

BARRIERS IN STRATEGIC PROJECTS OF POLISH COMPANIES

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ABSTRACT

Strategy determines long-term objectives of enterprise, which correspond to the main directions of operation and presents the allocation of resources to meet those objectives. Strategy is being implemented through the regular operation and strategic projects created for increasing the operational effectiveness, competitiveness and business efficiency. Conditions of implementing those strategic activities, as a key actions for a long term company success, should be taken into the detailed investigation. Considering the above, the paper's goal was to analyze the impact of potential barriers of strategic projects implementation that constitute the strategic management processes in Polish companies. The survey was completed in 2016. The CATI method was used to obtain the information. The survey covered 168 small, medium and large enterprises representing services, industry and construction, agriculture, fisheries and forestry. Following results are addressed both to professionals and scientists in field of strategic management and project management.

KEYWORDS

strategies, project management, integration, organizational factors, enterprise.

Introduction

Strategy has many meanings and can be differently defined not only in various areas of human activity but also in economics. The strategy sets out the long-term objectives of the company, which correspond to the main directions of activity, and presents the allocation of resources that are needed to meet the objectives [1]. Strategy can also be considered as the process of creating and implementing a long-term plan, obtaining a specific position relative to the environment, or a relatively long-lasting pattern of action. The organization's strategy is a group of non-contradictory, adjust to the potential, and the environment set of operations, to achieve the long-term goals of the organization.

The strategy is to manage projects that are dual in nature, because they are a tool for implementation and, on the other, they determine the operational effectiveness of the company [2]. Thus, strategic projects are operations that have a major impact on how the company function and the way it

achieved their results. As a consequence, there is a premise for a full involvement of the resources held by the organization for the implementation of these projects. At the same time, these projects are temporary and therefore introduce an element of instability into the existing organizational system. Hence there is a dilemma whether one should strive to adapt the existing state of the organization to the needs of the project, or, on the contrary, the project realization supposed to be an integral part of the organization's functioning? For the first solution, emphasis is placed on the effectiveness of the project, while the second option is aimed at achieving the stability of the strategic management system by the cost of lowering efficiency. The decision in this respect is further conditioned by the fact *that the impact from the unstable element of "project management" cannot be isolated, affecting the majority, unless the whole enterprise* [3].

The conditions for implementing strategic projects, including the above-described context in which they operate, shape the strategic manage-

ment process of a company. By making observations over a longer period of time, it becomes possible to draw conclusions about how to conduct strategic projects. As a consequence, it will be possible to formulate conclusions and recommendations on how to organize an effective system of strategic management of Polish enterprises. This is also the scope of broader research project that has been undertaken by the author, and this paper covers one part of it concerning the barriers to the implementation of strategic projects.

In view of the above, the purpose of this paper is to analyze the barriers of projects that constitute the strategic management process of Polish companies, which will allow to answer the following questions:

1. Which barriers have a key impact and which are not important in the implementation of strategic projects?
2. Are there barriers of strategic projects vary depending on the size of the organization?
3. Is there a difference in barriers of strategic management process depending whether strategic projects are realized or not?

The above stated goal led to the identification of the structure of the text covering the following issues: the integration of strategic projects with the strategic management system, barriers of strategic projects, the presentation of empirical research results and the formulation of summary recommendations.

Integration of strategic projects with the management system

Strategic management is a *management process focused on formulating and implementing strategies that foster a higher degree of organization compliance with its environment and achieving strategic goals* [4]. In terms of function, this process includes: setting goals, formulating tasks necessary for the achievement of goals in a given time and accomplishing them, and estimating the potential effects of organization development [5].

Thus, strategic management is a process that is aimed at achieving the organization's forward-looking goals, including those relating to sustainability and continuous improvement. Strategic management seeks to find the answer: *how to find the right course of action, how to focus resources and efforts on it, and how to work effectively to achieve the desired future position in the market and competition and to ensure lasting existence and development, despite the complexity and variability of the organization's environment* [6].

When considering the scope of strategic management, it has five main tasks [7]:

- Defining the business of the organization, that is, defining a strategic mission as the direction of the organization's development, its scope and market position.
- Setting strategic objectives and tasks to be implemented.
- Formulating a strategy to achieve the goals and planned outcomes.
- Implementing a chosen strategic plan, evaluating the implementation of the strategy and making adjustments to align the organization's activities with changing conditions, ideas, and opportunities, using the accumulated knowledge and experience.

