

Factors Affecting Business Strategy Implementation of Vietnam Garment Companies

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Abstract

This paper studies the impact of factors affecting on business strategy implementation of Vietnam garment companies. A total of 192 questionnaires were administered to respondents chosen from 82 Vietnam garment companies. The findings indicated that there is a significant positive relationship between 05 factors: Strategy formulation-Human resources-Communication-Corporate culture-Organizational structure and business strategy implementation from the sample point of view.

Keywords: business strategy, garment, factors, strategy implementation, Vietnam

1. Introduction

Systematical and consistent strategy formulation is very difficult for any manager; however, strategy implementation is much harder (Hrebiniak, 2006). Empirical evidence shows that it is difficulty to fully determine the factors affecting strategy implementation process. Unlike strategy formulation concentrating on thinking ability, strategy implementation focuses on competencies and skills to implement it. A well-planned strategy does not ensure effective strategy implementation (Noble, 1999b). According to the report on technology and competitiveness survey in Vietnam in 2013 (TCS) by Central Institute of Economic Management (CIEM), approximately 72% of Vietnam companies said that they have the difficulty in implementing business strategy because of its inconsistency and inadequacy.

This research is intended to study business strategy implementation and the factors affecting business strategy implementation. The study question posed here is in what way can Vietnam garment companies implement business strategy in an effective manner? The study focuses on analyzing and defining the factors that have impact on business strategy implementation, from that to establish research model with 05 independent variables: Strategy formulation - Human resources - Communication - Corporate culture - Organizational structure and an independent variable (business strategy implementation). This research sample includes 92 managers of 82 Vietnam garment companies.

2. Theoretical Framework

2.1. Strategy Implementation

Strategy implementation is the second stage in the 3-stage process of strategic governance. International researches indicate that there are 03 opinions about the term of “strategy implementation”. The first opinion suggests strategy implementation includes a series of carefully planned steps. The second one assures that strategy implementation consists of a series of activities coordinated in parallel at different levels. The other is combined from 02 opinions above (see Table 1).

Table 1. Concepts of strategy implementation

Opinions	Concepts
Opinion approaching process	- Strategy implementation is an iterative process of implementing strategies, policies, programs and action plans that allows a firm to utilize its resources to take advantage of opportunities in the competitive environment (Noble, 1999b). - Strategy implementation is a series of activities affecting organizational structure, key personnel and control

Opinion	system in order to achieve desired results (Hrebiniak, 1984).
approaching behavior	- Strategy implementation aims to propose a number of recommendations for strategy objectives (Noble, 1999b).
Combined	- Strategy implementation is defined as required activities in order to implement a strategy. It is the process of
Opinion	implementing strategies and policies (Wheelen and Hunger, 1992).

Legally speaking, strategy implementation is a motivated, complicated and repetitive process including a number of manager and staff's decisions and activities affected by a variety of internal and external factors for the proposed strategy. Strategy implementation is researched at 03 strategic level, including corporate strategy, business strategy and functional strategy (marketing, production, personnel, ...). Up to now, the number of the researches on corporate strategy implementation is still limited. Meanwhile, the researches on SBU strategy are relatively common (Gupta & Govindarajan, 1984; Govindarajan & Fisher, 1990). In addition, the number of researches on functional strategy implementation is limited and focuses on only marketing strategy. This research concentrates on business strategy implementation of Vietnam garment companies.

2.2. Factors Affecting Strategy Implementation

The researches on the factors affecting strategy implementation include 02 groups, such as the ones classifying different factors into several groups (Noble, 1999b) and the ones combining the factors into a frame model (Higgins, 2005).

Noble (1999b) classifies strategy implementation factors into 02 groups, including: framework and process, but they are different in content and form: low cost and differentiation. Framework includes rules and resources/capacities; and process includes interaction and attached regulations. Noble (1999b) researches strategy implementation from the point of view of organizational structure and implementation process among individuals (focusing on agreement, behavior, opinion, leadership, implementation style, communication and interaction).

Pettigrew (1992) divides the strategy implementation factors into 04 groups, including: strategy content, context (such as organizational context: organizational structure, organizational culture; business environment: macro environment and industrial environment), implementation process (plan, resources, personnel, communication, control and response) and strategy result (tangible or intangible result).

Concerning the researches combining the strategy implementation factors into a frame model, Noble (1990a) suggests 04 stages of strategy implementation, including: pre-implementation, implementation organization, implementation process management and cross-functional implementation performance maximization. There are 05 leveraging factors, including: objective; organizational structure; leadership; communication; and recognition and reward policy. Higgins (2005) establishes 8S model including strategy, structure, resource, shared value, style, personnel, system, process and strategic performance. This model is developed from McKinsey's 7S model by eliminating the skill factor and adding the factors of resource and strategic performance.

