

STRATEGY IMPLEMENTATION AND CONTROL



LEARNING OUTCOMES

After studying this chapter, you will be able to -

- ❑ Understand the concept of strategy implementation.
- ❑ Appreciate the relationship between strategy formulation and strategy implementation.
- ❑ Examine the issues in strategy implementation.
- ❑ Discuss the process of strategic control.
- ❑ Explain the concept of strategy audit.
- ❑ Discuss Business Process Reengineering as a strategic tool.
- ❑ Understand Benchmarking as a strategic tool.

Winning companies know how to do their work better.

– Michael Hammer and James Champy

CHAPTER OVERVIEW



8.1 INTRODUCTION

Strategic management process does not end when the firm decides what strategies to pursue. There must be a translation of strategic thought into strategic action. This requires support of all managers and employees of the business. Implementing strategy affects an organization from top to bottom; it affects all the functional and divisional areas of a business. Strategy implementation requires introduction of change in the organisation to make organisational member adapt to the new environment.

Strategic control is an integral part of strategic management. It focuses on whether the strategy is being implemented as planned and the results produced are those intended. In addition, we will also have an overview of the emerging concepts in strategic management, namely, strategy audit, business process reengineering and benchmarking.



8.2 STRATEGY IMPLEMENTATION

Strategy implementation concerns the managerial exercise of putting a freshly chosen strategy into action. It deals with the managerial exercise of supervising the

ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results. Strategic implementation is concerned with translating a strategic decision into action, which presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability. The allocation of resources to new courses of action will need to be undertaken, and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.

Relationship with strategy formulation

Many managers fail to distinguish between strategy formulation and strategy implementation. Yet, it is crucial to realize the difference between the two because they both require very different skills. Also, a company will be successful only when the strategy formulation is sound and implementation is excellent. There is no such thing as successful strategic design. This sounds obvious, but in practice the distinction is not always made. Often people, blame the strategy model for the failure of a company while the main flaw might lie in failed implementation. Thus, organizational success is a function of good strategy and proper implementation. The matrix in the figure below represents various combinations of strategy formulation and implementation:

Strategy Formulation	Sound	A	B
	Flawed	C	D
		Weak	Excellent

Strategy Implementation

Figure: Strategy formulation and implementation matrix

The Figure shows the distinction between sound/flawed strategy formulation and excellent/ weak strategy implementation.

Square A is the situation where a company apparently has formulated a very competitive strategy, but is showing difficulties in implementing it successfully. This can be due to various factors, such as the lack of experience (e.g. for startups), the lack of resources, missing leadership and so on. In such a situation the company will aim at moving from square A to square B, given they realize their

implementation difficulties. Square B is the ideal situation where a company has succeeded in designing a sound and competitive strategy and has been successful in implementing it.

Square D is the situation where the strategy formulation is flawed, but the company is showing excellent implementation skills. When a company finds itself in square D the first thing they have to do is to redesign their strategy before readjusting their implementation/execution skills.

Square C is denotes for companies that haven't succeeded in coming up with a sound strategy formulation and in addition are bad at implementing their flawed strategic model. Their path to success also goes through business model redesign and implementation/execution readjustment.

Taken together all the elements of business strategy, it is to be seen as a chosen set of actions by means of which a market position relative to the competing enterprises is sought and maintained. This gives us the notion of competitive position.

It needs to be emphasized that 'strategy' is not synonymous with 'long-term plan' but rather consists of an enterprise's attempts to reach some preferred future state by adapting its competitive position as circumstances change. While a series of strategic moves may be planned, competitors' actions will mean that the actual moves will have to be modified to take account of those actions.

In contrast to this view of strategy there is another approach to management practice, which has been followed in many organizations. In organizations that lack strategic direction there has been a tendency to look inwards in times of stress, and for management to devote their attention to cost cutting and to shedding unprofitable divisions. In other words, the focus has been on efficiency (i.e., the relationship between inputs and outputs, usually with a short time horizon) rather than on effectiveness (which is concerned with the attainment of organisational goals - including that of desired competitive position). While efficiency is essentially introspective, effectiveness highlights the links between the organization and its environment. The responsibility for efficiency lies with operational managers, with top management having the primary responsibility for the strategic orientation of the organization.

		Strategic Formulation	
		Effective	ineffective
Operational Management	Efficient	1 Thrive	2 Die Slowly
	Inefficient	3 Survive	4 Die Quickly

Figure: Principal combinations of efficiency and effectiveness

An organization that finds itself in cell 1 is well placed and thrives, since it is achieving what it aspires to achieve with an efficient output/input ratio. In contrast, an organization in cell 2 or 4 is doomed, unless it can establish some strategic direction. The particular point to note is that cell 2 is a worse place to be than is cell 3 since, in the latter, the strategic direction is present to ensure effectiveness even if rather too much input is being used to generate outputs. To be effective is to survive whereas to be efficient is not in itself either necessary or sufficient for survival.

In crude terms, to be effective is to do the right thing, while to be efficient is to do the thing right. An emphasis on efficiency rather than on effectiveness is clearly wrong. But who determines effectiveness? Any organization can be portrayed as a coalition of diverse interest groups each of which participates in the coalition in order to secure some advantage. This advantage (or inducement) may be in the form of dividends to shareholders, wages to employees, continued business to suppliers of goods and services, satisfaction on the part of consumers, legal compliance from the viewpoint of government, responsible behaviour towards society and the environment from the perspective of pressure groups, and so on.

Even the most technically perfect strategic plan will serve little purpose if it is not implemented effectively. Many organizations tend to spend an inordinate amount of time, money, and effort on developing the strategic plan, treating the means and circumstances under which it will be implemented as afterthoughts. Change comes through implementation and evaluation, not through the plan. A technically imperfect plan that is implemented well will achieve more than the perfect plan that never gets off the paper on which it is typed.

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 Vs. Strategy Implementation

Strategy Formulation	Strategy Implementation
♦ 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 conceptual intuitive and analytical skills.	♦ Strategy implementation requires motivation and leadership skills.
♦ Strategy formulation requires coordination among the executives at the top level.	♦ Strategy implementation requires coordination among the executives at the middle and lower levels.

Strategy formulation concepts and tools do not differ greatly for small, large, for-profit, or non-profit organizations. However, strategy implementation varies substantially among different types and sizes of organizations. Implementation of 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 among manufacturing, service, and governmental organizations.

It is to be noted that the division of strategic management into different phases is only for the purpose of orderly study. In real life, the formulation and implementation processes are intertwined. Two types of linkages exist between these two phases of strategic management. The forward linkages deal with the impact of strategy formulation on strategy implementation while the backward linkages are concerned with the impact in the opposite direction.

