THE IMPACT OF FIRM STRATEGY EXECUTION ON FIRM PERFORMANCE: EXECUTIVE TEAM ACTION INTEGRATION

Wenyu Li [1], Nan Xiang [2*], Suprawin Nachiangmai [3], Luxi Ren [4], Wenkui Chen [5]

[1 2 3 4 5] Innovation College, North-Chiang Mai University

[*] **Corresponding Author, E-mail:** nan.xiang@northcm.ac.th

Abstract: This study investigates the impact of firm strategy execution on firm performance, focusing specifically on the role of executive team action integration. The research hypotheses propose H1: Demographic variables have a significant impact on firm strategy execution, firm performance, and executive team action integration. H2: Firm strategy execution is positively related to firm performance. H3: Firm strategy execution influences executive team action integration. H4: Executive team action integration moderates the relationship between firm strategy execution and firm performance. Using a quantitative research approach, data will be collected through a structured questionnaire administered to executives and managers within various organizations. A total of 500 questionnaires will be distributed, with 380 responses received, resulting in a response rate of 76%. Statistical analysis, including regression and moderation analysis, will be conducted to test the hypotheses. The findings of this study are expected to contribute to the existing literature by providing empirical evidence on the relationships between firm strategy execution, executive team action integration, and firm performance. The study's significance lies in its potential to inform organizational leaders and decision-makers about the importance of effective strategy execution and cohesive executive teams in driving organizational success and competitiveness in today's dynamic business environment.

Keywords: Firm strategy Execution, Firm Performance, Executive Team Action Integration

Introduction

In the contemporary landscape of business, firm performance stands as a pivotal indicator of organizational success and long-term viability. The interplay of numerous factors shapes firm performance, encompassing everything from prevailing market conditions to the strategic decisions made internally. Among these determinants, the execution of firm strategy emerges as a cornerstone, wielding considerable influence over organizational outcomes. This thesis embarks on an exploration of the intricate relationship between the execution of firm strategy and firm performance, with a specific focus on the concept of executive team action integration. (Kaplan & Norton, 2008)

Within the realm of strategy execution, the role of the executive team assumes paramount significance. As the apex decision-making body within an organization, the executive team shoulders the responsibility of setting the strategic direction and ensuring its realization. The collective expertise, experience, and insights of executive members play a pivotal role in shaping the strategic agenda and guiding the organization through periods of change and uncertainty (Finkelstein & Hambrick, 1990).

However, the mere presence of strategic intent within the executive suite does not guarantee success. Effective strategy execution hinges on the seamless alignment and coordination of efforts across various organizational functions and levels. It is here that the concept of action integration assumes prominence. Action integration encompasses the harmonization of individual actions and initiatives within the executive team, fostering synergy and coherence towards shared strategic objectives.

While existing scholarship has delved into the broader domain of strategy execution, a conspicuous gap persists concerning the specific nexus between executive team action integration and firm performance. While anecdotal evidence and theoretical frameworks allude to the pivotal role played by cohesive executive teams in driving organizational success, empirical validation remains scant. Moreover, the extant literature primarily focuses on isolated aspects of executive team dynamics, such as leadership styles or decision-making processes, without explicitly examining their collective impact on firm performance. Consequently, there exists an opportune void for empirical investigations aimed at elucidating the causal mechanisms underpinning the relationship between action integration within executive teams and firm performance outcomes. (Govindarajan & Trimble, 2010)

Bridging this gap assumes heightened significance in light of the evolving complexities and uncertainties characterizing the contemporary business landscape. As organizations grapple with disruptive forces ranging from technological innovation to geopolitical upheavals, the imperative for agile and cohesive executive leadership becomes all the more pronounced. Empirical insights garnered from such endeavors hold the potential to inform evidence-based managerial practices and enhance organizational resilience in the face of uncertainty.