On the basis of literature framework and the current business strategy of Vietnam garment companies, the research team decides to analyze 05 factors affecting business strategy implementation, including: Strategy formulation, human resources, communication, corporate culture, and organizational structure.

Strategy formulation: An unclear strategy may reduce strategy implementation performance. Good strategy implementation can not make up for the limitations of strategy formulation. There are a number of researches related to strategy formulation's the importance (Allio, 2005) and strategy formulation's the actual situation (Kim & Mauborgne, 1991). Appropriate strategy formulation facilitates strategy implementation, but does not ensure strategy implementation performance. Strategy formulation method has a significant impact on commitments, confidence and desired results. Managers usually facilitate strategy implementation by formulating "open" and consistent strategy. This helps them to find strong association within their companies and to have great faith in comprehensive vision for the development.

Human resources: Human resources include senior manager, middle manager, primary manager and staff. Strategy implementation performance is influenced by human resources taking part in the strategy implementation (Govindarajan, 1990). Human resource quality includes specialized knowledge, skill, attitude, capacity, experience and other qualifications. Govindarajan (1990) divides 36 strategy implementation factors into 03 groups, including: human resources, organization and process. Govindarajan's the findings indicate that strategy implementation success is significantly influenced by human resources. Also, Hrebiniak (2006) believes that senior managers' active participation influences strategy implementation performance.

Communication: Alexander (1985) points out communication has the most important impact on strategy implementation success. Communication is the act of transferring information of staffs' duties and responsibilities; and clarifying new strategic decisions or position changes within a company. Peng and Littelljohn (2001) affirms that effective communication significantly contributes to strategy implementation success. Communication plays a key role in training and providing information during the process of strategy implementation.

Corporate culture: One of greatest challenges of strategy implementation is corporate culture affecting strategy implementation staff's behavior. Govindarajan (1990) defines the limitation of strategy implementation include staff's limited understanding of corporate culture and strategy. Strong corporate culture ensures the involvement of entire staffs. This is necessary for company to successfully implement the strategy. Corporate culture involves leadership style including managers' time usage, requirements for staff and decision-making process. Appropriate corporate culture involves the role of subordinates in strategy formulation and implementation.

Organizational structure: Organizational structure is a key factor contributing to strategy implementation success (Noble, 1999b). Competitive environment changes require organizational structure change of a company. Gupta (1987) researches the relationship among SBUs in business strategy implementation and finds out the more decentralized organizational structure is; the higher strategy implementation performance is in any business context.

3. Methodology

In this research, we suggest a number of the hypotheses, including:

Hypothesis 1 (H1): Strategy formulation has a positive impact on business strategy implementation.

Hypothesis 2 (H2): Human resources have a positive impact on business strategy implementation.

Hypothesis 3 (H3): Communication has a positive impact on business strategy implementation.

Hypothesis 4 (H4): Corporate culture has a positive impact on business strategy implementation.

Hypothesis 5 (H5): Organizational structure has a positive impact on business strategy implementation.

In the regression model, the independent variables are Strategy formulation, Human resources, Communication, Corporate culture, and Organizational structure; the dependent variable is business strategy implementation. The regression equation is as follow:

$$BSI = \alpha + \beta_1SF + \beta_2HR + \beta_3CO + \beta_4CC + \beta_5OS + \varepsilon$$

With BSI: Business strategy implementation;

SF: Strategy formulation;

HR: Human resources;

CO: Communication;

CC: Corporate culture;

OS: Organizational structure;

ε : Error term.

The scale is established basing on Alexander (1985), Noble (1999b) and Govindarajan (1990)'s models; and the research team's opinion by conducting qualitative interviews with experts. We take counsel with 05 experts: 02 experts in strategic governance, 02 chief executive officers of the garment companies and 01 sales and marketing manager. The interviews aim to collect the experts' opinions about the factors affecting business strategy implementation of Vietnam garment companies. The experts assess observed variables in the research model by keeping, eliminating or adding variables. From that, we summarize the results and establish the scale. Questionnaire includes 03 parts, including: general profile (sex, age, experience and position), 23 questions, and overall measurement of strategy implementation (see Table 2). The variables are measured basing on the 5-point Likert scale from 'very dissatisfactory' to 'very satisfactory'.