Forward Linkages: The different elements in strategy formulation starting with objective setting through environmental and organizational appraisal, strategic alternatives and choice to the strategic plan determine the course that an organization adopts for itself. With the formulation of new strategies, or reformulation of existing strategies, many changes have to be effected within the organization. For instance, the organizational structure has to undergo a change in the light of the requirements of the modified or new strategy. The style of leadership has to be adapted to the needs of the modified or new strategies. In this way, the formulation of strategies has forward linkages with their implementation.

Backward Linkages: Just as implementation is determined by the formulation of strategies, the formulation process is also affected by factors related with implementation. While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy. Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time, take the organization from where it is to where it wishes to be.

It is to be noted that while strategy formulation is primarily an entrepreneurial activity, based on strategic decision-making, the implementation of strategy is mainly an administrative task based on strategic as well as operational decision-making. The next section focuses on the various issues involved in the implementation of strategies.

8.3 ISSUES IN STRATEGY IMPLEMENTATION

The different issues involved in strategy implementation cover practically everything that is included in the discipline of management studies. A strategist, therefore, has to bring a wide range of knowledge, skills, attitudes, and abilities. The implementation tasks put to test the strategists' abilities to allocate resources, design organisational structure, formulate functional policies, and to provide strategic leadership.

- ◆ The strategic plan devised by the organization proposes the manner in which the strategies could be put into action. Strategies, by themselves, do not lead to action. They are, in a sense, a statement of intent. Implementation tasks are meant to realise the intent. Strategies, therefore, have to be activated through implementation.
- ◆ Strategies should lead to formulation of different kinds of programmes. A programme is a broad term, which includes goals, policies, procedures, rules,

and steps to be taken in putting a plan into action. Programmes are usually supported by funds allocated for plan implementation.

- ◆ Programmes lead to the formulation of projects. A project is a highly specific programme for which the time schedule and costs are predetermined. It requires allocation of funds based on capital budgeting by organizations. Thus, research and development programme may consist of several projects, each of which is intended to achieve a specific and limited objective, requires separate allocation of funds, and is to be completed within a set time schedule.

Implementation of strategies is not limited to formulation of plans, programmes, and projects. Projects would also require resources. After resources have been provided, it would be essential to see that a proper organizational structure is designed, systems are installed, functional policies are devised, and various behavioural inputs are provided so that plans may work.

Given below in sequential manner the issues in strategy implementation which are to be considered:

- ◆ Project implementation
- ◆ Procedural implementation
- ◆ Resource allocation
- ◆ Structural implementation
- ◆ Functional implementation
- ◆ Behavioural implementation

It should be noted that the sequence does not mean that each of the above activities are necessarily performed one after another. Many activities can be performed simultaneously, certain other activities may be repeated over time; and there are activities, which are performed only once. Thus there can be overlapping and changes in the order in which these activities are performed.

In all but the smallest organizations, the transition from strategy formulation to strategy implementation requires a shift in responsibility from strategists to divisional and functional managers. Implementation problems can arise because of this shift in responsibility, especially if strategic decisions come as a surprise to middle and lower-level managers. Managers and employees are motivated more by perceived self-interests than by organizational interests, unless the two coincide. Therefore, it is essential that divisional and functional managers be involved as

much as possible in the strategy-formulation process. Similarly, strategists should also be involved as much as possible in strategy-implementation activities.

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, developing a strategy-supportive culture, adapting production/operations processes, developing an effective human resource system and, if necessary, downsizing. Management changes are necessarily more extensive when strategies to be implemented move a firm in a new direction.

Managers and employees throughout an organization should participate early and directly in strategy-implementation activities. 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. Too often, strategists are too busy to actively support strategy-implementation efforts, and their lack of interest can be detrimental to organizational success. The rationale for objectives and strategies should be understood clearly throughout the organization. Major competitors' accomplishments, products, plans, actions, and performance should be apparent to all organizational members. Major external opportunities and threats should be clear, and managers and employees' questions should be answered satisfactorily. Top-down flow of communication is essential for developing bottom-up support.

Firms need to develop a competitor focus at all hierarchical levels by gathering and widely distributing competitive intelligence; every employee should be able to benchmark her or his efforts against best-in-class competitors so that the challenge becomes personal. This is a challenge for strategists of the firm. Firms should provide training for both managers and employees to ensure that they have and maintain the skills necessary to be world-class performers.

8.4. STRATEGIC CHANGE

The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business.

Steps to initiate strategic change: For initiating strategic change, three steps can be identified as under:

- (i) **Recognize the need for change:** The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not. This basically means going for environmental scanning involving appraisal of both internal and external capabilities may be through SWOT analysis and then determining where the lacuna lies and scope for change exists.
- (ii) **Create a shared vision to manage change:** Objectives of both individuals and organization should coincide. There should be no conflict between them. This is possible only if the management and the organization members follow a shared vision. Senior managers need to constantly and consistently communicate the vision to all the organizational members. They have to convince all those concerned that the change in business culture is not superficial or cosmetic. The actions taken have to be credible, highly visible and unmistakably indicative of management's seriousness to new strategic initiatives and associated changes.
- (iii) **Institutionalise the change:** This is basically an action stage which requires implementation of changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of thinking or doing things. Capacity for self-renewal should be a fundamental anchor of the new culture of the firm. Besides, change process must be regularly monitored and reviewed to analyse the after-effects of change. Any discrepancy or deviation should be brought to the notice of persons concerned so that the necessary corrective actions are taken. It takes time for the changed culture to prevail.

Kurt Lewin's Model of Change: To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are unfreezing, changing and refreezing.

- (a) **Unfreezing the situation:** The process of unfreezing simply makes the individuals aware of the necessity for change and prepares them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering. The management must pave the way for the change by first "unfreezing the situation", so that members would be willing and ready to accept the change.

Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate. This can be achieved by making announcements, holding meetings and promoting the new ideas throughout the organization.

- (b) **Changing to the new situation:** Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalisation.

Compliance: It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.

Identification: Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them.

Internalization: Internalization involves some internal changing of the individual's thought processes in order to adjust to the changes introduced. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.

- (c) **Refreezing:** Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this new acquired behaviour does not diminish or extinguish.

Change process is not a one time application but a continuous process due to dynamism and ever changing environment. The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action.

8.5 STRATEGIC CONTROL

Controlling is one of the important functions of management, and is often regarded as the core of the management process. It is a function intended to ensure and make possible the performance of planned activities and to achieve the pre-determined goals and results. Control is intended to regulate and check, i.e., to structure and condition the behaviour of events and people, to place restraints and curbs on undesirable tendencies, to make people conform to certain norms and

standards, to measure progress to keep the system on track. It is also to ensure that what is planned is translated into results, to keep a watch on proper use of resources, on safeguarding of assets and so on.

The controlling function involves monitoring the activity and measuring results against pre-established standards, analysing and correcting deviations as necessary and maintaining/adapting the system. It is intended to enable the organisation to continuously learn from its experience and to improve its capability to cope with the demands of organisational growth and development.