In the realm of business management, the effective execution of organizational strategy is widely recognized as a critical determinant of firm performance and long-term success. However, despite the acknowledged importance of strategy execution, many organizations face significant challenges in translating their strategic plans into tangible outcomes. One particular aspect that has garnered increasing attention in the literature is the role of executive teams in driving strategy execution and, consequently, firm performance. Within this context, the concept of executive team action integration emerges as a crucial factor influencing the effectiveness of strategy execution. (Hambrick & Mason, 1984)

While there is a substantial body of research examining various dimensions of strategy execution and its impact on firm performance, there remains a notable gap in understanding the specific mechanisms through which executive team action integration affects organizational outcomes. Although teamwork and collaboration within executive teams have been acknowledged as important factors for organizational success, empirical studies directly linking action integration within executive teams to firm performance are scarce.

This research problem is further exacerbated by the persistent challenges faced by organizations in executing their strategies effectively. Despite the proliferation of management theories and frameworks aimed at improving strategy execution, the failure rate of strategic initiatives remains alarmingly high. According to McKinsey, as much as 70% of strategic initiatives fail due to poor execution. This highlights the urgent need for a deeper understanding of the factors that contribute to successful strategy execution, particularly at the executive level.

Moreover, the dynamic and competitive nature of modern business environments adds complexity to the challenge of strategy execution. Organizations must navigate through rapid technological advancements, evolving market dynamics, and geopolitical uncertainties, requiring agile and cohesive leadership teams capable of driving strategic initiatives forward. Thus, understanding how executive team action integration influences strategy execution and firm performance is crucial for organizations striving to remain competitive and sustainable in today's volatile business landscape.

In light of these considerations, this study aims to address the following research questions:

What is the level of action integration within executive teams of selected firms?

How does executive team action integration influence firm performance indicators?

What are the mediating or moderating factors that may affect the relationship between action integration and firm performance?

By exploring these questions, this research seeks to fill the existing gap in the literature and provide valuable insights into the role of executive team dynamics in shaping strategy execution and organizational outcomes. Ultimately, the findings of this study can inform managerial practices and strategies aimed at enhancing the effectiveness of executive teams and improving overall firm performance.

Research Objective (s)

Objective 1. Evaluate the Level of Executive Team Action Integration

The primary objective of this research is to assess the extent of action integration within executive teams of selected firms. This involves analyzing the degree to which members of the executive team collaborate, communicate, and coordinate their efforts towards the execution of organizational strategies. By evaluating the level of action integration, the study aims to understand the cohesion and alignment of executive teams in driving strategic initiatives forward.

Objective 2. Examine the Relationship Between Action Integration and Firm Performance

Another key objective is to investigate the relationship between executive team action integration and firm performance indicators. This entails examining how the level of action integration within executive teams influences various aspects of firm performance, such as financial performance, market share, innovation, and organizational growth. By conducting empirical analyses, the study aims to uncover the impact of action integration on overall firm outcomes.

Objective 3. Identify Factors Influencing Action Integration

A crucial objective is to identify factors that may influence the level of action integration within executive teams. This involves exploring internal and external factors, such as leadership styles, team dynamics, organizational culture, and environmental factors, that may facilitate or hinder the development of cohesive and aligned executive teams. By identifying these factors, the study aims to provide insights into the determinants of effective action integration within executive teams.

Objective 4. Explore Implications for Strategy Execution and Organizational Leadership: Lastly, the research aims to explore the implications of executive team action integration for strategy execution and organizational leadership. This involves examining how action integration influences strategic decision-making processes, organizational agility, and the effectiveness of strategy implementation. By understanding the implications of action integration for strategy execution, the study aims to provide practical recommendations for organizational leaders and managers seeking to enhance their firm's performance through improved executive team dynamics.

Literature Review

The literature reviewed sheds light on the intricate relationship between firm strategy execution, executive team action integration, and firm performance. This review underscores the critical importance of effectively executing organizational strategies and the pivotal role played by cohesive and aligned executive teams in driving performance outcomes.

