**12: Strategy Implementation**

 (Reference: C.12 Exploring Corporate Strategy, 2008.)

Strategy is but a plan of actions and unless it is implemented it is nothing. Implementation of a strategy is not that simple. It is linked to other parts of the strategy model.

 Environmental Strategy Strategy Evaluation &

 scanning formulation implementation Control

 The Strategy Model

In reality, the implementation of a strategy in an organisation is done by its people who are the managers and employees. The senior managers may be involved in the planning and development of a strategy and provided the leadership and brought about cultural changes, while it takes the middle managers to actually implement the strategy. These middle managers can enhance or impede the implementation of the strategy.

In large organisations it is apparent that the top people do the planning of the strategies while the implementation of the strategies is done by the middle managers. On the other hand in small organisations, the planners of the strategies are the implementers as well and such organisations tend to be more successful in achieving their objectives.

It is important that the top people are there to monitor the implementation of the strategies. The top people are responsible for the achievement of the organisational objectives and the provision of support and motivation to the implementers of the strategies. It is imperative that the planner and implementers of the strategy exist as a cohesive team.

The justifications are:

1. The authority and responsibility of the top people in an organisation are above those of the middle managers.
2. The top people who are the planners have better knowledge about the strategies they have developed but this is not known to the other managers implementing them.
3. The implementers tend to implement the strategies according to what they know best like the street bureaucrats and this may divert from the requirements set by the planners.
4. Unless there is enforcement and control by the planners the implementers may not know where they have gone wrong.
5. Planners and implementers must come together because implementation is moving the strategies in the conceptual stage to an active stage.

**The Framework of Irwin**

The framework of Irwin, 1995, based on two factors: the implementation of strategy and the nature of the strategy, indicates that there are four types of outcomes in strategy implementation.

 **Four Outcomes of Strategy Implementation (Irwin, 1995)**

 Nature of Strategy

 Appropriate Inappropriate

 Success Rebuild/Ruin

 Good Target met and company successful Good implementation & management

 Implementation time to rebuild but may hasten failure

 of strategy

 Trouble Failure

 Bad Poor implementation hampers strategy Everything has gone wrong

An appropriate strategy that is implemented well enables the company to meet its goals. However, if an appropriate strategy prevails to achieve the company’s goals but it is poorly implemented then the success of the company is in trouble.

On the other hand an inappropriate strategy will still result in failure even there is good implementation, if the strategy is not changed in time.

When there is bad implementation and where the strategy is inappropriate, the goals of the company cannot be achieved at all.

What are needed for a successful strategy implementation?

An organisation needs to have:

 (1) an appropriate organisational configuration,

 (2) an organisational integration of the resources, and competencies and

 (3) an adaptive culture for strategies to be successfully implemented.

Strategy Implementation

 Organisational Integration of resources Adaptive Culture

 configuration and competencies

**1. Organisational Configuration**

An organisational configuration is about the structure, processes and relationships of an organisation. Its ***structure, processes*** and ***relationships*** must be well coordinated and integrated for the successful implementation of the strategy. Processes and relationships are built over time and eventually constitute the life of an organisation i.e. the culture of the organisation. This gives rise to the concept that strategy, structure and culture must fit. A shift in a strategy can lead to a change in structure and culture. This interlink of the three aspects (structure, processes and relationships) constitutes the organisational configuration as shown in the diagram below.

Constituents of Organisational Configuration

 Structure

 Configuration

 Relationships Processes

***(1)*** ***Organisational Structure***

An organisational structure refers to the way an organisation is designed in terms of its people in different positions and locations with their different roles and responsibilities and their lines of reporting. The structural design must be appropriate to implement the strategy i.e. there is strategy-structure fit. The structure of an organisation can be simple or complex depending on its level of strategy i.e. business level or corporate level. At the cost leadership strategy or differentiation strategy then a simple structure for control with restricted flexibility is required. If an organisation is at the corporate level, then it may be looking for knowledge and flexibility, a complex structure such as that of a matrix structure or transnational structure may be more appropriate.

However, a good structure alone is still not good enough to bring about the implementation of the strategy. It also needs to have the necessary organisational *processes* and *relationships* of the people to successfully implement the strategy.