The process of control has the following elements:

- (a) Objectives of the business system which could be operationalized into measurable and controllable standards.
- (b) A mechanism for monitoring and measuring the performance of the system.
- (c) A mechanism (i) for comparing the actual results with reference to the standards (ii) for detecting deviations from standards and (iii) for learning new insights on standards themselves.
- (d) A mechanism for feeding back corrective and adaptive information and instructions to the system, for effecting the desired changes to set right the system to keep it on course.

Primarily there are three types of organizational control, viz., operational control, management control and strategic control.

Operational Control: The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions. **For example**, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole. One of the tests that can be applied to identify operational control areas is that there should be a clear-cut and somewhat measurable relationship between inputs and outputs which could be predetermined or estimated with least uncertainty.

Many of the control systems in organisations are operational and mechanistic in nature. A set of standards, plans and instructions are formulated. The control activity consists of regulating the processes within certain 'tolerances', irrespective of the effects of external conditions on the formulated standards, plans and instructions. Some of the examples of operational controls can be stock control (maintaining stocks between set limits), production control (manufacturing to set programmes), quality control (keeping product quality between agreed limits), cost control (maintaining expenditure as per standards), budgetary control (keeping performance to budget).

Management Control: When compared with operational control, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organisation, instead of mere narrowly circumscribed activities of sub-units.

The basic purpose of management control is the achievement of enterprise goals – short range and long range – in a most effective and efficient manner. The term management control is defined by Robert Anthony as 'the process by which managers assure the resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives. Controls are necessary to influence the behaviour of events and ensure that they conform to plans.

Strategic Control: According to Schendel and Hofer "Strategic control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended."

There is often a time gap between the stages of strategy formulation and its implementation. A strategy might be affected on account of changes in internal and external environments of organisation. There is a need for warning systems to track a strategy as it is being implemented. Strategic control is the process of evaluating strategy as it is formulated and implemented. It is directed towards identifying problems and changes in premises and making necessary adjustments.

Types of Strategic Control: There are four types of strategic control as follows:

- **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the complex and turbulent organizational environment. Over a period of time these premises may not remain valid. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built. It primarily involves monitoring two types of factors:
 - (i) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and legal-regulatory.
 - (ii) Industry factors such as competitors, suppliers, substitutes.

It is neither feasible nor desirable to control all types of premises in the same manner. Different premises may require different amount of control. Thus, managers are required to select those premises that are likely to change and would severely impact the functioning of the organization and its strategy.

- **Strategic surveillance:** Contrary to the premise control, the strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy. It involves casual environmental browsing. Reading financial and other newspapers, business magazines, attending meetings, conferences, discussions and so on can help in strategic surveillance.

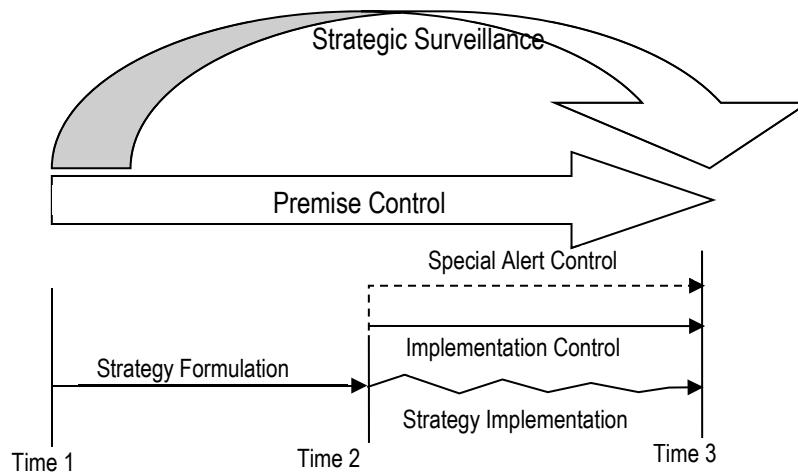
Strategic surveillance may be loose form of strategic control, but is capable of uncovering information relevant to the strategy.

- **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy. To cope up with such eventualities, the organisations form crisis management teams to handle the situation.

Implementation control: Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

Strategic implementation control is not a replacement to operational control. Unlike operational control, it continuously monitors the basic direction of the strategy. The two basic forms of implementation control are:

- (i) **Monitoring strategic thrusts:** Monitoring strategic thrusts helps managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
- (ii) **Milestone Reviews:** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.



Source: John A Pearce II, Richard B Robinson, Jr. and AmitaMital "Strategic Management-Formulation, Implementation and Control".

These four strategic controls steer the organisation and its different sub-systems to the right track. They help the organisation to negotiate through the turbulent and complex environment.

8.6 STRATEGY AUDIT

The audit of management performance with regard to its strategies helps an organization identify problem areas and correct the strategic approaches that have not been effective so far. An assessment of the external environment shows where changes happen and where organization's strategic management no longer match the demands of the marketplace. Based on such analysis, the organization can improve business performance by periodically conducting such an audit.

Companies review their business plans and strategies on regular basis to identify weaknesses and shortcomings to enable a successful development plan. The strategy audit secures that all necessary information for the development of the company are included in the business plan and that the management supports it.

The core of Strategy Audit, for any corporate entity, lies on following important questions:

- ◆ How well is the current strategy working?
- ◆ How well will the current strategy be working in future?
- ◆ How can this be evaluated in present and future?
- ◆ How urgent is there a need to change the strategy?

For this, a periodic review and evaluation of the fundamental characteristics of a strategy are necessary.

A strategy audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organization.

A strategy audit provides an excellent platform for discussion with the top management regarding necessary corporate actions or changes in the existing business plan. It also identifies the need to adjust the existing business strategies and plans.

Need of Strategy Audit

A strategy audit is needed under the following conditions:

- ◆ When the performance indicators reflect that a strategy is not working properly or is not producing desired outcomes.
- ◆ When the goals and objectives of the strategy are not being accomplished.
- ◆ When a major change takes place in the external environment of the organization.
- ◆ When the top management plans:
 - (a) to fine-tune the existing strategies and introduce new strategies and
 - (b) to ensure that a strategy that has worked in the past continues to be in-tune with subtle internal and external changes that may have occurred since the formulation of strategies.

Adequate and timely feedback is the cornerstone of effective strategy audit. Strategy audit can be no better than the information on which it is based.

Strategy Audit includes three basic activities:

1. Examining the underlying bases of a firm's strategy,
2. Comparing expected results with actual results, and
3. Taking corrective actions to ensure that performance conforms to plans.