Effective firm strategy execution is paramount for organizational success and sustainable competitive advantage (Govindarajan & Trimble, 2010). While strategic planning sets the direction and objectives for the organization, it is the execution of strategies that determines whether these goals are achieved and whether the organization can maintain its competitive edge in the market (Kaplan & Norton, 2008). Research consistently demonstrates that firms with superior execution capabilities outperform their competitors across various metrics such as profitability, growth, and market share (Mankins & Steele, 2006).

Executive team action integration emerges as a critical determinant of firm performance, influencing decision-making quality, strategic alignment, agility, and organizational culture (Zahra et al., 2008; Eisenhardt & Furr, 2009). Cohesive and aligned executive teams ensure that strategic goals are clearly defined, understood, and pursued collectively throughout the organization, fostering a culture of collaboration, accountability, and innovation (Denison, 1990).

However, achieving and maintaining high levels of action integration within executive teams is not without its challenges. Conflicting agendas, organizational politics, resistance to change, structural barriers, and cultural differences can hinder efforts to foster collaboration and alignment among top-level executives (Eisenhardt & Furr, 2009). Overcoming these challenges requires strong leadership, effective communication, and a commitment to fostering a culture of trust, openness, and collaboration within the executive team.

Despite the challenges, organizations that prioritize and achieve high levels of action integration within executive teams stand to gain numerous benefits. These include enhanced decision-making quality, strategic alignment, agility, employee engagement, stakeholder relations, and corporate reputation (Zahra et al., 2008; Eisenhardt & Furr, 2009). By fostering collaboration, alignment, and cohesion among top-level executives, organizations can improve their overall performance, adaptability, and competitiveness in today's complex and dynamic business environment.

Looking ahead, future research in this area should focus on exploring the mechanisms through which executive team action integration influences firm performance across different industries, organizational contexts, and cultural settings. Additionally, longitudinal studies could provide valuable insights into the long-term impact of action integration on organizational outcomes and competitive advantage. Furthermore, research examining the role of technology and digital transformation in facilitating action integration within executive teams would be beneficial, particularly in the context of remote work and distributed teams.

In summary, the literature reviewed underscores the critical importance of firm strategy execution and executive team action integration in driving firm performance. By addressing the challenges and harnessing the benefits associated with action integration, organizations can enhance their strategic execution capabilities and position themselves for sustained success in today's dynamic and competitive business landscape.

Methodology

The study has to clearly define the population to ensure that the findings can be applied to this particular group. The general reference of this research study is the top executives of large and medium-sized enterprises in Province A that are relevant to the study.

Probability-based sampling methods, the sample size can be determined through the population collection process. For example: the sample size suitable for calculation, the sample size used in the study was determined using The Taro Yamane Sample Size Formula (1973), and the sample size was determined using a 95 per cent confidence level and permissible values. The sampling error is 5 per cent or 0.05. The overall sample is 4,768. When n = number of samples used in the study. N = size of the overall population, e = random sample error is set to 0.05 .

The sample size and formula are as follows:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{4768}{1 + 4768 \text{ X } 0.05^2}$$

$$n = 368.2$$

In order to increase the accuracy of the findings and generalizability of the conclusions, a questionnaire study was carried out on all the employees in Area A. A total of 380 valid questionnaires were distributed and returned.

In this thesis, a questionnaire for all employees in Area A will be designed and distributed. Due to different working hours, it became difficult to travel to Area A to conduct the actual paper questionnaire. The questionnaire can only be studied in spare time through the Internet, so this questionnaire is distributed through the online platform "Questionnaire Star" (www.wjx.cn), and the respondents also fill in the questionnaire and submit the questionnaire through the platform "Questionnaire Star" (www.wjx.cn). The respondents also filled out and submitted the questionnaires through the platform of "Questionnaire Star". A total of 500 questionnaires were distributed and after 45 days of collecting all the questionnaires and evaluating the validity of the questionnaires, excluding the invalid questionnaires, a total of 380 valid questionnaires were obtained and used for the analysis of the study, with a validity rate of 76%.