***(2)*** ***Organisational processes*** refer to the activities of the people in a SBU and those in other SBUs in the organisation to be well coordinated and integrated to implement the strategy and to achieve the organisational goals. These processes are related to the operations of the organisation and as such they need to be controlled to ensure that they bring about the implementation of the strategy to a successful conclusion. The controlling of the processes fundamentally deals with the input, the production process and output of the organisation. On the implicit aspect it brings about the development of the required culture and norms for the behaviour of the people in the organisation. An appropriate culture is necessary to enable the organisation to face complex and dynamic environments. In such situation, a collaborative culture is needed to foster sharing of expert knowledge to generate innovative solutions to problems encountered in the operation processes.

***(3)*** ***Organisational relationships*** refer to the ways people in and outside the organisation interact with each other, between departments or other organisation units necessary for the successful implementation of the strategy. This is to ensure that there is integration of the knowledge and activities of different parts of the organisation and with other organisations within the value chain. It also concerns about the delegation of decision making from the top management to the units and managers lower down in the hierarchy i.e. the process of devolution. This enables knowledge to be dispersed throughout the organisation and responsiveness to the changing needs such as of different customer segments (markets) to become possible and to become responsive to environmental changes.

Organisational relationships become important when it comes to corporate parenting such as adding values to the constituent business units. An organisation also has relationships with its supplies, customers, subcontractors and partners.

**Configuration Dilemmas**

Organising the structure, processes and relationships to fit with each other in an organisation to meet strategic challenges is actually setting up the configuration of an organisation (as is seen in the organisation chart). It is not easy to achieve perfect fits across the three dimensions of the configuration. Sometimes, it involves some degree of compromising where there are trade-offs between the dimensions.

The common dilemmas:

1. Hierarchies are necessary to ensure control and action but they can sit uneasily with networks that foster knowledge exchange and innovation.
2. Vertical accountability promotes maximum performance by subordinates but can lead managers to maximize their own self-interest at the expense of horizontal relationships.
3. Empowerment of employees lower down the organisation gives scope for initiative but over the long term can lead to incoherence.
4. Centralization might be needed for standardization, but this can at the cost of initiative and flexibility fostered by devolution.
5. Having the best practice on a particular element of the organisation for instance financial control, may actually be damaging if it does not fit with the needs of the organisation as a whole.

Ways to manage dilemmas by managers:

1. By subdividing the organisation so that the one part of the organisation is organised optimally according to one side of these dilemmas, while the rest responds to the other.
2. By combining different organising principles at the same time, for instance networks and traditional hierarchies. Managing simultaneously according to contradictory principles is obviously very demanding E.g. ABB and Unilever have “networked multidivisional”, combining network principles emphasizing horizontal integration with divisional structures ensuring vertical accountability.
3. By reorganising frequently so that no one side of the dilemmas can become too entrenched. The rate of major reorganisation for large UK companies increased from once every four years to once every three years in the last decade. In this way organisations are like pendulums, constantly swaying between centralization and devolution, e.g. without resting long on one side or another.

Poor Organisational design can create problems too:

1. Inadequate understanding of responsibility and accountability among managers and employees.
2. Reward systems that fail to motivate individuals toward common objectives.
3. Poor or inappropriate budgeting and control systems.
4. Inappropriate or insufficient mechanisms to integrate or coordinate activities across the firm.

**2. Integration of Resources and Competencies (Resourcing Strategies)**

 (Chapter 13, Exploring Corporate Strategy, 2008.)

Resourcing strategies refer to a 2-way relationship between the overall business strategies and the strategies in separate resource areas such as people, information, finance and technology.

The four important resources of an organisation are:

1. People
2. Information, skills, expertise, know-how, competencies and experience.
3. Finance
4. Technology.

(1) People

They are the most important asset of an organisation. The success or failure of an organisation depends on them. It is important that the people are motivated, flexible, organised, knowledgeable, creative and innovative in order to be responsive to meet strategic changes. With a dynamic environment, an organisation also needs to have leaders who are proactive, goal-oriented and focused on the creation and implementation of creative visions. A good leader is able to (1) determine the direction, (2) design the organisation and (3) nurture a culture dedicated to excellence and ethical behaviour. These three characteristics of a leader will bring about effective implementation of the strategy. In a real sense such a leader brings about the creation of other leaders who never stop learning and in actual fact leads to the creation of a learning organisation. Everyone in the organisation is actively involved in using his intelligence and applying his imagination, sharing ideas, and committing to change and accepting a common objective.