Richard Rumelt's Criteria for Strategy Audit

- a. **Consistency:** A strategy should not present inconsistent goals and policies. Organizational conflict and interdepartmental bickering are often symptoms of managerial disorder, but these problems may also be a sign of strategic inconsistency. Three guidelines help determine if organizational problems are due to inconsistencies in strategy:

- ◆ If managerial problems continue despite changes in personnel and if they tend to be issue-based rather than people-based, then strategies may be inconsistent.
 - ◆ If success for one organizational department means, or is interpreted to mean, failure for another department, then strategies may be inconsistent.
 - ◆ If policy problems and issues continue to be brought to the top for resolution, then strategies may be inconsistent.
- b. **Consonance:** Consonance refers to the need for strategists to examine sets of trends, as well as individual trends, in auditing strategies. A strategy must represent an adaptive response to the external environment and to the critical changes occurring within it. One difficulty in matching a firm's key internal and external factors in the formulation of strategy is that most trends are the result of interactions among other trends. **For example**, the day-care school/centre came about as a combined result of many trends that included a rise in the average level of education, need for different education pedagogy, increase in income, inflation, and an increase in women in the workforce. Although single economic or demographic trends might appear steady for many years, there are waves of change going on at the interaction level.
- c. **Feasibility:** A strategy must neither overtax available resources nor create unsolvable sub-problems. The final broad test of strategy is its feasibility; that is, can the strategy be attempted within the physical, human, and financial resources of the enterprise? The financial resources of a business are the easiest to quantify and are normally the first limitation against which strategy is audited. It is sometimes forgotten, however, that innovative approaches to financing are often possible. Devices, such as captive subsidiaries, sale-leaseback arrangements, and tying plant mortgages to long-term contracts, have all been used effectively to help win key positions in suddenly expanding industries. A less quantifiable, but actually more rigid, limitation on strategic choice is that imposed by individual and organizational capabilities. In auditing a strategy, it is important to examine whether an organization has demonstrated in the past that it possesses the abilities, competencies, skills, and talents needed to carry out a given strategy.
- d. **Advantage:** A strategy must provide for the creation and/or maintenance of a competitive advantage in a selected area of activity. Competitive advantages normally are the result of superiority in one of three areas:

(1) resources, (2) skills, or (3) position.

The idea that the positioning of firm's resources that enhance their combined effectiveness is familiar to military theorists and chess players. Position can also play a crucial role in an organization's strategy. Once gained, a good position is defensible—meaning that it is so costly to capture that rivals are deterred from full-scale attacks. Positional advantage tends to be self-sustaining as long as the key internal and environmental factors that underlie it remain stable. This is why entrenched firms can be almost impossible to unseat, even if their skill levels are only average. Although not all positional advantages are associated with size, it is true that larger organizations tend to operate in markets and use procedures that turn their size into advantage, while smaller firms seek product/market positions that exploit other types of advantage. The principal characteristic of good position is that it permits the firm to obtain advantage from policies that would not similarly benefit rivals without the same position. Therefore, in auditing strategy, organizations should examine the nature of positional advantages associated with a given strategy.

Reasons why strategy evaluation is more difficult today include the following trends:

- ◆ A dramatic increase in the environment's complexity.
- ◆ The increasing difficulty of predicting the future with accuracy.
- ◆ The increasing number of variables in the environment.
- ◆ The rapid rate of obsolescence of even the best plans.
- ◆ The increase in the number of both domestic and world events affecting organizations.
- ◆ The decreasing time span for which planning can be done with any degree of certainty.



8.7 BUSINESS PROCESS REENGINEERING

Waiting in a queue in a post office or bank, a person may feel a need for improvement in processes. In case of queue, the process begins with your stepping into the queue, and ends with receiving the desired service and leaving the place. The steps of the process are the activities that you and the personnel providing services perform to complete the transaction.

Buying a ticket is a simple business process. There are other business processes such as purchasing raw materials, logistic movements of finished products, developing new products, etc. that are much more tricky to deal with. Business processes are simply a set of activities that transform a set of inputs into a set of outputs for another person or process.

In order to have a better appreciation of what Business Process Reengineering (BPR) really means it would be pertinent to have preliminary knowledge of business processes. What is a business process and how it differs from other processes is the question that may come to mind. Business process or business activities are not discrete or unrelated pieces of work. They are parts of recurrent work processes within which they are located, sequenced and organized.

What is a Business Process? A process is a set of logically related tasks or activities oriented towards achieving a specified outcome. It is a collection of activities which creates an output of value to the customer and often transcends departmental or functional boundaries. **For example**, one common process found almost in every organization is the order fulfilment. Order fulfilment begins with procuring an order and ends with delivery of goods to the customer. It also includes all other related activities in between. Likewise, other basic processes may include developing a new product or service, launching a new product in the market, procuring goods from suppliers, preparing the organization's budget, processing and paying insurance claims, and so on.

Typically, a business process involves a number of steps performed by different people in different departments. The structural elements that constitute a process provide the basis for its analysis, appraisal, and redesign for achieving higher levels of efficiency and effectiveness, economy and speed, and quality and output.

A set of interconnected processes comprise a business system. The performance of business firm is, thus, the outcome of the interrelated operations of its constituent work processes. The redesign of processes, therefore, provides a powerful basis for improving the performance of a business enterprise.

Core Processes: Some processes turn out to be extremely critical for the success and survival of the enterprise. BPR focuses on such critical business processes out of the many processes that go on in any company. These are the core business processes of the company. A core business process creates value by the capabilities it provides to the competitiveness. Core business processes are critical in a company's evaluation by its customers. They are vital for success in the industry sector within which the company is positioned. They are crucial for generating competitive advantages for a firm in the marketplace.

While some core business processes are easily identifiable, some core business processes may not always be immediately apparent. The following instances serve to show that core processes need to be identified carefully in terms of their bearing on a firm's competitiveness:

1. In the electronics and semi-conductor industries, new product development is a core process.
2. In a fast moving consumer goods industry marketing is a core process.
3. In the banking industry, the activities that help mobilise deposits and generate funds for advances to customers, is a core business process.
4. In the insurance industry, the actual work that leads to a balance of competitive premium for customers, and profit after claims for the company, is a core business process.

The core processes of a company may change over a period of time according to the shifting requirements of its competitiveness. Since the objective of reengineering is to provide competitive advantage to the enterprise, it is extremely important to identify those core processes which need to be focussed for achieving excellence. In order to do this, we have to necessarily start from the organization's business vision, and drive from there the processes that have to be best in the world in order to realize that vision.

One of the reason for which an imperative need is felt for process change is that most of the processes that the organizations are engaged in might have been developed by their functional units over a period of time and might have been evolved based on a series of unplanned decisions. Seldom there has been any serious effort to systematically analyse the processes and measure their effectiveness towards the organizational efficiency. Quite often the individual departments or units of a company aim at optimising their own performance disregarding the resultant effect on other areas of operation. This may result in a sub-optimal performance for the organization as a whole. The overall business processes in an organization extending over several departments may be quite lengthy, time consuming, costly and inefficient. Also, the existing business processes and work patterns might have largely obsolete and irrational because of change in information and communication technologies.