Results

There is a significant positive correlation between "firm strategy execution" and "executive team action integration". According to the Pearson's correlation coefficient ($r = 0.699$, $p < 0.01$), the correlation between the two is strong and significant. This means that as firm strategy execution increases, executive team action integration increases and vice versa. This result supports the research hypothesis that firm strategy execution has an impact on executive team action integration. This finding has important implications for understanding firm performance and organisational success. It suggests that successful strategy execution depends not only on resource allocation and operations within the organisation, but also on effective collaboration and integration among the executive team. Therefore, it is important to emphasise and promote collaboration and integration among executive teams in improving firm performance and achieving strategic goals.

There is a significant positive correlation between "firm strategy execution" and "firm performance". According to the Pearson's correlation coefficient ($r = 0.910$, $p < 0.01$), the correlation between the two is very strong and significant. This means that as firm strategy execution increases, firm performance increases and vice versa. This result supports the research hypothesis that firm strategy execution has a positive relationship with firm performance. This finding has important implications for understanding the relationship between firm performance and strategy execution. It demonstrates that successful strategy execution not only achieves strategic goals but also significantly improves firm performance levels. Therefore, in the process of improving firm performance and achieving long-term success, it is important to focus on and optimise the process of strategy execution.

There is a significant positive correlation between "firm performance" and "executive team action integration". According to the Pearson's correlation coefficient ($r = 0.887$, $p < 0.01$), the correlation between the two is very strong and significant. This means that as firm performance increases, executive team action integration increases and vice versa. This result supports the research hypothesis that there is a moderating effect of executive team action integration on firm performance. This finding has important implications for understanding the relationship between firm performance and executive team action integration. It demonstrates the importance of focusing on and optimizing the degree of collaboration and integration of the executive team in the process of improving firm performance and achieving long-term success. Efficient executive team action integration can significantly contribute to firm performance and play an important role in the success of strategy execution.

The results of the model derived from a simple linear regression analysis designed to explain the impact of firm strategy execution on executive team action integration. The overall performance of the model is good with an R-squared of 0.488, indicating that the model is able to explain 48.8 per cent of the variation in executive team action integration. The adjusted R-squared of 0.487, which takes into account the number of free parameters in the model, further indicates the accuracy of the model. The standard error was 4.90340, indicating that the predictor variables had relatively small errors. ANOVA table shows the significance of the regression model. The F-statistic value of 360.940 corresponds to a p-value much less than the significance level of 0.05, indicating that the model is statistically significant. This means that firm strategy execution has a significant effect on the change in executive team action integration. Coefficient table shows the coefficients of each variable in the regression model. The coefficient of the constant is 13.417 and the coefficient of firm strategy execution is 0.655. these coefficients are significant ($p < 0.05$) indicating that firm strategy execution has a positive effect on executive team action integration.

The model shows the results of the model derived from a simple linear regression analysis aimed at explaining the impact of firm strategy execution on firm performance. The overall performance of the model is very good with an R-squared of 0.827, indicating that the model is able to explain 82.7 per cent of the variation in firm performance. The adjusted R-squared of 0.827, which takes into account the number of free parameters in the model, further indicates the accuracy of the model. The standard error is 2.78615, which indicates that the errors in the predictor variables are relatively small. ANOVA table shows the significance of the regression model. The F-statistic value of 1812.683 corresponds to a p-value much less than the 0.05 level of significance indicating that the model is statistically significant. This implies that firm strategy execution has a significant effect on changes in firm performance. Coefficient Table shows the coefficients of each variable in the regression model. The coefficient for the constant is 6.365 and the coefficient for firm strategy execution is 0.834. These coefficients are significant ($p < 0.05$), indicating that firm strategy execution has a positive effect on firm performance.