Furthermore a good leader with ethical behaviour acts justly to evaluate and reward their subordinates fairly and equitably. Therefore having the right people at the right places and the right time is important for the implementation of the strategy.

(2) Information

Information is knowledge which is crucial to improve the competitiveness of an organisation.

It can improve the capabilities of organisation and make them difficult to be imitated to gain competitive performance. Furthermore information about the customers’ needs and wants helps the organisation to attain competitive positioning of its products and services in the competitive market. The ability of the organisation to transform information it received can help the organisation to improve on the activities in its value chain as well as to link with other organisations to gain competitive advantage. Therefore information is vital for an organisation to transform its competitiveness. Information with regard to strategic position of a firm is also vital for the implementation of a strategy.

(3) Finance

Finance and the way it is managed determine the successful implementation of a strategy. Shareholders are interested that the business is cash generating and is able to pay dividends and to reinvest for the future.

The success of a strategy in the long term is determined by the extent to which it can deliver the best value to the stakeholders in terms of achieving competitiveness in the market place and providing value to shareholders. At the same time, the organisation must be able to provide funds where needed for the expansion of its business and for funding its portfolio of businesses. It is necessary that the organisation is capable to meet the financial expectation of stakeholders who have different needs.

(4) Technology

Technology is not a source of advantage because competitors can have it. It is the way in which the technology is being exploited to gain advantage is important. For example the technology is used to gain advantage against the 5 competitive forces or to create and to destroy core capabilities. It may help to develop new products or stimulate new R & D to exploit commercial opportunities.

Conclusion

Organisations must be able to integrate resources and competencies across resource areas to support current strategies in order to develop new strategies. Capability in separate resource areas is not enough. They need to be integrated.

**3. An Adaptive/Learning Culture**

 (Chapter 14, Exploring Corporate Strategy, 2008.)

Earlier it is seen that for the implementation of a strategy, there must prevail the appropriate configuration of structure, processes and relationships and the necessary integration of resources like people, information, finance & technology. However these two aspects are still inadequate for strategies to be successfully implemented. It also requires the participation of the people in the organisation to make a strategy happen. The people must be responsive and willing to change as and when the situation requires them to do so. They must not remain inert and resist change in order to hold on to existing ways of doing things. This will lead to a strategic drift where strategy and culture no longer ‘fit’. They must be flexible and prepared to face strategic change to ensure the successful implementation of a strategy i.e. to bring about a strategy-culture fit. This can then give rise to an adaptive or learning culture.

Keys elements required to bring about a cultural change (to create an adaptive culture) are:

1. Diagnosis of the changing situation.
2. The need for ‘change agent/s’- change agent styles and change agent roles.
3. Levers for change - challenging the taken for granted, changing routines, symbolic systems, political systems and other change tactics.
4. Managing the change programmes - turnaround strategy, revolutionary change or evolutionary change.
5. Diagnosing the change situation

 Extent of change

 Realignment Transformation

 Nature Incremental Adaptation Evolution

 of

change Big Bang Reconstruction Revolution

1. Types of strategic change – strategy developments are normally based on incremental change. It is built on the existing strategy and this is considered to be an adaptive approach. However, there are times when transformational changes may take place and this is a drastic form of change which involves changing the whole organisation.

Basing on the extent of change and the nature of change, four possible types of strategic change have been derived by Hulia Balogun and Veronica Hope Hailey (2007).

* Adaptation is a change that takes place *within the* *existing culture* and occurs incrementally. This commonly occurs in organisations.
* Reconstruction is a change that may be rapid and involve a good deal of upheaval in an organisation but *the existing culture does not change*. It may involve a *turnaround* situation where there is a need for a structural change or a major cost-cutting programme to deal with a decline in financial performance.
* Evolution is change in strategy but requires a *change* *in the* *culture* *over time*. This is a transformational change from an existing culture to a more flexible and responsive culture. This is a planned evolutionary change. In this transformational process the organisation becomes more a learning organisation where it continually adjusts its strategy as the environment changes.
* Revolution involves a *rapid* strategic and *cultural change.*  A strategy might have been so bounded by the existing culture that the organisation failed to respond to change when the external environmental or competitive demanded for a change. This might have gone on for many years and when the organisation faces a threat of a takeover, it then starts to make a drastic change to overcome the threat of a takeover.

