Chapter Six

Strategic Implementation

 **5. The Nature of Strategy Implementation**

Successful strategy formulation does not guarantee successful strategy implementation. It is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation)! Although inextricably linked, strategy implementation is fundamentally different from strategy formulation. Strategy formulation and implementation can be contrasted in the following ways:

• Strategy formulation is positioning forces before the action.

• Strategy implementation is managing forces during the action.

• Strategy formulation focuses on effectiveness.

• Strategy implementation focuses on efficiency.

• Strategy formulation is primarily an intellectual process.

• Strategy implementation is primarily an operational process.

• Strategy formulation requires good intuitive and analytical skills.

• Strategy implementation requires special motivation and leadership skills.

• Strategy formulation requires coordination among a few individuals.

• Strategy implementation requires coordination among many individuals.

Strategy-formulation concepts and tools do not differ greatly for small, large, for-profit, or nonprofit organizations. However, strategy implementation varies substantially among different types and sizes of organizations. Implementing strategies requires such actions as altering sales territories, adding new departments, closing facilities, hiring new employees, changing an organization’s pricing strategy, developing financial budgets, developing new employee benefits, establishing cost-control procedures, changing advertising strategies, building new facilities, training new employees, transferring managers among divisions, and building a better management information system. These types of activities obviously differ greatly between manufacturing, service, and governmental organizations.

**5.1. Factors Causing Unsuccessful Implementation of Strategy**

Once managers have decided on a strategy, the emphasis turns to converting it into actions and good results. Strategy implementation has been defined in many ways. Traditionally the focus has been on organizational structure and systems.

Others have stressed the communicational and cultural aspects in strategy implementation.

Although the field of strategy implementation is so new that there is no consensus about its dimensions, scholars and managers alike agree on some central ideas. First, successful strategy implementation depends in part on the **organization’s *structure****.* Second, **strategy must be *institutionalized***, or incorporated into a system of values, norms, and roles that will help shape employee behavior, making it easier to reach strategic goals. Third, **strategy must be *operationalized*, or translated into specific policies, procedures, and rules** that will guide planning and decision-making by managers and employees.

Before going into the details of **how a chosen strategy is implemented**, it is desirable to **identify the factors, which cause unsuccessful implementation of strategy** so that managers can take **adequate safeguard against these factors**.

These factors are of following types:-

* *Unsatisfactory coupling of strategy and operational actions.*
* *Insufficient attention to the negotiation of outcomes in decision situations, and*
* *Defective strategy.*

**Unsatisfactory Coupling of Strategy and Actions**

Unsatisfactory coupling of the strategy to the actions necessary to implement it, both within the organization and in the external decision situations with which it is concerned may cause unsuccessful implementation of the strategy. This type of difficulty can result from a number of causes and conditions. For example, unsatisfactory coupling of the new strategy may be due ***to the lack of explicit decoupling from previous strategy*** and commitment within the organization itself. This decoupling may be caused, in turn, by the existence of a sizable group of people within the organization who are convinced that the new strategy is not practical and that the previous ways and activities are best.

**Insufficient Attention**

Another major factor causing unsuccessful implementation of the strategy is insufficient attention to the negotiation of outcomes in the external decision situations. It is a tendency to assume, once the strategy is formulated, that all that is necessary for the success of the organization is the aggressive pursuit of the strategy.

**Defective Strategy**

Sometimes, there may be strategy, which cannot be implemented within the context of present and future organizational resources.

While implementing a strategy, the above factors should be taken into account and various tools of strategy implementation should be selected carefully to ensure effective implementation. One among the others to implement strategy is activating strategy.

**6.2. Activating Strategy**

Activation ***is the process of stimulating an activity*** -so that it is undertaken effectively. Activation of strategy is required because only a very small group of people is involved in strategy formulation while its implementation involves a large number of people in the organization. So long as a strategy is not activated, it remains in the mind of strategists. Activation of a strategy or set of strategies requires the performance of following activities:

* **Institutionalization of strategy**

Institutionalization of strategy involves the following elements:

* Communication of strategy to organizational members,
* Getting acceptance of strategy by these members,
* Recognize the Change Process
* Help People Through the change Process
* **Formulation of derivative-plans and programs**

Once the strategy is institutionalized through its communication and acceptance, the organization may proceed to formulate action plans and programs. Since these plans and programs are derived from a strategic choice (strategic plan), these are known as derivative plans and programs.

***Action Plans***

Action plans target at the most effective utilization of resources in an organization so that objectives are achieved. These action plans may be of several types like plan for procuring a new plant, developing a new product, and so on. What types of action plan will be formulated in the organization would depend on the nature of its strategy under implementation, for example, action plans in a takeover strategy would be different from expansion through undertaking green-field projects. However, while formulating action plans, following questions should be put so that action plans contribute positively in strategy implementation:

* How does the particular action plan contribute to the objectives of the strategy?
* When will the activities devised under an action plan be undertaken?
* Who will perform the activities?
* What support will be needed to perform those activities?