On the other hand, the management system is *an organized set of rules, standards and practical management skills that define the rules and behavior of companies and the institutions that create these policies and practices and enforce them* [6]. The management system is organized through management functions, while its operational efficiency depends on the specifics of the organizational structure, organizational culture, staff, and decision making. The management system affects all other subsystems of the organization in the area of productivisation of their resources, rational use of them, performance of tasks related to the operation of the market, and maintenance of good relations with the environment [6].

Implementing the strategy and transforming it into a stream of specific and planned actions, that ensure effective implementation of the strategic plan in the operational dimension, is accomplished through the management of strategic projects. In the literature of the subject, the separation of particular types of projects is a results of the adopted division criteria. Based on the objective criterion there are research, technical, production and management systems projects [8]. In group of management system projects there can be distinguish following projects [9]:

- Economic activities, i.e. activities developed mainly in terms of the choice of development strategy.
- Organizational design and/or improvement of organizational structures, task management and distribution and business co-operation.

Implementation of management system projects, due to the occurrence of simultaneous interactions with other subsystems of the organization, requires the coordination, i.e. integration of activities included in the project [10]. The importance of project integration is increasing in the case of non-routine and unpredictable activities implemented in a high dynamics environment and many interdependen-

cies [11]. The pre-situational approach, in which the integration mechanisms are selected and developed prior to the start of the operation, and situational (ad hoc), in which integration mechanisms are developed during coordination of actions [12]. One of the other criteria for projects coordination is a type of integration mechanisms that includes the creation of interaction systems and the coordination of elements [13]. Due to the specifics of management systems projects, a pre situational approach is recommended, in which the design of a cooperation system precedes the start of operations. This approach should include a plan for the integration of strategic projects, which should be supported by the institutional embedding of coordination mechanisms in the organization’s management system.

Barriers to the management of strategic projects

In the literature, a number of barriers can be identified that appear in the various stages of project

management. J.D. Frame points out that at the definition phase, attention is paid to the difficulty of identifying and defining customer needs, which translates into a barrier of formulating a project goal [14]. In the planning and control phase, effective project management can be impeded by complexity, too wide project scope, uncertainty, organizational requirements (scope of authority, decentralization of decision, etc.) or constraints resulting from applied methods [15]. While in relation to the implementation phase of the project, friction and conflicts caused by the organizational structure used, barriers to communication and the integration of actions are most common indicated [14].

Assessing strategic projects, those barriers can be assigned to the various stages broader activity defining strategic management process. R.S. Kaplan and D.P. Norton pointed to the following actions indicating strategic management process: strategy development, strategic planning, strategic initiatives and their operation, organizational and employee alignment, feedback and learning (Table 1) [15].

Table 1
Barriers to strategic management process.

Stage of process	Process goal	Barriers
Strategy development	Set a mission, values and vision	The vision is often described in a way that is not conducive to realization
	Realizing of strategic analysis	The analysis focuses on results instead of diagnosing driving forces
	Formulating the strategy	Variety of methodologies used, difficulty in selecting the right method to specific conditions
Strategic planning	Create a strategy map	Lack of integration of actions in groups involved in strategy implementation
	Selection of metrics and specific goals	Lower-level and partial goals do not result from the main goals
Strategic initiatives and their operation	Selection of strategic initiatives	Strategic investments are justified in isolation from one another and in different areas of the organization
	Strategy financing	Funding of the initiative portfolio is contradictory to the hierarchical, departmental structure of the budgeting process
	Determination of responsibility	Managers are usually responsible for management only within the business functions
Organizational and employee alignment	Set up business units	Business strategies are developed and approved independently without taking into account the perspective of the entire organization resulting in lack of integration
	Alignment of auxiliary units	Auxiliary units are treated as “cost centers” that are responsible for reducing costs and are not intended to support organizational strategies.
	Alignment of employees	Most employees have low awareness of the strategy. Their goals and their stimulus focus on local, tactical and not strategic goals
Feedback and learning	Overviewing the operation	Processes improvement and dashboards reviewed by managers are not relevant to the strategy
	Review strategy	<ul style="list-style-type: none"> – Lack of time during meetings to discuss strategy – Strategic initiatives are not monitored and managed in terms of performance and results
	Testing and adaptation of the strategy	<ul style="list-style-type: none"> – No data for hypothesis testing on which strategy is based – Limited opportunities to analyze the strategy and test it – No incentives for employees to propose new strategic options

Source: [15].