This sort of *cultural analysis* is a useful means of determining whether the change envisaged could be accommodated within the bounds of the existing culture or whether it would require a really significant cultural shift.

1. The importance of context

 In designing any change in an organisation it is important to take note of the contextual features (i.e. as demands of situations) in the organisation.

For example,

* A business facing immediate decline in its profit because the market has changed so quickly but a business does not see the need for change now but in the near future. Therefore the time for change can be different for different businesses.
* The scope of change might be different in terms of breadth of change across an organisation or the depth of culture change required.
* Preservation of some aspects of an organisation might be needed e.g. in particular competencies on which changes need to be based.
* The capability to manage change is available within the organisation.
* The capacity for change in terms of available resources such as funds or

 management time is important.

* Is the organisation ready for change?
* Who has the power to bring about the change?
1. Diagnosing the cultural context – the cultural web

Analysis of the current culture provides the understanding of what changes that are needed to fit the desired future strategy.

1. Forcefield analysis

It provides a view of change problems that need to be tackled, by identifying forces for and against change. For example the analysis may identify that the culture is resisting the change or its structure, design and control systems are no longer suitable for the new strategies.

2. Change agents: styles and roles

It is not necessary that the individuals at the top of an organisation are the ones involved directly in bringing about changes in the organisation. What is required is a change agent i.e. an individual or a group that helps to bring about strategic change in an organisation. Anyone can be a change agent provided he/she has the knowledge and experience to bring about changes in the organisation. He/she could be anyone in the organisation or from outside the organisation.

* Roles in managing change:

Strategic leadership – two types:

1. Charismatic leaders – they are concerned with building a vision for the organisation and energising people to achieve it. They bring about transformational changes.
2. Instrumental or transactional leaders – they focus more on designing systems and controlling the organisation’s activities. They make only minor adjustments in the organisation’s mission, structure and human resource management.
* The role of middle managers – they play five roles:
1. The implementation and control role in the sense that they implement the plans of the top management and making sure resources are allocated and controlled appropriately. They monitor performance and behaviour of the staff.
2. They make sense of the strategic direction set down by the top management and become part owners to it.
3. They reinterpret and adjust strategic responses as events unfold. They are in day-to-day contact with events of the organisation and its environment such as dealing with suppliers, customers and the workforce.
4. They form a crucial relevance bridge between top management and members of the organisation at lower levels.
5. They are advisors to more senior management on what are likely to be blockage and requirements for change.

They are therefore the key mediating role between those trying to direct from the top and the operating level when dealing with strategic change.

* Outsiders – they can be:
1. A new chief executive from outside the organisation many be introduced into a business to enhance the capability for change.
2. New management from outside the organisation is introduced to increase the diversity of ideas, help break down cultural barriers to change and increase the experience of and capability for change.
3. Consultants are used to help formulate strategy or to plan the change process. They become the facilitators of change processes.
4. Other stakeholders may be key influencers of change e.g. government, investors, customers, suppliers and business analysts.
* Styles of managing change

 Whoever is the change agent, he/she needs to consider the style of management to adopt. Different styles are needed for different contextual situations. The styles are summarised as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  Style |  Means/context |  Benefits |  Problems |  Circumstances of  effectiveness |
| Education | Group briefings assume internalisation of strategic logic and trust of top management | Overcoming lack of (or mis)information | Time consumingDirection or progress may be unclear | Incremental change or long-time horizontal transformational change |
| Collaboration | Involvement in setting the strategy agenda and/or resolving strategic issues by taskforces or groups | Increasing ownership of a decision or processMay improve quality of decisions | Time consumingSolutions/outcome within existing paradigm |
| Intervention | Change agent retains co-ordination/control: delegates elements of change | Process is guided/controlled but involvement takes place | Risk of perceived manipulation | Incremental or non-crisis transformational change |
| Direction | Use of authority to set direction and means of change | Clarity and speed | Risk of lack of acceptance and ill-conceived strategy | Transformational change |
| Coercion/edict(extreme) form) | Explicit use of power through edict | May be successful in crises or state of confusion | Least successful unless crisis | Crisis, rapid transformational change or change in established autocratic cultures |

Some overall observations:

* Different styles for different stages
* Time and scope – participate styles are most appropriate for incremental change while transformational change requires directive approaches.
* Personality types – different styles suit different managers’ personality types. Those with the greatest capability to manage change may have the ability to adopt different styles in different circumstances.
* Styles of managing change are not mutually exclusive i.e. it means that more than one style can be used for a situation.