***Programs***

A program is a single-use plan that covers relatively a large set of activities and specifies major steps, their order and timing, and responsibility for each step.

There may be several programs in an organization; some of them being major, others being minor. These programs are generally supported by necessary capital and operating budgets. For example, in the case of a takeover strategy, two types of costs are involved: price to be paid for takeover and operating cost involved in takeover process. Further, the activities of takeover are identified and sequence and timing of performance of these activities are also determined so that takeover program is completed well in time. Since there may be various programs involved in the implementation of a strategy, these should be well coordinated so that each of them contributes positively to others.

* **Translation of general objectives into specific objectives**

Organizational objectives are of general and broad nature. They provide direction for action on continuous basis. However, these objectives are too general and, sometimes, intangible to be transformed into action. In order to make these operative, managers determine specific objectives within the framework of general objectives, which the organization and its various units will seek to achieve within a specific period. For example, growth is one of the vital objectives of every organization. This provides direction for undertaking various activities through which growth can be achieved.

Translation of general objectives into specific and operative objectives must fulfill two criteria.

* Translation of **general objectives into specific objectives** should be tangible and meaningful. As far as possible, these objectives should be easily measurable as organizational performance is measured against these objectives.
* Specific objectives should contribute to the achievement of general objectives. In fact, time-bound objectives are set to make the achievement of general objectives more feasible. For example, long-term objectives involving plans for the distant future may fail to make individual objectives tangible and meaningful standards for control. This can be overcome by setting specific objectives at different stages of general long-term objectives.
	1. **Implementation of the strategy**

*‘It’s been rather easy for us to decide where we wanted to go. The hard part is to get the organization to act on the new priorities.’ (Floyd and Woolridge, 1992)*

Implementation is taking the actions necessary to accomplish the goals, strategies, and objectives. It requires action planning, senior leadership involvement, commitment to the plan, resourcing (people, time, and money), and involvement from the entire organization. The strategic planning process that was used to create the plan is inverted in the implementation phase. Completion of the objectives impacts completion of the strategies, then the goals, and leads toward accomplishing the vision. To implement the strategic plan successfully, it is necessary for the organization to have a formal implementation plan with actions assigned to either teams or individuals who are responsible for their accomplishment. Following are actions that are keys for successfully implementing the strategic plan and actions that guarantee failure.

Keys to Success

* Assign roles and responsibilities
* Involve senior leaders
* Define an infrastructure
* Link goal groups
* Phase integration of implementation actions with workload
* Involve everyone within the Organization
* Allocate resources for implementation
* Manage the change process Evaluate results
* Share lessons learned;
* acknowledge successes through

Facts of Failure

􀂾 No accountability

􀂾 Disengagement from process

􀂾 Unmanaged activity

􀂾 Fragmented accomplishment of objectives leads to sub optimization

􀂾 Force people to choose between implementation and daily work; too many teams

􀂾 No alignment of strategies

􀂾 Focus only on short term need for resources

􀂾 Ignore or avoid change

􀂾 No measurement system

􀂾 Hide mistakes/lay blame;

**5.3.1. Structural implementation**

Structural implementation of strategy involves designing of organization structure and interlinking various units and subunits of the organization created as a result of the organization structure. Organization structure is the pattern in which the various parts of the organization are interrelated or interconnected. Thus, it involves such issues as to how the work of the organization will be divided and assigned among various positions, groups, departments, divisions, etc. and the coordination, necessary to accomplish organizational objectives: will be achieved.

There are two aspects of organizational design: differentiation and integration.

***Differentiation refers to ‘the differences in cognitive and emotional orientations among managers in different functional departments’ and integration refers to ‘the quality of the state of collaboration that are required to achieve unity of efforts in the organization***. Therefore, the organization must emphasize on both the aspects: it must design organization structure and provide systems for interaction and coordination among organization’s parts and members.

**Matching Structure & Strategy**

Successful implementation depends in part on how the organization’s activities are divided, organized, and coordinated - in short, on the structure of the organization.

***Mechanism for Relating Structure to Strategy***

The primary aspect of structure-strategy fit relates to the type of functions that the organization structure should facilitate to perform. There are tests, which any good organization structure should satisfy. First -implement the strategy properly, certain functions must be performed. Therefore, the structure should ensure that all the necessary activities are performed and there is no duplication in the performance of the -activities. Second, an activity’s contribution to strategy should determine its rank and placement in the organizational hierarchy. Thus key activities should never be subordinated to non-key activities

***Structural Change***

If the present organization structure does not adequately fit the need of chosen strategy in the light of the above strategy-structure fit and strategic principles of organizing, top management should look for reorganization. Many companies have reorganized their structures recently because of the change in their strategies due to the following factors:

* rapid growth leading to problems of manageable size and communication;
* excessive diversification of product lines;
* increasing competition and environmental changes;
* changes in managerial styles particularly from centralized family decisions to decentralized decision-making;
* change in organizational climate and managerial commitments; and
* Unsatisfactory work performance because of structural conflicts.