Results of empirical research

The research was carried out in 168 randomly selected Polish companies in the first half of 2016. The research sample comprised three main sectors of the economy, i.e. services in 125 enterprises (74% of total sample), industry or construction in 38 enterprises (23%) and agriculture, fishery and forestry in 5 companies (3%). Due to the size criterion, the surveyed entities represented respectively: micro and small enterprises in the number of 110 (65.5% of the total sample), medium enterprises in the number of 36 (21.5%) and large ones in the number of 22 (13%).

The Computer Assisted Self-Administered Interview (CASI) method was used as an electronic questionnaire containing a set of closed questions. Questions were answered by top managers (55% respondents) and middle management (45% respondents).

As part of the survey, respondents were asked to identify to what extent the selected barriers hinder the use of projects in strategic management processes. The answer to the question for each of the barriers was given in a four-step scale, where the following values were assigned the following meanings: 0 factor is insignificant, 0.33 minor hindrance factor 0.66 hindering factor to a large extent, 1 – a key factor hindering the use of projects in strategic management processes.

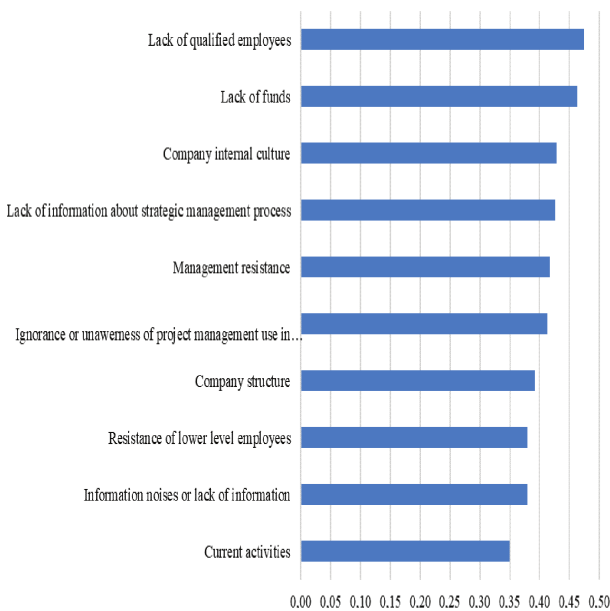


Fig. 1. Implementation barriers for projects in strategic management processes.

Averaged results show that selected barriers are treated by enterprises as hindering the execution of strategic projects in low and medium levels (Fig. 1). The lack of appropriately qualified personnel (0.47

on a scale from 0 to 1) and the lack of financial resources for the implementation of strategic projects (value of 0.46) were the most important barriers. The necessity to carry out the operational actions of the enterprise proves to be the least important barrier to the implementation of strategic projects, (value of 0.35).

However, when analyzing only extreme responses, i.e. whether a given factor is irrelevant at all, or whether it is defined as a key barrier to the implementation of strategic projects, it appears that least important barrier for entrepreneurs indicate the resistance of lower level employees (value of 37% of surveyed companies). While only less than 11% of respondents indicated resistance to lower level employees as a very important barrier. A significant number of respondents also indicated other organizational barriers as irrelevant. Organizational structure was recognized as an irrelevant barrier in 34% of enterprises, managerial resistance in 33%, and organizational culture in 32% of the sample. A small number of the surveyed companies, as only 5% of the total sample, considered the need for ongoing operations as an important factor hindering their strategic projects, while at the same time a high fraction (32% of the sample) considered this factor to be irrelevant.

On the other hand, as the key factor hindering the implementation of strategic projects, the majority of enterprises (17% of the total sample) considered the lack of financial resources. At the same time, the lowest number of companies defined the above as irrelevant (22% of the total sample) (Fig. 2). Based on those observations, organizational factors are relatively less frequent identified as important barriers to the implementation of strategic projects. Respondents also do not recognize as a barrier the lack of information concerning strategic project management. However the lack of financial means for such activities is a key obstacle to the implementation of strategic projects.

Considering the above observations, the question is why the financial factor is most often considered to be a key barrier in implementing projects to implement the adopted strategy. By analyzing the answers given in the survey based on the size of the enterprise (Fig. 3), it can be seen that lack of financial resources is a major barrier to the implementation of strategic projects among micro and small enterprises. This barrier has a value of 0.5 and significantly exceeds the results of other factors hindering the implementation of strategic projects in these companies. At the same time, the results show that micro and small enterprises are more optimistic about assessing the remaining obstacles in the implementation of these projects than the medium and large companies.



