to change and organizational culture. Thompson et al (2005) also introduced some factors for having successful strategy implementation. These include: organization of working attempts, constructive organizational culture, budgeting, implementation of facilitating procedures, continuous improvement, installation of information and operation systems, individuals' motivation, and establishment of relationship between work and rewarding system and internal leadership. Absence of each of the above mentioned items can disrupt strategy implementation. Therefore, effective strategy implementation has many challenges and barriers which are investigated in the following sentences.

### Research hypotheses

1. Managerial barriers are challenges ahead of implementation of strategy in Zagros Petrochemical Company.
2. Human resource barriers are challenges ahead of implementation of strategy in Zagros Petrochemical Company.
3. Cultural barriers are challenges ahead of implementation of strategy in Zagros Petrochemical Company.
4. Perceptual barriers are challenges ahead of implementation of strategy in Zagros Petrochemical Company.
5. Structural barriers are barriers ahead of implementation of strategy in Zagros Petrochemical Company.
6. Strategic barriers are challenges ahead of implementation of strategy in Zagros Petrochemical Company.

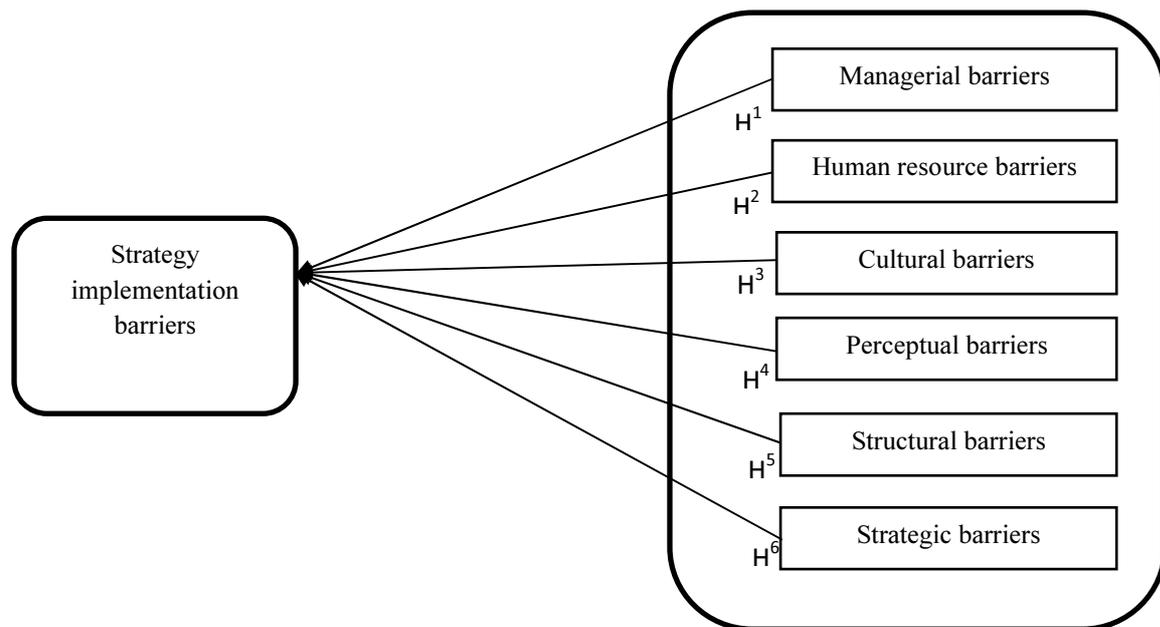


Figure 1: research conceptual model

### METHODOLOGY

The present research tries to identify and investigate barriers ahead of implementation of strategies in Iranian Petrochemical Industry (case study: Zagros Petrochemical Company) which was conducted in Boushehr Province, Asalouyeh City. In terms of objective, this research is an applied study and in terms of methodology, it is a descriptive survey. In terms of data collection, this is a descriptive study. Statistical population included all employees of Zagros Petrochemical Company and because population size is limited, we used Krejcie & Morgan table to calculate sample size. Since statistical population included 150 people, we selected 108 people using the table. Further, simple random sampling method was used. One-sample t test (one population mean) was used to test the hypotheses. The calculated mean values were compared to that of population mean (number 3) in 5% error level. If statistical test showed that responses mean is greater than 3, the corresponding hypothesis is supported. Otherwise, the hypothesis is rejected.

**Data collection instrument**

In order to collect data for analysis, questionnaire was used. Five-point Likert scale was used from: completely disagree" to "completely agree" as questionnaire scale. 25 questionnaires were distributed as a pretest and for investigation of Cronbach's alpha. Results showed that Cronbach's alpha coefficient is above 0.7 for all variables and total questionnaire (Cronbach's alpha coefficients for variables and total questionnaire have been presented in table 1). On the other hand, content validity of the research was also verified by professionals. Therefore, the questionnaire had a acceptable validity and reliability.

**Table 1: questionnaire reliability**

row	variables	Number of questions	Cronbach's alpha	
			Reliability of dimensions	Total reliability
1	Human resource barriers	5	0.789	0.737
2	Cultural barriers	6	0.723	
3	Perceptual barriers	5	0.754	
4	Structural barriers	7	0.701	
5	Strategic barriers	6	0.709	
6	Operational barriers	7	0.749	

Table 2 indicates respondents' demographic information.