Fragmentation of work processes makes it difficult to improve the quality of work performance and also develops a narrow vision among the employees. As a result, the employees tend to focus more on the narrow goals of their own department at the cost of larger goals of the organization as a whole. This results in piecemeal

accomplishment of tasks without looking at the overall goal. As the small fragments of work move from person to person and from unit to unit, delays keep on mounting and it enhances the chances of errors. In such a situation, the emerging critical issues often remain unattended as they do not fit into the narrow definitions of tasks or roles of an individual department.

It must be remembered that most of the existing work processes were developed before the advent of computers and IT revolution. Even after the massive penetration of information technology, many organizations have usually applied the technology only in a limited way to automate their existing work methods or to speed up the isolated or narrow components of a larger existing work process. This has resulted only in some sort of mechanization of the existing work methods without bringing in any appreciable change in the process and output. Examples from established Japanese industries as well as new entrepreneurial ventures in Japan proves that it is possible to achieve a much higher level of process performance by redesigning the process. It has been possible to double the speed of normal production, utilize assets several times more productively and respond to customers' needs and expectations much more rapidly. This could be achieved by effecting a total change in the process instead of a piecemeal change. It is, therefore, imperative that for many organizations on the decline, changing the process or redesigning the process may be the only viable alternative for turnaround. They must break themselves free from their primitive and archaic work processes that drag them down. Issues that emerge from the foregoing discussions on the need for change form the underlying premises of Business Process Reengineering (BPR), are briefly outlined as follows:

- ◆ The operational excellence of a company is a major basis for its competitiveness.
- ◆ The business strategy of a company should be oriented towards leveraging its operational excellence into the marketplace.
- ◆ A customer-focussed organization needs to be realigned in terms of a process orientation.
- ◆ Process need to be managed, not only its components.
- ◆ For considering totally new ways of redesigning processes, each and every concept, assumption, purpose, and principle, needs to be abandoned temporarily.

- ◆ Continuous improvement is lacking in the organisation. The company is far behind the industry standards, and needs rapid quantum leaps in performance.
- ◆ Dramatic improvement in performance is the prerequisite for overcoming competition.
- ◆ How to compete is more important than deciding about where to compete?

Concept and Nature of BPR: Business Process Reengineering (BPR) refers to the analysis and redesign of workflows and processes both within and between the organizations. The orientation of the redesign effort is radical, i.e., it is a total deconstruction and rethinking of a business process in its entirety, unconstrained by its existing structure and pattern. Its objective is to obtain quantum gains in the performance of the process in terms of time, cost, output, quality, and responsiveness to customers. The redesign effort aims at simplifying and streamlining a process by eliminating all redundant and non-value adding steps, activities and transactions, reducing drastically the number of stages or transfer points of work, and speeding up the work-flow through the use of IT systems.

BPR is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. It is revolutionary redesign of key business processes that involves examination of the basic process itself. It looks at the minute details of the process, such as why the work is done, who does it, where it is done and when it is done. BPR focuses on the process of producing the output and output of an organization is the result of its process.

"Business process reengineering means starting all over, starting from scratch." Reengineering, in other words, means putting aside much of the age-old practices and procedures of doing a thing. It implies forgetting how work has been done so far, and deciding how it can best be done now. The elements of BPR are as follows:

- i. **Reengineering begins with a fundamental rethinking.** In doing reengineering people must ask some most basic questions about their organizations and about their operations. They try to find out answers to such questions like "Why do we do what we do? And why do we do it the way we do?" An attempt to find out answers to such questions may startlingly reveal certain rules, assumptions and operational processes as obsolete and redundant. Reengineering does not begin with anything given or with any assumptions. The thinking process in reengineering begins with a totally free state of mind without having any preconceived notion. Reengineering first

determines what a company must do. And then it decides on how to do it. Reengineering ignores what the existing process is and concentrates on what it should be. If something is not required to be done it is outright discarded.

- ii. **Reengineering involves radical redesigning of process.** Radical redesigning means going to the root of the problem areas and not attempting to make any superficial changes. Radical redesign involves completely discarding all existing structures and procedures and evolving completely new ways of doing the work. "Reengineering is about business reinvention – not business improvement, business enhancement, or business modification."
- iii. **Reengineering aims at achieving dramatic improvement in performance.** If an organization feels the need for marginal improvement in any area of operation at any point of time, the same can be achieved by conventional methods of adjustments in operating processes and reengineering is not the answer. Reengineering is meant for replacement of the old process by altogether new one to achieve dramatic improvement in the performance.

It follows from the above that the main focus of reengineering is on the process. In an attempt to improve performance, most people in business focus their attention on tasks, jobs, people, structure, but fail to pay adequate attention on the process. Business process, as already mentioned earlier, has been defined as the series of activities that utilizes various inputs to create output that are valued by customers. Not all the processes in an enterprise enjoy equal importance in creating customers value. In order to improve its competitive position a firm must try to identify the generic business processes which significantly add to the value for its output to the customer and should try to focus on reengineering these processes first. The generic business processes of a firm needing redesign may be classified into three broad categories as follows:

- ♦ **Processes pertaining to development and delivery of product(s) and/or services:** These may include research, design, engineering, manufacturing, and logistics, besides purchasing / procurement and materials management.
- ♦ **Processes involving interface(s) with customers:** These usually include marketing, advertising, order fulfilment, and service.
- ♦ **Processes comprising management activities:** These include strategy formulation, planning and budgeting, performance measurement and reporting, human resource management, and building infrastructure.

In the context of these generic business processes, BPR may be viewed as a means of solving business problems through an imaginative leveraging of IT capabilities.

Rationale of BPR: Improving business processes is paramount for businesses to stay competitive in today's marketplace. Over the last three decades several factors have accelerated the need to improve business processes. The most obvious is technology. New technologies (like Information Technology) are rapidly bringing new capabilities to businesses, thereby raising the strategical options and the need to improve business processes dramatically.

After opening up of Indian economy, companies have been forced to improve their business processes because of increased competition. More companies have entered the market place, and competition has become harder. In today's market place, major changes are required to just stay even. It has become a matter of survival for most companies.

Customers are also demanding better products and services. If they do not receive what they want from one supplier, they have many others to choose from. They are ready to try new suppliers and new brands.

Implementing BPR in Organizations: In a crude sense, companies began business process improvement with a continuous improvement model. This model attempts to understand and measure the current processes, and make performance improvements. However, some companies make reengineering efforts under the assumption that the current processes are wrong and irrelevant. Under such perspectives designers of business process disassociate themselves from existing processes. This helps in looking at the problem with a clean mind, free of any biases.

The approach to BPR begins with defining the scope and objectives of the reengineering project. Persons entrusted with the tasks of BPR have to undertake research in the light of scope and objectives. They have to go through a learning process. They have to research customers, employees, competitors, new technology, etc. With the help of this research base BPR designers are in a position to create a vision for the future and design new business processes. They also create a plan of action based on the gap between the current and proposed processes, technologies and structures. Steps in BPR are as follows:

- i. **Determining objectives:** Objectives are the desired end results of the redesign process which the management and organization attempts to realise. They will provide the required focus, direction, and motivation for the redesign process and help in building a comprehensive foundation for the reengineering process.