Table 2. Scales of the factors affecting business strategy implementation

Variables	Components	Symbols
Strategy formulation (SF)	- Strategy formulation is implemented formally and publicly.	SF1
	- Strategy formulation is implemented systematically and feasibly.	SF2
Human resources (HR)	- Board of Management and Board of Directors are well-qualified and efficient.	HR1
	- Training is effective.	HR2
	- Staff satisfies with incentive policy.	HR3
Communication (CO)	- Staff clearly understands vision, mission and strategic plan.	CO1
	- Communication is appropriate, quick and exact.	CO2
	- Staff easily proposes opinions towards to managers.	CO3
Corporate culture (CC)	- Company has culture norms and good cultural tradition.	CC1
	- Comfortable and professional working environment.	CC2
	- Corporate culture promotes staff's consensus and commitments.	CC3
Organizational structure (OS)	- Organizational structure is flexibly adjusted according to strategic business objectives.	OS1
	- Organizational structure ensures objective and policy implementation.	OS2
Business strategy implementation (BSI)	- Strategy implementation achieves planned objectives.	BSI1
	- Strategy implementation process is appropriate and clearly.	BSI2

We selected non-probability sampling method for the survey. Survey objectives are Chairmen/ Deputy chairmen of the Board of management, General directors/ Deputy general directors, Directors/ Deputy directors of member companies; Head of Planning-Strategy-Sales-Marketing-Human resource department;... of 82 Vietnam garment companies. Strategic governance experience of survey participants is from 3 years to 28 years, the average is 8.2 years. Before delivering questionnaires, we collected email addresses by telephone. Questionnaires and recommendation letters were directly delivered to 30 participants and by email to 200 ones. Survey time is from July 2015 to October 2015. As a result, we obtained 148 valid direct responses (61%) and 29 valid email responses. The finally sample includes 92 participants (69.7%) (see Table 3).

Table 3. Sample profile

Geographical locations of surveyed companies.	%	Positions	%
Northern Vietnam	34.3%	Chairman/ General director/ Deputy general director	18.5%
Central Vietnam	18.8%	Director/ Deputy director of child companies	35.8%
Southern Vietnam	46.9%	Head/ Deputy head of departments	45.7%
<i>Total</i>	<i>100%</i>	<i>Total</i>	<i>100%</i>
Operation time (year)		Firm size (labor number)	
1-5	3.1%	< 300	3.1%
5-10	18.7%	300-500	18.7%
10-20	59.5%	500-1,000	50%
>20	18.7%	>1000	28.2%
<i>Total</i>	<i>100%</i>	<i>Total</i>	<i>100%</i>

4. Research results

Table 4 shows that M values of 05 independent variables reach average scores, in which some ones are greater than 4. This means that 05 factors of Strategy formulation, Human resources, Communication, Corporate culture and Organizational structure have a significant impact on business strategy implementation. Besides, scales in a group have approximately the same standard deviations.

Table 4. Analytical result of SPSS software

Variables	Components	Average (M)	Standard deviation (SD)	Alpha coefficient
Strategy formulation	SF1	4.15	.854	0.8
	SF2	4.02	.722	
Human resources	HR1	4.11	.688	0.73
	HR2	4.09	.536	
	HR3	4.03	.629	
Communication	CO1	3.94	.698	0.76
	CO2	4.17	.574	
	CO3	4.11	.527	
Corporate culture	CC1	3.56	.539	0.81
	CC2	3.55	.484	
	CC3	3.65	.477	
Organizational structure	OS1	3.33	.873	0.73
	OS2	3.79	.716	
Business strategy implementation	BSI1	3.76	.857	0.9
	BSI2	3.44	.794	

Cronbach's Alpha coefficients of 05 independent variables are greater than 0.7 (see Table 4) that validates the variable measurement (Nunnally, 1978). Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) is 0.687 ($0.5 \leq KMO \leq 1$) means that EFA analysis is suitable for data. Chi-square of Bartlett test is 531.637 (Sig = 0.000 ≤ 0.05), shows that observed variables has a correlation relationship at an aggregate level. Average variance extracted (AVE) is 70.294% $\geq 50\%$, indicates that independent variables explain 70.294% of data variance at Eigenvalue of 1.213 (> 1).

The analysis result of dependent variable shows that KMO is 0.710, Bartlett test's Sig. is 0.000, average variance extracted (AVE) is 73.691% and Eigenvalue is 2.211. The analytical result of the rotated component matrix indicates that scales of independent variables are unidimensional.

Table 5 indicates that the Pearson's correlation coefficient between strategy implementation and 05 factors affecting strategy implementation. Strategy implementation has a linear correlation relationship with 05 independent variables, in which strategy implementation has a weak correlation relationship with 02 factors of strategy formulation and organizational structure (Sig. = 0.01).