Model Summary presents the results of a simple linear regression analysis designed to elucidate the impact of executive team action integration on firm performance. The overall performance of the model is quite strong with an R-squared of 0.786, indicating that the model explains 78.6 per cent of the variation in firm performance. The adjusted R-squared value of 0.786, which takes into account the number of predictor variables in the model, further indicates the accuracy of the model. The standard error is 3.10186, which indicates that the errors in the predictor variables are relatively small. ANOVA table shows the significance of the regression model. The F-statistic value of 1389.433 corresponds to a p-value much less than the 0.05 level of significance indicating that the model is statistically significant. This means that the effect of executive team action integration on firm performance is significant. Coefficient Table shows the coefficients of each variable in the regression model. The coefficient for the constant is 3.784 while the coefficient for executive team action integration is 0.867. both coefficients are statistically significant ($p < 0.05$) indicating a positive relationship between executive team action integration and firm performance.

The model includes three variables: firm strategy execution, executive team action integration, and firm performance. For the executive team action integration variable: the model summary shows that firm strategy execution explains 48.85% of the variance in executive team action integration, with a significant F-test ($p < .001$). The coefficient of firm strategy execution is 0.6547, indicating a significant positive relationship with executive team action integration. For the firm performance variable: the model summary shows that firm strategy execution and executive team action integration together explain 95.05% of the variance in firm performance with a significant F-test result. Both firm strategy execution and executive team action integration have significant positive coefficients ($p < .001$), indicating a strong positive relationship with firm performance The total effect of firm strategy execution on firm performance is 0.8336, with a significant t-test result ($p < .001$). The direct effect of firm strategy execution on firm performance is 0.5195, again significant ($p < .001$). The indirect effect of firm strategy execution on firm performance through executive team action integration was 0.3141 with a significant confidence interval (95% CI) ([.2694, .3591]). These results indicate that both firm strategy execution and executive team action integration have significant direct effects on firm performance, while firm strategy execution also has an indirect effect on firm performance through executive team action integration.

Discussion

The discussion section provides a comprehensive analysis and interpretation of the findings, addressing the research questions, theoretical implications, practical implications, limitations, and future research directions.

The findings of the study reveal significant insights into the relationship between firm strategy execution, executive team action integration, and firm performance. The analysis indicates a strong positive association between firm strategy execution and firm performance, supporting the hypothesis that effective execution of organizational strategies contributes to enhanced organizational outcomes (Chen & Miller, 2011; Makadok, 2001). Moreover, the results highlight the mediating role of executive team action integration in the relationship between firm strategy execution and firm performance. Executive team action integration emerges as a crucial mechanism through which strategy execution translates into tangible performance outcomes, underscoring the importance of cohesive and aligned executive teams in driving organizational success (Zahra et al., 2008; Eisenhardt & Furr, 2009).

The findings of this study have several theoretical implications for the fields of strategic management and organizational behavior. Firstly, the study provides empirical support for the resource-based view (RBV) and dynamic capabilities perspective by demonstrating the positive impact of firm strategy execution on firm performance (Barney,1991; Teece et al.,1997). The results underscore the importance of internal resources and capabilities in driving competitive advantage and sustained organizational success. Additionally, the study contributes to the literature on executive team dynamics and action integration by highlighting the mediating role of executive team action integration in the relationship between firm strategy execution and firm performance. By elucidating the mechanisms through which executive teams influence organizational outcomes, the study advances our understanding of the complexities of executive team functioning and its implications for organizational effectiveness (Finkelstein et al., 2009; Avolio et al., 2009).

From a practical standpoint, the findings of this study have important implications for organizational leaders and practitioners. Firstly, the study underscores the critical role of effective strategy execution in driving organizational performance. Organizations that prioritize strategic alignment, resource allocation, and performance monitoring are more likely to achieve superior financial and non-financial outcomes. Moreover, the study highlights the importance of fostering a collaborative and aligned executive team environment to facilitate effective strategy execution. Leaders should invest in building cohesive executive teams characterized by open communication, shared vision, and mutual trust. By promoting a culture of collaboration and integration among executive team members, organizations can enhance their ability to execute strategies and achieve desired performance outcomes.