- ii. **Identify customers and determine their needs:** The process designers have to understand customers - their profile, their steps in acquiring, using and disposing a product. The purpose is to redesign business process that clearly provides value addition to the customer.
- iii. **Study the existing processes:** The study of existing processes will provide an important base for the process designers. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process. However, as discussed earlier, some companies go through the reengineering process with clean perspective without laying emphasis on the past processes.
- iv. **Formulate a redesign process plan:** The information gained through the earlier steps is translated into an ideal redesign process. Formulation of redesign plan is the real crux of the reengineering efforts. Customer focussed redesign concepts are identified and formulated. In this step alternative processes are considered and the best is selected.
- v. **Implement the redesigned process:** It is easier to formulate new process than to implement them. Implementation of the redesigned process and application of other knowledge gained from the previous steps is key to achieve dramatic improvements. It is the joint responsibility of the designers and management to operationalise the new process.

Role of Information Technology in BPR

The accelerating pace at which information technology has developed during the past few years had a very large impact in the transformation of business processes. Various studies have conclusively established the role of the information technology in the transformation of business processes. That information technology is going to play a significant role in changing the business processes during the years to come, has been established beyond doubt.

A reengineered business process, characterised by IT-assisted speed, accuracy, adaptability and integration of data and service points, is focussed on meeting the customer needs and expectation quickly and adequately, thereby enhancing his/her satisfaction level.

Globalization and competition call for better management, faster response to change and adherence to globally accepted standards of quality and services.

Impact of IT-systems are identified as:

- ◆ Compression of time
- ◆ Overcoming restrictions of geography and/or distance

- ◆ Restructuring of relationships.

IT-initiatives, thus, provide business values in three distinct areas:

- ◆ Efficiency – by way of increased productivity,
- ◆ Effectiveness – by way of better management,
- ◆ Innovation – by way of improved products and services

All these can bring about a radical change in the quality of products and services, thereby improving the competitiveness and customer satisfaction. Information technology (IT) is a critical factor in the success of bringing this change.

Central Thrust of BPR

Improvement on quality and cost follows after improvement on thrust area. BPR is a continuous improvement process. Although BPR is a multi-dimensional approach in improving the business performance its thrust area may be identified as “the reduction of the total cycle time of a business process.” BPR aims at reducing the cycle time of process by eliminating the unwanted and redundant steps and by simplifying the systems and procedures and also by eliminating the transit and waiting times as far as possible. Even after redesigning of a process, BPR maintains a continuous effort for more and more improvement.

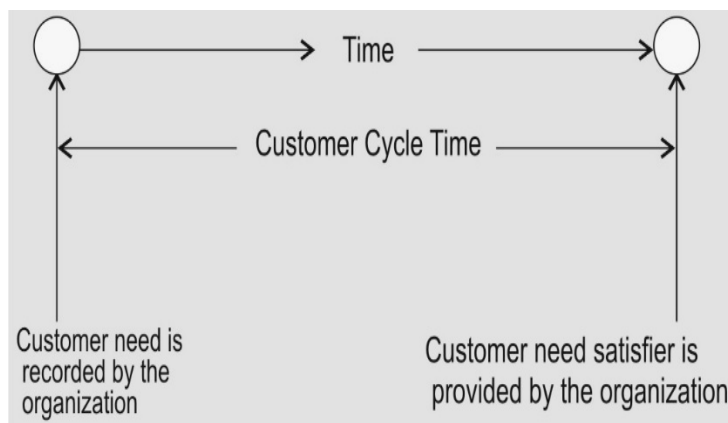


Figure: Customer Time Cycle

BPR and other processes

Reengineering does not mean any partial modification or marginal improvement in the existing work processes. Reengineering is a revolutionary approach towards radical and total redesigning of the business processes. While reengineering may lead to restructuring of organization, any restructuring does not necessarily mean reengineering. The basic principles that differentiate reengineering from any other

drive on improving organizational efficiency may be summarized as follows:

- ◆ At the core of reengineering lies the concept of discontinuous thinking. Reengineering does not have any scope for any partial modification or marginal improvement in the existing business processes. It aims at achieving excellence and a breakthrough in performance by redesigning the process entirely and radically. Obviously, it requires challenging the necessity of existing rules and procedures and discarding the same to evolve altogether new processes.
- ◆ BPR approach recognizes that most of the existing rules and procedures of work methods are based on certain assumptions about technology, people and the goals of the organization. These assumptions may not be valid any more. Besides many of these systems and procedures have failed to reap the benefit of massive development of information technology during the past few years. BPR recognizes "the" vast and expanding potential of IT for the most rational, simple, and efficient redesign of work structure." BPR aims at utilizing information technology for evolving a new process, instead of automating the existing process.
- ◆ While reengineering starts with the process it does not end there. The fundamental and radical changes that takes place while reengineering the process has its own implication on other parts of the organization – almost on every part of it. Reengineering requires viewing a process from cross-functional perspective. Reengineering effort, therefore, focuses on a multidimensional approach disregarding the constraints of departmental boundaries.
- ◆ BPR efforts involve managing massive organizational change." Reengineering is not just changing the process. The change in process is almost always accompanied by a whole lot of changes in other areas too. Work changes from task oriented to process oriented. People have the choice of making their own decisions instead of being directed. "Functional departments find their existence as redundant. Practically every aspect of the organization changes beyond recognition.

In view of the massive organizational changes involved in reengineering, it is imperative that a reengineering drive is supported by the vision and commitment of the top leadership of the organization.

Also, efficiently redesigned business processes provide a firm with many more opportunities for trying, testing, modifying and learning.

Problems in BPR

- ◆ Reengineering is a major radical improvement in the business process. Only a limited number of companies are able to have enough courage for having BPR because of the challenges posed. It disturbs established hierarchies and functional structures and creates serious repercussions and involves resistance among the work-force.
- ◆ Reengineering involves time and expenditure, at least in the short run, that many companies are reluctant to go through the exercise. Even there can be loss in revenue during the transition period.
- ◆ Setting of targets is tricky and difficult. If the targets are not properly set or the whole transformation not properly carried out, reengineering efforts may turn-out to be a failure.

**8.8 BENCHMARKING**

Benchmarking helps an organization to get ahead of competition. The organizations can possess a large amount of information that help them in taking strategic and other important decisions. Companies that translate this information to knowledge and use it in their planning and decision making are the winners.

A benchmark may be defined as a standard or a point of reference against which things may be compared and by which something can be measured and judged. In this sense, at a naïve level, it may be compared to the concept of control as the similarities do exist. However, the concept of benchmarking is much broader than mere controlling as there are major strategic dimensions involved. The term has presumably been adapted from physical sciences wherein it refers to a surveyor's mark made on a stationary object at previously determined position and elevation and used as a reference point to measure altitudes.