**6.3.2. Functional implementation**

Functional implementation deals with the development of policies and plans in different areas of functions, which an organization undertakes. Every business organization is built around two basic functions: production and marketing; to be in business, every organization has to produce goods or services and sell these to the customers. The resources that are used to perform and pay for these two basic functions constitute two other significant functions-finance and personne1. Thus, an organization has to formulate policies and plans in these functions to implement its strategy successfully.

***Integration of Functional Policies***

When various functional policies have been developed for implementation of the strategy, implementation is not necessarily complete; if these policies are not properly integrated, they may not contribute properly towards strategy implementation. Integration in functional policies is necessary because they are interdependent; a particular policy affects other policies and, in turn, is affected by other policies. Functional policies may be considered like horses in a chariot.

A chariot may have very good horses but it may not move forward even by an inch if some of the horses are pulling it forward and others are pulling it backward. The chariot may move forward at a high speed if all horses pull it forward at the same time.

The considerations that guide strategists in the integration of functional policies may be as follows:

* ***Need for internal consistency;***

There is a need to be sure that there is internal consistency in the policies developed for various functions. Since various functions are interdependent, a decision for functionally dependent factors cannot be made without regard to their impact on other areas of business. Otherwise, sub-optimization is likely to result.

* ***Relevance to developing organizational capabilities;***

Integration of various functional policies should focus on developer organizational capabilities to implement the strategy effectively. For synergistic effects occur across functional areas and distinctive competence emerges as a result of deploying resources to the areas where the organization wishes to build up its strategic advantages. This can be observed in the case of companies, which intend to be a market leader, low cost producer, or technologically superior competitor, or the largest organization.

* ***Making trade-off decisions;***

In integrating various functional policies, the organization faces the situation of trade-off decisions because of the inherent nature of each organizational function. The demand for optimizing a particular function may be in one way, for another function, in another way, which may be conflicting to each other. For example, production function’s optimization may lie in the most modern technology, a costly affair; finance function’s optimization may be least cost technology. Both are contradictory. Similar contradictions may be observed in other functional areas also.

* **Intensity of linkages**

All functions of an organization are interdependent and interlinked; some directly, others indirectly. Types of linkage determine the level of integration of various functions. For instance, if the strategy is built on offering newer products, there would be greater linkage between R&D and production function; if the strategy is built on low-cost mass consumption items, there would be close linkage between production and marketing. Thus, intensity of linkages is not constant but moves according to the strategy.

* **Timing of implementation of policies**

There should be integration in timing in putting different policies into action. This may bring better result for the organization as a whole. For instance, if a company is facing resource crunch, it may be better to put off those plans and actions which may have long-term effect on it like R&D. Similarly, if the company is moving into high-tech area, more emphasis has to be placed on training and development.

**5.3.3. Behavioral Implementation**

Behavioral Implementation deals with strategic leadership, organizational culture and values.

1. ***Strategic Leadership***

Strategic leadership is the process of transforming an organization with the help of its people so -as to put it in a unique position. Thus, two aspects are involved in strategic leadership. First, it transforms the organization which involves changing all faces such as size, management practices, culture and values, and people in such a way that the organization becomes unique. Second, strategic leadership process emphasizes people because they are the source for transforming various physical and financial resources of the organization into outputs that are meaningful to the society. Thus, strategic leadership proceeds as follows:

* Strategic leadership deals with vision-keeping the mission in sight-and with effectiveness and results. It is less oriented to organizational efficiency in-terms of cost-benefit analysis. Strategic leadership emphasizes transformational aspect and, therefore transformational leaders emerge in the organization. Transformational leadership is the set of abilities that allow a leader to recognize the need for change. To create a vision to guide that change, and to execute that change effectively.
* Strategic leadership inspires and motivates people to work together with a common vision and purpose.
* Strategic leadership has external focus rather internal focus. This external focus helps the organization to relate itself with its environment.
1. ***Organizational Culture***

Organizational culture is another element which affects strategy implementation as it provides a framework within, which the behavior of the members takes place. Though there are differing views on what constitute an organizational culture, generally, it is defined as a set of assumptions the members of an organization share in common. For example, organizational culture has been defined as follows:

***“Organizational culture is the set of assumptions, beliefs, values* *and norms that are shared by an organization’s members.’***

Thus, there are two types of elements, which define the culture of an organization: **abstract elements** and **material** **elements**. Abstract - elements are internally oriented and include values, beliefs, attitudes, and feelings. **Material elements** are externally focused and include building, personnel dresses, products, etc. A company has exemplified some common things to demonstrate the components of organizational culture:

• Shared things (e.g. the way people dress)

• Shared saying (e.g.., let’s go down to work)

• Shared actions (e.g., a service-oriented approach)

• Shared feelings (e.g., hard work is not rewarded here)