Despite the valuable insights provided by this study, several limitations should be acknowledged. Firstly, the study adopts a cross-sectional research design, which limits the ability to establish causal relationships among the variables. Future research could employ longitudinal or experimental designs to examine the causal effects of firm strategy execution and executive team action integration on firm performance. Additionally, the study relies on self-reported data, which may be subject to common method bias and social desirability bias. Future research could utilize multiple data sources and objective performance measures to mitigate these concerns and enhance the validity of the findings. Furthermore, the study focuses on the impact of firm strategy execution and executive team action integration on firm performance, overlooking other potential determinants and contextual factors that may influence organizational outcomes. Future research could explore the moderating effects of contextual variables, such as industry dynamics, environmental uncertainty, and organizational culture, on the relationship between strategy execution, executive team dynamics, and firm performance.

In conclusion, this study contributes to our understanding of the complex interplay between firm strategy execution, executive team action integration, and firm performance. The findings underscore the importance of effective strategy execution and cohesive executive team dynamics in driving organizational success. By addressing the theoretical, practical, and methodological considerations outlined above, future research can further advance our knowledge in this area and provide actionable insights for organizational leaders and practitioners.

Conclusions

The research aimed to explore the relationship between firm strategy execution, executive team action integration, and firm performance. Through a quantitative analysis of data collected from 380 participants, several significant findings emerged.

Firstly, the study revealed a strong positive correlation between firm strategy execution and executive team action integration. This indicates that organizations with effective strategy execution processes are more likely to have cohesive and aligned executive teams capable of translating strategic goals into actionable plans and initiatives.

Secondly, there was a robust positive association between firm strategy execution and firm performance. Effective execution of strategic initiatives is crucial for achieving performance goals such as increased profitability, market share, and overall competitiveness.

Additionally, the analysis identified a significant positive relationship between executive team action integration and firm performance. Cohesive and aligned executive teams play a pivotal role in driving organizational success by fostering a culture of alignment, collaboration, and accountability.

Moreover, the study found that executive team action integration partially mediates the relationship between firm strategy execution and firm performance. This underscores the importance of executive team alignment and collaboration as a mechanism through which strategy execution influences performance outcomes.

References

Avolio, B.J., Walumbwa, F.O., & Weber, T.J. (2009). Leadership: Current theories, research, and future directions. *Annual Review of Psychology*, 60, 421-449.

Barney, J.B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.

Chen, M.J., & Miller, D. (2011). The relational perspective as a business mindset: Managerial implications for East and West. *The Academy of Management Perspectives*, 25(3), 6-18.

Denison, D.R. (1990). *Corporate culture and organizational effectiveness*. John Wiley & Sons.

Eisenhardt, K.M., & Furr, N.R. (2009). The use of theory in strategic management: Theoretical and empirical contributions. *Strategic Management Journal*, 30(6), 479-491.

Finkelstein, S., & Hambrick, D.C. (1990). Top-management-team tenure and organizational outcomes: The moderating role of managerial discretion. *Administrative Science Quarterly*, 35(3), 484-503.

Finkelstein, S., Hambrick, D.C., & Cannella Jr, A.A. (2009). *Strategic leadership: Theory and research on executives, top management teams, and boards*. Oxford University Press.

Govindarajan, V., & Trimble, C. (2010). *The other side of innovation: Solving the execution challenge*. Harvard Business Press.

Hambrick, D.C., & Mason, P.A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2), 193-206.

Kaplan, R.S., & Norton, D.P. (2008). *The execution premium: Linking strategy to operations for competitive advantage*. Harvard Business Press.

Makadok, R. (2001). Toward a synthesis of the resource-based and dynamic-capability views of rent creation. *Strategic Management Journal*, 22(5), 387-401.

Mankins, M.C., & Steele, R. (2006). *Turning great strategy into great performance*. Harvard Business Review, 84(7-8), 64-72.

Teece, D.J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509-533.

Zahra, S.A., Nielsen, A.P., & Bogner, W.C. (2008). Corporate entrepreneurship, knowledge, and competence development. *Entrepreneurship Theory and Practice*, 32(3), 515-530.