The scientific studies conducted by Frederick Taylor in the latter part of the nineteenth century represent an early use of the benchmarking concept. However, the term got popularity much later in the seventh decade of twentieth century. Initially, the concept evolved in companies operating in an industrial environment. Over a period of time it covered other spheres of business activity. In recent years, different commercial and non-commercial organizations are discovering the value of benchmarking and are applying it to improve their processes and systems.

What is Benchmarking?

In simple words, benchmarking is an approach of setting goals and measuring

productivity based on best industry practices. It developed out of the need to have information against which performances can be measured. **For example**, a customer support engineer of a television company attends a call within forty-eight hours. If the industry norm is that all calls are attended within twenty-four hours, then the twenty-four hours can be a benchmark. Benchmarking helps in improving performance by learning from best practices and the processes by which they are achieved. It involves regularly comparing different aspects of performance with the best practices, identifying gaps and finding out novel methods to not only reduce the gaps but to improve the situations so that the gaps are positive for the organization.

Benchmarking is not a panacea for all problems. Rather, it studies the circumstances and processes that help in superior performance. Better processes are not merely copied. Efforts are made to learn, improve and evolve them to suit the organizational requirements. Further, benchmarking exercises are also repeated periodically so that the organization does not lag behind in the dynamic environment.

Benchmarking is a process of continuous improvement in search for competitive advantage. It measures a company's products, services and practices against those of its competitors or other acknowledged leaders in their field. Xerox pioneered this process in late 70's by benchmarking its manufacturing costs against those of domestic and Japanese competitors and got dramatic improvement in the manufacturing cost. Firms can use benchmarking process to achieve improvement in diverse range of management functions like:

Maintenance operations

- ◆ Assessment of total manufacturing costs
- ◆ Product development
- ◆ Product distribution
- ◆ Customer services
- ◆ Plant utilization levels
- ◆ Human resource management

Steps in Benchmarking Process

Benchmarking processes used by different organisations lack standardization. However, common elements are as follows:

- (1) Identifying the need for benchmarking:** This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of

benchmarking. Organizations identify realistic opportunities for improvements.

- (2) **Clearly understanding existing business processes:** This step will involve compiling information and data on performance. This will include mapping processes. Information and data is collected by different methods such as interviews, visits and filling of questionnaires.
- (3) **Identify best processes:** Within the selected framework, best processes are identified. These may be within the same organization or external to it.
- (4) **Compare own processes and performance with that of others:** While comparing gaps in performance between the organization and better performers is identified. Further, gaps in performance are analysed to seek explanations. Such comparisons have to be meaningful and credible. Feasibility of making the improvements in the light of the conditions that apply within the organization is also examined.
- (5) **Prepare a report and Implement the steps necessary to close the performance gap:** A report on the Benchmarking initiatives containing recommendations is prepared. Such a report includes the action plan(s) for implementation.
- (6) **Evaluation:** A business organization must evaluate the results of the benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. It should also periodically evaluate and reset the benchmarks in the light of changes in the conditions that impact its performance.

SUMMARY

Strategic management is a comprehensive process that involves formulation, implementation and control of strategies. This chapter begins with elaboration of the concept of strategy implementation and its relationship with strategy formulation. It further highlights the issues in strategy implementation. Implementation of strategies requires strategic change in the organization, the steps introducing strategic change along with Kurt Lewin change model have also been discussed. It is followed by a discussion on the significance of a process of strategic control. Strategy Audit is also covered in this chapter.

Business process reengineering is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. It has become an essential technique of strategic

management. This chapter describes the meaning, rationale, implementation, thrust and problems of BPR.

Another emerging technique in strategic management is benchmarking. Benchmarking is an approach of setting goals and measuring productivity based on best industry practices. It helps businesses in improving performance by learning from the best practices. Some of the common elements of benchmarking process are also covered in this chapter.

TEST YOUR KNOWLEDGE

Scenario Based Questions

Question 1

Swift Ltd and Quick Ltd are two companies that are in the business of light industrial machines. While Swift is the market leader the sales of Quick has been falling. In the year 2017-18 the market share of the two companies was forty per cent and five per cent respectively. During the last five years the market share of quick reduced from third to sixth position. As an immediate corrective measure top management of Quick decided to emulate the successful standards of Swift Ltd and set them as their own yardsticks. With the help of standards they intended to compare, measure and judge their performance.

What is the strategic tool Quick Ltd is adopting? How is it implemented?

Answer

The top management of Quick Ltd is doing benchmarking. The benchmarking helps an organization to get ahead of competition. A benchmark may be defined as a standard or a point of reference against which things may be compared and by which something can be measured and judged. In simple words, benchmarking is an approach of setting goals and measuring productivity based on best industry practices. In recent years, different commercial and non-commercial organizations are discovering the value of benchmarking and are applying it to improve their processes and systems.

Benchmarking processes used by different organisations lack standardization. However, common elements are as follows:

- I. **Identifying the need for benchmarking:** This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organizations identify realistic opportunities for improvements.

- II. **Clearly understanding existing business processes:** This step will involve compiling information and data on performance. This will include mapping processes.
- III. **Identify best processes:** Within the selected framework, best processes are identified. These may be within the same organization or external to it.
- IV. **Compare own processes and performance with that of others:** While comparing gaps in performance between the organization and better performers is identified. Further, gaps in performance are analysed to seek explanations. Feasibility of making the improvements is also examined.
- V. **Prepare a report and Implement the steps necessary to close the performance gap:** A report on the Benchmarking initiatives containing recommendations is prepared. Such a report includes the action plan(s) for implementation.
- VI. **Evaluation:** A business organization must evaluate the results of the benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. It should also periodically evaluate and reset the benchmarks in the light of changes in the conditions that impact its performance.

Question 2

Kewal Kapadia is the Managing Director of KK industries located in Kanpur. In a review meeting with the head of finance, Kuldeep Khaitan he said that in the first five years of last decade the company grew between 8-10 percent every year, then the growth rate started falling and in previous year the company managed 1 per cent. Kuldeep replied that the company is facing twin issues, one the strategy is not being implemented as planned; and two the results produced by the strategy are not in conformity with the intended goals. There is mismatch between strategy formulation and implementation. Kewal disagreed and stated that he takes personal care in implementing all strategic plans.

You have been hired as a strategy consultant by the KK Industries. Advise way forward for the company to identify problem areas and correct the strategic approaches that have not been effective.

Answer

The company needs to conduct strategy audit.

A strategy audit is needed under the following conditions:

- ◆ When the performance indicators reflect that a strategy is not working properly or is not producing desired outcomes.