Table 5. Analytical result of Pearson correlation coefficients

	SF	HR	CO	CC	OS	BSI
SF	1	.200*	.049	.159	.380**	.380**
HR	.200*	1	.331**	.303**	.384**	.622**
CO	.049	.331**	1	.456**	.608**	.539**
CC	.159	.303**	.456**	1	.512**	.472**
OS	.216**	.384**	.408**	.312**	1	.328**
BSI	.380**	.622**	.539**	.472**	.328**	1

** Significant at $p < .01$ (2-tailed); * Significant at $p < .05$ (2-tailed).

VIF values range from 1.16 to $1.4 < 10$, shows that the effect of multicollinearity is not significant. According to the regression results, R value is 0.816 and R Square value is 0.627, shows that the regression model is highly validated (62.7%). In other words, 05 independent variables in the model explain 62.7% of dependent variable's the variation. Adjust R square value is relatively high (51.3%), also indicates that the regression model is highly validated (see Table 5a).

Table 5a. Regression results

Model	R	R2	Adjusted R2	Error term	Durbin Watson
1	0.816	0.627	0.513	.48514	2.069

According to our results, independent variables' Sig. values are 0,000. This indicates that 05 factors of Strategy formulation, Human resources, Communication, Corporate culture, and Organizational structure have a significant and positive impact on business strategy implementation (due to B values are greater than 0) at confidence level of 99% (see Table 5b). The factors' the importance on business strategy implementation of Vietnam garment companies in descending order is Human resources (HR), Communication (CO), Strategy formulation (SF), Corporate culture (CC), and Organizational structure (OS). Thus, 05 hypotheses are accepted.

Table 5b. Regression results

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
Constant	.229	.355		.646	.519		
SF	.264	.079	.301	3.588	.000	.945	1.158
HR	.389	.059	.416	6.513	.013	.836	1.396
CO	.325	.053	.407	5.178	.000	.748	1.337
CC	.268	.072	.234	3.041	.003	.755	1.325
OS	.212	.059	.215	3.215	.003	0.738	1.318

5. Implications of the Results

On the basis of our findings, we propose some relevant recommendation for improving business strategy implementation of Vietnam garment companies, specifically:

Firstly, Vietnam garment companies should improve both strategic governance capacity and business strategy implementation one. This ensures that managers are able to guide and manage their staffs during the process of business strategy implementation. Companies need to enhance staff's understanding of business strategy and the benefits of business strategy implementation performance. Besides, managers and staffs need fully providing information in time for the agreement within the company. In addition, regular staff assessment is very essential to improve staff's capacity and human resource allocation for increasing labour efficiency. Companies should apply preferential remuneration policy related to salaries and incentives, perceptions, attitudes, retraining and management procedures. This contributes to staff satisfaction in the companies.

Secondly, Vietnam garment companies should concentrate on enhancing staff's understanding of internal communication, from that promoting staff's response for company's agreement. Inadequate and complicated communication decreases the agreement within the company (Noble, 1999b). Corporate communication needs to provide staff's duty and responsibility, and clarifies strategy plan and position changes within company. Manager needs to encourage frequent internal communication among departments and groups in charge of business strategy implementation.

Thirdly, Vietnam garment companies should pay more attention to strategy formulation for ensuring the strategy's consistency and minimizing mistakes in strategy formulation (including unclear vision and mission, not focusing on building core competencies...). Especially, companies need to regularly conduct periodic market research. In addition, in the context of continuous market changing, business strategy needs to be more flexible contributing to the performance of business strategy implementation.

Fourthly, Vietnam garment companies should develop cultural values by enhancing the agreement and commitments in implementing business strategy. Alexander (1985) suggests that companies should build a good relationship between managers and staffs, ever since the process of strategy formulation. Besides, managers need to encourage staffs' participation and commitments during the business strategy implementation. Middle managers and staffs involve in planning business strategy implementation contributing to increasing strategy performance.

Fifthly, Vietnam garment companies should flexibly adjust organizational structure in accordance with changes of competitive environment. Gupta (1987) indicates that decentralized organizational structure increases

performance of business strategy implementation in any business context. The majority of the Vietnam garment companies focuses on business strategy of affordable and high office fashion in the domestic market. With this business strategy, the companies need to enhance close cooperation among departments for sale growth. In addition, companies need to concentrate on internal control and budget allocation for business strategy implementation.

Through this subject, the authors provide readers with the most basic concepts of strategy implementation and the factors affecting business strategy implementation. By analyzing the regression model of 05 independent variables affecting business strategy implementation of 82 Vietnam garment companies, our findings have shown that 05 factors of human resources, communication, strategy formulation, corporate culture, and organizational structure have a significant and positive impact on business strategy implementation of these companies.

On the basis of our findings, we proposed a number of recommendations for improving business strategy implementation performance of the Vietnam garment companies in the forthcoming period. Accordingly, these companies should improve managers' both strategic governance capacity and business strategy implementation one; enhance staff's understanding of internal communication; pay more attention to strategy formulation; develop cultural values; and flexibly adjust organizational structure in accordance with changes of competitive environment. However, due to limitations of time and experience, this subject only focuses on garment companies in Vietnam market, but in export market.

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