3. Levers for managing strategic change

After many years of study of corporate change programmes, Michael Beer and Nitin Nohria observe that broadly there are two approaches and they identify them as “theory E and theory O’.

*Theory E* is change based on the pursuit of economic value and is associated with the top-down programmatic use of the ‘hard’ levers of change such as changes of structures and systems, financial incentives, portfolio changes, downsizing and job layoffs.

*Theory O* is change based on the development of organisational capabilities such as culture change, learning and participation in change programmes and experimentation.

Beer and Nohria pointed out that it is beneficial to use both approaches at a lever of change. This might involve, for example:

* Sequencing change to start with theory E approaches and moves on to theory O approaches.
* Embracing both approaches simultaneously and being explicit about it to people in the organisation and external stakeholders.
* Combining direction from the top with participation from below.
* Using incentives to reinforce change rather than to drive change.

 Change agents need to consider which of these levers to emphasise according to the change context as there are different levels of management in an organisation managing strategic change.

 *Challenging the taken for granted* – this is a major challenge in achieving strategic change. People already have the mind-set or taken-for-granted assumptions – the paradigm and it is difficult to shift this paradigm. Such people tend to resist change. However there are ways to get the people to change their mind-set. For example by communicating and explaining to the people the reasons and the needs for the change to take place in order to improve the performance of the organisation and the consequences of the change. These people will begin to understand and accept the need to change. In the extreme situation, people are forced to change their mind-set by making drastic organisational structural changes in respond to environmental challenges.

4. Managing strategic change programmes

Looking at three types of change programmes that are stated in paragraph 1 above:

1. Reconstruction/turnaround strategy is a change that is rapid and causes a good deal of upheaval in an organisation but the existing culture is not affected. There is a structural change or a major cost-cutting programme to deal with a decline in financial performance.

The main elements of turnaround strategy are as follows:

* Crisis stabilisation – the aim is to regain control of the deteriorating position.
* Management changes – there are changes to be made, especially at the top such as a new chairman/woman or chief executive.
* Gaining stakeholder support especially the key stakeholders like the bank or key shareholder groups and the employees.
* Clarifying the target market(s) – markets are the sources of profit and the customers should be kept informed of the changes.
* Refocusing – on the target markets that provide opportunity to discontinue or outsource products and services to cut down on wastage and not making sufficient financial contribution.
* Financial restructuring – changing the financial structure where necessary such as the capital structure.
* Prioritisation of critical improvement areas – in order to gain quick and significant improvements.
1. Revolution is change that requires rapid major strategic change but it also involves a culture change. Managing such a change is likely to involve:
* Clear strategic direction.
* Combining economic and symbolic levers.
* An outside perspective – having new blood from outside into the organisation.
* Multiple styles of change management –beside direct style, educating, intervention style/participative style.
* Working with the existing culture.
* Monitoring change.
1. Evolution is change in strategy that requires culture change over time. This is a transformational change from an existing culture to a more flexible and responsive culture. This is a planned evolutionary change with time in which to achieve it. In this transformational process the organisation becomes more a learning organisation where it continually adjusts its strategy as the environment changes.

 It requires:

* Empowering the organisation i.e. throughout the organisation.
* A clear strategic vision.
* Continual change and a commitment to experimentation.

 A second way of conceiving of strategic change as evolution:

 Stages of transition

* Irreversible changes
* Sustained top management commitment
* Winning hearts and minds of the people throughout the organisation

Some overall lessons on the management of change programmes:

* Programme overload.
* Hijacked processes – well-meaning change efforts can be hijacked by others for different purposes. E.g. introducing computerised telephone systems to improve customer service became a vehicle to reduce the number of personnel dealing with customer enquiries.
* Reinvention – an attempted change might be interpreted according to the old culture.
* Disconnectedness – people affected by change may not see the change programme connecting to their reality.
* Behavioural compliance – people just comply with the change without understanding the real reason for the change.

