

Chapter Seven:

Implementing Strategies Management Issues

Strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which objectives, strategies, and policies are put into action through the development of programs, budgets, and procedures. Although implementation is usually considered after strategy has been formulated, implementation is a key part of strategic management. Strategy formulation and strategy implementation should thus be considered as two sides of the same coin.

Poor implementation has been blamed for a number of strategic failures. For example, studies show that half of all acquisitions fail to achieve what was expected of them, and one out of four international ventures does not succeed. The most-mentioned problems reported in post-merger integration were poor communication, unrealistic synergy expectations, structural problems, missing master plan, lost momentum, lack of top management commitment, and unclear strategic fit.

7.1 The nature of strategy implementation

It is possible to turn strategies and plans into individual actions, necessary to produce a great business performance. But it's not easy. Many companies repeatedly fail to truly motivate their people to work with enthusiasm, all together, towards the corporate aims. Most companies and organizations know their businesses, and the strategies required for success. However many corporations - especially large ones - struggle to translate the theory into action plans that will enable the strategy to be successfully implemented and sustained. Here are some leading edge methods for effective strategic corporate implementation. These advanced principles of strategy realization are provided by the very impressive Foresight Leadership organization, and this contribution is gratefully acknowledged.

Most companies have strategies, but according to recent studies, between 70% and 90% of organizations that have formulated strategies fail to execute them.

A Fortune Magazine study has shown that 7 out of 10 CEOs, who fail, do so not because of bad strategy, but because of bad execution.

In another study of Times 1000 companies, 80% of directors said they had the right strategies but only 14% thought they were implementing them well.

Only 1 in 3 companies, in their own assessment, were achieving significant strategic success.

The message clear - effective strategy realization is key for achieving strategic success. 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 persons.

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 computer information system. These types of activities obviously greatly between manufacturing, service, and governmental organizations.

7.2 Key concepts in strategy implementation

- Management issues central to strategy implementation include
 - establishing annual objectives,
 - devising policies,
 - allocating resources,
 - altering an existing organizational structure,
 - restructuring and reengineering,
 - revising reward and incentive plans,
 - minimizing resistance to change,
 - matching managers with strategy,

- developing a strategy-supportive culture,
- adapting production/operations processes,
- developing an effective human resource function and, if necessary, downsizing.
- Management changes are necessarily more extensive when strategies to be implemented move a firm in a major new direction.
- Managers and employees throughout an organization should participate early and directly in strategy implementation decisions.
- Their role in strategy implementation should build upon prior involvement in strategy-formulation activities.
- Strategists' genuine personal commitment to implementation is a necessary and powerful motivational force for managers and employees.
- ❖ Annual objectives are essential for strategy implementation because they
 - (1) Set out what the business is trying to achieve
 - (2) Represent the basis for allocating resources
 - (3) Are a primary mechanism for evaluating managers?
 - (4) Are the major instrument for monitoring progress toward Achieving long-term objectives?
 - (5) Establish organizational, divisional, and departmental priorities.
- ❖ Policies
 - ❖ Facilitate solving recurring problems and guide the implementation of strategy
 - ❖ Let both employees and managers know what is expected of them
 - ❖ Provide a basis for management control,
- ❖ Organizational Structure
 - ❖ Functional Structure
 - ❖ Divisional Structure
 - ❖ The Matrix Structure
- ❖ Restructuring & Reengineering
 - ❖ Reengineering
 - ❖ process management, process innovation, or process redesign
 - ❖ Restructuring

- ❖ downsizing, rightsizing, or delaying
- ❖ Changes in corporate management (usually with golden parachutes)
- ❖ Sale of underutilized assets, such as patents or brands
- ❖ Outsourcing of operations such as payroll and technical support to a more efficient third party
- ❖ Moving of operations such as manufacturing to lower-cost locations
- ❖ Reorganization of functions such as sales, marketing, and distribution
- ❖ Renegotiation of labor contracts to reduce overhead
- ❖ Refinancing of corporate debt to reduce interest payments
- ❖ A major public relations campaign to reposition the company with consumers
- ❖ Linking Performance and Pay to Strategies
 - ❖ profit sharing
- ❖ Managing Resistance to Change
- ❖ Managing the Natural Environment
 - ❖ developing or acquiring green businesses,
 - ❖ divesting or altering environment damaging businesses,
 - ❖ striving to become a low-cost producer through waste minimization and energy conservation, and
 - ❖ pursuing a differentiation strategy through green product features
- ❖ Creating a Strategy-Supportive Culture
 - ❖ recruitment, training, transfer and promotion,
 - ❖ restructure of an organization's design,
 - ❖ role modeling, and positive reinforcement