Fig. 2. Significant and insignificant project's barriers in strategic management processes.

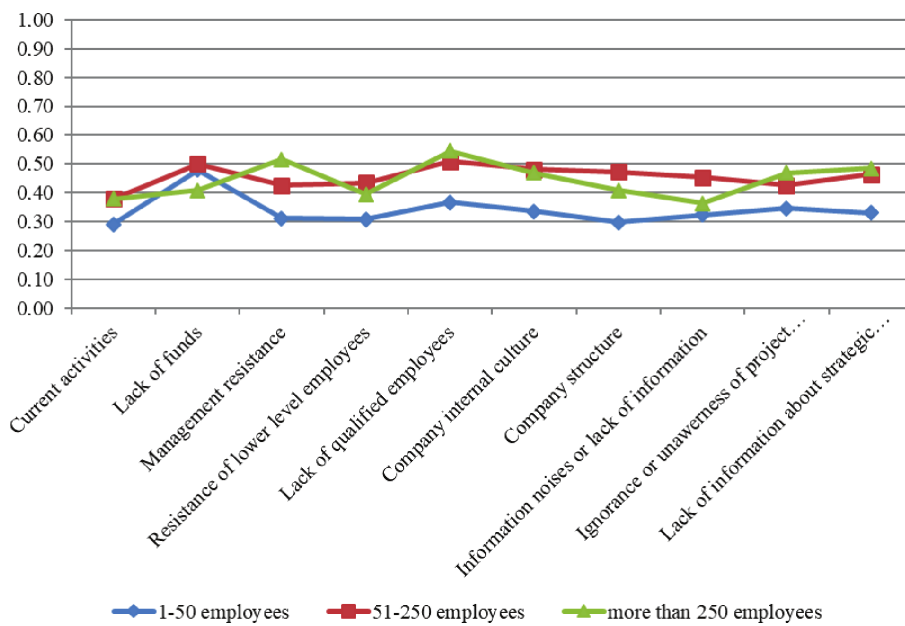


Fig. 3. Project's barriers in strategic management processes in small, medium and large enterprises.

In analyzing the above relationship, attention should also be paid to the maximum performance values for two of the organizational barriers, i.e., managerial resistance (barrier factor 0.52) and lack of appropriately qualified staff (barrier factor 0.55) for strategic projects. These barriers were identified as major obstacles to the introduction of strategic projects. These are entities that have a broad staff of staff and have more appropriately qualified staff than smaller companies. On the other hand, the fact that extended organizational structures can significant-

ly increase the complexity of implementing strategic projects. This may require more knowledge and qualifications for implementing staff than for smaller companies.

The next stage of the research was to examine the difference in the existence of barriers to the implementation of the strategic management process for two groups of companies: those implementing strategic projects and those that did not implement strategic projects. Taking into account the above breakdown, the most significant barrier remains the lack