 Since 1994 the Boston Consulting Group has used four key factors in managing strategic

 change programmes and the change team associated with them. It claims the likelihood of

 success of such programmes is greatly increased if the following is in place:

1. Milestones for reviewing progress – change programmes must be formally reviewed

 by senior management at least bi-monthly against key tasks that need to be

 completed.

 2. A high-‘integrity’ change team i.e. with the skills to execute the change programme.

 3. Visible commitment to change by top management and consistency in how the

 change is explained.

 4. Time and effort for managing change which are needed by the change team

 responsible. It is the responsibility of the top management to make sure they have

 sufficient time and resource to carry out their tasks.

General Summary

For a firm to be successful in implementing its strategies, it needs to have:

 1. An appropriate organisational configuration.

 2. An integration of its resources and competencies.

 3. An appropriate culture.

Questions

1. Analyse the key strategic implementation issues that must be considered when an organisation makes major shifts in its strategic direction. Using examples identify some of the key causes for failure at the implementation stage.

2. Critically evaluate the role of the Top management, Middle Management, Newcomers and

 Outsiders in leading change.

3. What are the key strategic issues an organization must consider when implementing its

 strategy? What are the possible key causes for the failure of the implementation?

 **Why strategic implementation fails**

Alexander (1985) and Al-Ghamdi (1998) suggest ten reasons why strategic implementation may fail:

1. Implementation required more time than planned.

2. Major problems were not anticipated.

3. Activities were inadequately coordinated.

4. Crisis elsewhere in the company directed attention away from implementation.

5. Problem arose due to uncontrollable external factors.

6. Managers did not provide adequate leadership and direction.

7. Employees were not capable enough.

8. Employees received inadequate training.

9. Implementation tasks were not properly defined.

10. Information system was not adequate.

**C. 12**

Poor Organisational design can create problems:

1. Inadequate understanding of responsibility and accountability among managers and

 employees.

2. Reward systems that fail to motivate individuals toward common objectives.

3. Poor or inappropriate budgeting and control systems.

4. Inappropriate or insufficient mechanisms to integrate or coordinate activities across

 the firm.

Configuration Dilemmas

Organising the structure, processes and relationships to fit with each other in an organisation to meet strategic challenges is actually setting up the configuration of an organisation. It is not easy to achieve perfect fits across the three dimensions of the configuration. Sometimes, it involves some degree of compromising where there are trade-offs between the dimensions.

The common dilemmas:

1. Hierarchies are necessary to ensure control and action but they can sit uneasily with

 networks that foster knowledge exchange and innovation.

2. Vertical accountability promotes maximum performance by subordinates but can lead

 managers to maximize their own self-interest at the expense of horizontal

 relationships.

3. Empowerment of employees lower down the organisation gives scope for initiative

 but over the long term can lead to incoherence.

4. Centralization might be needed for standardization, but this can at the cost of

 initiative and flexibility fostered by devolution.

5. Having the best practice on a particular element of the organisation for instance

 financial control, may actually be damaging if it does not fit with the needs of the

 organisation as a whole.

**C.13** Resources

Difficulty in Integrating Resources – organisations must be able to integrate resources and competencies across resource areas to support current strategies to develop new strategies. Capability in separate resource areas is not enough.

* Lacking of adequate and hard-to-imitate resources to contribute to sustainable CA. This could be due to the inability to develop and change competencies to provide the essential bridge between the constraints of current resources and the revolutionary changes.
* The organisation is able to integrate its resources and activities to gain CA e.g. not able to bring new products to the market faster than the competitors. (Activities refer to R &D, manufacturing and marketing not being integrated and coordinated to bring new products to the market quickly and efficiently.)

**C.14** Culture

Some overall lessons on the management of change programmes in terms of cultural changes:

* Programme overload.
* Hijacked processes – well-meaning change efforts can be hijacked by others for different purposes. E.g. introducing computerised telephone systems to improve customer service became a vehicle to reduce the number of personnel dealing with customer enquiries.
* Reinvention – an attempted change might be interpreted according to the old culture.
* Disconnectedness – people affected by change may not see the change programme connecting to their reality.
* Behavioural compliance – people just comply with the change without understanding the real reason for the change.