**Table 2: research demographic variables**

variable	Dimension	frequency	Frequency percentage
gender	male	108	0.100
	female	0	0.0
age	20-30	15	14.2
	30-40	46	42.8
	40 and above	47	42.8
education	bachelor	55	51.4
	Master degree	49	48.5

**Table 3: descriptive statistical indices of research variables**

SD	mean	number	variable	row
0.65841	3.5842	108	Managerial barriers	1
0.65841	3.50147	108	Human resource barriers	2
0.6874	3.52547	108	Cultural barriers	3
0.555014	3.3845	108	Perceptual barriers	4
0.555014	3.3951	108 people	Structural barriers	5
0.555014	3.42658	108 people	Operational barriers	6

**Table 4: statistical indices for research hypotheses tests**

Test result	Error level	Significance level	Test probability	Observed probability	Research hypotheses	row
supported $H_1$	0/05	0/000	0/5	0/82	Managerial barriers are....implementation of strategy	1
supported $H_1$	0/05	0/000	0/5	0/73	Human resource barriers are....implementation of strategy	2
supported $H_1$	0/05	0/000	0/5	0/87	cultural barriers are....implementation of strategy	3
supported $H_1$	0/05	0/000	0/5	0/77	perceptual barriers are....implementation of strategy	4
supported $H_1$	0/05	0/000	0/5	0/82	structural barriers are....implementation of strategy	5
supported $H_1$	0/05	0/000	0/5	0/79	strategic barriers are....implementation of strategy	6

**Strategy implementation barriers ranking**

Some research variables are more important than the others. Friedman variance analysis test was used to rank the variables. Table 5 shows Friedman variance analysis test. In this technique, equality of ranks means of research variables are tested.

**Table 5: statistical indices for ranking of strategy implementation barriers**

Calculated Kai-2	df	Significance level	Error level	Research hypothesis
32/774	3	0/000	0/05	Mean ranks of all 6 dimensions are equal.

Because significance level is smaller than error value ( $0.05 > 0.000$ ), it can be said that there is difference(s) between mean values of the 6 dimensions. In other words, in 95% certainty level, it can be said that mean rank of strategy implementation barriers are not the same and some others have higher ranks (are more important) than the others. Table 6 indicates mean rank and ranking of dimensions of strategy implementation barriers.

**Table 6: statistical indices of dimensions ranking**

ranking	Men rank	Strategy implementation barriers	row
2	2/84	managerial	1
4	2.55	Human resource	2
1	2/86	Structural	3
3	2.57	cultural	4
5	2.53	Strategic	5
6	2.42	Perceptual	6

As it can be seen in the above table, Friedman test reveals that "structural barriers" is the top important barrier (mean=2.86). Further, perceptual barriers are the least important barriers and came last in ranking of table 6.

### CONCLUSION AND DISCUSSION

The first hypothesis of the research was: "managerial barriers are important challenges ahead of implementation of strategy in Zagros Petrochemical Company.". in general, results showed that managerial barriers are challenges ahead of implementation of strategy in Zagros Petrochemical Company. It can be said that this factor has a pivotal role in Zagros Petrochemical Company.

The second hypothesis of the research was: "human resource barriers are challenges ahead of implementation of strategy in Zagros Petrochemical Company." Considering the variance of each variable, the relative importance of the observed variables can be identified as indices for measurement. As it was observed, "human resource barriers were proved to be important barriers ahead of implementation of strategy in Zagros Petrochemical Company. Consequently, it is important to pay attention to this dimension.

The third hypothesis of the research was: "cultural barriers are challenges ahead of strategy implementation in Zagros Petrochemical Company."variance of each variable can indicate relative importance of the variables. as it can be observed, "cultural barriers are barriers ahead of strategy implementation in Zagros Petrochemical Company."

Fourth hypothesis of this research was: "perceptual barriers are barriers ahead of implementation of strategy in Zagros Petrochemical Company." Considering the variance of each variable, its relative importance can be understood. As it can be observed, "perceptual barriers are barriers ahead of strategy implementation in Zagros Petrochemical Company."

Fifth hypothesis of this research was:"structural barriers are barriers ahead of implementation of strategy in Zagros Petrochemical Company." Variance of the variables can help identify the relative importance of each variable. As it can be seen, "structural barriers are barriers ahead of implementation of strategy in Zagros Petrochemical Company."

Sixth hypothesis of the research was: "strategic barriers are challenges ahead of implementation of strategy in Zagros Petrochemical Company." Variance of each variable indicates the relative importance of the variables. as it was observed, "strategic barriers were important challenges ahead of strategy implementation in Zagros Petrochemical Company."

According to the results, the following recommendations are proposed to implement strategies successfully and create value for customers:

- Investigation and recognition of environmental factors especially external environmental factor which affect Zagros Petrochemical Company performance.
- Investigation of strategic management training courses and their impacts on Zagros Petrochemical Company
- Investigation of cultural and economic infrastructure of implementation of strategic management in Iran in Economy and Culture Year and the amount of welcoming it received by managers and professionals of Zagros Petrochemical Company.
- Investigation and determination of comprehensive models of strategic planning corresponding to organizational culture of Zagros Petrochemical Company.

- Spending some time on identification of external and internal environmental factors in Zagros Petrochemical Company.
- Use of Delphi method for achieving an acceptable level of trust in questionnaires results
- Holding justification and familiarity meetings and preliminary training for senior managers and organizational decision-makers
- Absence of long delay between questionnaires distribution in order to be able to compare, classify and respond to them properly.

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