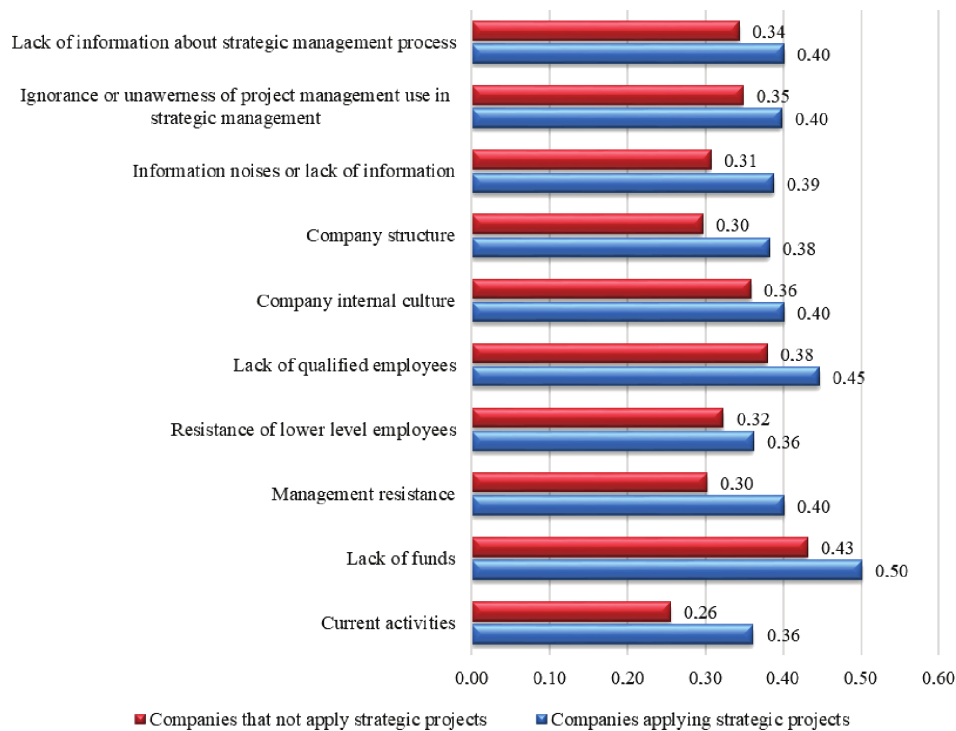


Fig. 4. Barriers of implementation of strategic projects divided by companies applying and not applying strategic projects.

of financial resources. This barrier has a values of 0.5 in the companies applying strategic projects and 0.43 in the companies not using strategic projects in their activity (Fig. 4). Next, are the lack of appropriately qualified personnel, with values of 0.45 and 0.38, respectively. We also note here the interesting relationship that barriers are perceived as being more difficult for the companies that use strategic projects. The biggest differences in the results of the significance of a given barrier, for companies applying strategic projects (differences exceeding 25%) were noted in case of necessity of carrying out the operational actions and resistance of management. For both of these barriers, companies implementing strategic projects see them as a more significant for implementation than companies that declare that they do not implement projects to implement the strategy.

Conclusions

The aim of this study was to analyze the barriers to the projects that comprise the strategic management process of Polish enterprises, which allow to formulate answers to a number of research questions.

Ad 1. The key barriers to implementing strategic projects are the lack of financial resources and the

lack of appropriately qualified personnel. While the low-level employees resistance as well as organizational structure and lack of information on the strategic management process are rather insignificant barriers. Ad 2. Important criterion of barriers differentiation was size of enterprises. For SMEs, the main barriers to strategic projects are lack of financial resources and lack of qualified personnel. For the large companies most important were the lack of suitably qualified personnel and the resistance of the management. Ad 3. In the case weather strategic projects are or aren't use for implementation of strategy the lack of financial resources is the most important barrier, for which values were respectively 0.5 in enterprises applying strategic projects and 0.43 in companies not using strategic projects.

The obtained results are relatively difficult to relate to other research outcomes. This is caused by several reasons [16]: different approach and precision of the estimation of the success rate of strategy, distinct criteria used to define success/failure of strategy implementation, variety of applied research methods (i.e. case studies, quantitative research) and lack of detailed information or data sources of presented analysis.

However, as a widely observed trend in literature, it can be stated that the level of strategy implementation failures is decreasing. Starting from 71% in 90.

of XX century [17], 70% in 1996 [18], by 59% in 2008 [19], to 44% in 2014 [20]. Last survey was done by PMI, that researched more than 2500 project leaders from North America, Asia Pacific, Europe, Middle East, Africa, Latin America and the Caribbean region.

Despite this constatation, there is still lack of unambiguous description of strategic projects' barriers and its influence on strategy success rate. For instance based on overview of R.S. Kaplan & D.P. Norton [21], P. Jones [22] and A. Raps [23] it can be stated that around 40% of strategy barriers is considered with scarce or inappropriate resources (especially financial resources), 20–40% is caused by lack of strategic vision, than 25% is concern with human resources and last 15% with management and communication. This results correspond to the obtained results of Polish companies.

In conducted research main focus was laid on organizational factors (structure, organizational culture, the need to implement operational activities, communication and information systems) and resource constraints (availability of funds, human resources qualifications, knowledge and information on strategic projects).

An interesting approach would be extend the research into two aspects. First, with regard to barriers considering external conditions (industry specific, including its development phase, competition levels in the sector, customer requirements, availability of business partners and other business environment institutions, etc.).

Secondly, to complement the conducted research on the analysis of barriers to strategic projects through the stages of the strategic management process, for example, based on R.S. Kaplan and D.P. Norton or L.G. Hrebiniak propositions [24].

Another interesting potential direction for further research is the identification of relationship between barriers to strategic projects and the financial outcome of Polish companies.

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