- ◆ When the goals and objectives of the strategy are not being accomplished.
- ◆ When a major change takes place in the external environment of the organization.
- ◆ When the top management plans:
 - to fine-tune the existing strategies and introduce new strategies and
 - to ensure that a strategy that has worked in the past continues to be in-tune with subtle internal and external changes that may have occurred since the formulation of strategies.

Adequate and timely feedback is the cornerstone of effective strategy audit. Strategy audit can be no better than the information on which it is based.

Strategy Audit includes three basic activities:

- (i) Examining the underlying bases of a firm's strategy,
- (ii) Comparing expected results with actual results, and
- (iii) Taking corrective actions to ensure that performance conforms to plans.

Question 3

HQ is a service company. Two years back the company hired a reputed management consultant to formulate its strategy. The consultant recommended an aggressive expansion plan. Now in an internal review meeting the company finds that many of the suggestions are not even fully considered.

Which part of strategic management process is missing in HQ?

Answer

Strategy implementation is missing in HQ. Implementation is the managerial exercise of putting a chosen strategy into action. It deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results.

Strategic implementation is concerned with translating a strategic decision into action, which presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability. The allocation of resources to new courses of action will need to be undertaken, and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.

It is crucial to realize the difference between the formulation and implementation because they both require very different skills. Also, a company will be successful only when the strategy formulation is sound and implementation is excellent.

Question 4

ABC Ltd an automaker company analysed its current accounts payable system and found that when purchasing department writes a purchasing order, they sent a copy to accounts payable. Then material control would receive the goods and send the copy of documents for the related goods to accounts payable. At the same time vendor also sends the receipt for the goods to accounts payable. ABC Ltd realized that accounts payable department was not as efficient as it should be and it had too many employees than required.

ABC LTD is looking forward to transform its business process of accounts payable. What advise would you give? Explain with the role of Information technology in this transformation.

Answer

Information technology has developed during the past few years had a very large impact in the transformation of business processes.

Impact of IT-systems are identified as:

- ◆ Compression of time
- ◆ Overcoming restrictions of geography and/or distance
- ◆ Restructuring of relationships.

IT-initiatives, thus, provide business values in three distinct areas:

- ◆ Efficiency – by way of increased productivity,
- ◆ Effectiveness – by way of better management,
- ◆ Innovation – by way of improved products and services

ABC Ltd can transform by using IT-assisted purchasing process. Purchasing department issues as order and inputs it into online database. Material control receives the goods and cross references it with the database to make sure it matches with the order. If it matches material control accepts the order on the computer.

Descriptive Questions

Question 5

Is strategy formulation an intellectual process? How is it different from strategy implementation?

Answer

Yes, strategy formulation is primarily an intellectual process. It is based on strategic decision-making which requires analysis and thinking. Although inextricably linked, strategy implementation is fundamentally different from strategy formulation in the following ways:

Strategy Formulation	Strategy Implementation
♦ 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 conceptual intuitive and analytical skills.	♦ Strategy implementation requires motivation and leadership skills.
♦ Strategy formulation requires coordination among the executives at the top level.	♦ Strategy implementation requires coordination among the executives at the middle and lower levels.

Question 6

What is strategic change? Explain the change process proposed by Kurt Lewin that can be useful in implementing strategies?

Answer

The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process and it involves a corporate strategy focused on new markets, products, services and new ways of doing business.

To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are unfreezing, changing and refreezing.

- (a) Unfreezing the situation:** The process of unfreezing simply makes the individuals or organizations aware of the necessity for change and prepares

them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering. The management must pave the way for the change by first “unfreezing the situation”, so that members would be willing and ready to accept the change.

Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate. This can be achieved by making announcements, holding meetings and promoting the ideas throughout the organization.

- (b) **Changing to New situation:** Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. H.C. Kellman proposed three methods for reassigning new patterns of behavior as compliance, identification and internalisation.
- (c) **Refreezing:** Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this newly acquired behaviour does not diminish or extinguish.

Change process is not a one time application but a continuous process due to dynamism and ever changing environment. The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action.

Question 7

Discuss three methods for reassigning new patterns of behavior as proposed by H.C. Kellman.

Answer

H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalisation.

- ♦ **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.
- ♦ **Identification:** Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them.

- ♦ **Internalization:** Internalization involves some internal changing of the individual's thought processes in order to adjust to a new environment. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.

Question 8

What are the differences between operational control and management control.

Answer

Differences between Operational Control and Management Control are as under:

- (i) The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions. When compared with operational, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organisation, instead of mere narrowly circumscribed activities of sub-units. **For example**, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.
- (ii) Many of the control systems in organisations are operational and mechanistic in nature. A set of standards, plans and instructions are formulated. On the other hand the basic purpose of management control is the achievement of enterprise goals – short range and long range – in an effective and efficient manner.

Question 9

What is strategic control? Briefly explain the different types of strategic control?

Answer

Strategic Control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended.

There are four types of strategic control:

- ♦ **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.

- ♦ **Strategic surveillance:** Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.
- ♦ **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.
- ♦ **Implementation control:** Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results.

Question 10

What is implementation control? Discuss its basic forms.

Answer

Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

Strategic implementation control is not a replacement to operational control. Strategic implementation control, unlike operational controls continuously monitors the basic direction of the strategy. The two basic forms of implementation control are:

- (i) **Monitoring strategic thrusts:** Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
- (ii) **Milestone Reviews.** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

Question 11

What is Business Process Reengineering (BPR)?

Answer

Business Process Reengineering (BPR) is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and

supporting business systems. It is revolutionary redesign of key business processes that involves examination of the basic process itself. BPR refers to the analysis and redesign of workflows and processes both within the organization and between the organization and the external entities like suppliers, distributors, and service providers. The orientation of redesigning efforts is basically radical. In other words, it is a total deconstruction and rethinking of business process in its entirety, unconstrained by its existing structure and pattern.

Question 12

What steps would you recommend to implement BPR in an organization?

Answer

BPR is a revolutionary redesigning of key business processes. BPR involves the following steps:

- i. **Determining objectives:** Objectives are the desired end results of the redesign process which the management and organization attempts to realise. They will provide the required focus, direction, and motivation for the redesign process and help in building a comprehensive foundation for the reengineering process.
- ii. **Identify customers and determine their needs:** The process designers have to understand customers - their profile, their steps in acquiring, using and disposing a product. The purpose is to redesign business process that clearly provides value addition to the customer.
- iii. **Study the existing processes:** The study of existing processes will provide an important base for the process designers. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process. However, as discussed earlier, some companies go through the reengineering process with clean perspective without laying emphasis on the past processes.
- iv. **Formulate a redesign process plan:** The information gained through the earlier steps is translated into an ideal redesign process. Formulation of redesign plan is the real crux of the reengineering efforts. Customer focussed redesign concepts are identified and formulated. In this step alternative processes are considered and the best is selected.
- v. **Implement the redesigned process:** It is easier to formulate new process than to implement them. Implementation of the redesigned process and application of other knowledge gained from the previous steps is key to achieve dramatic improvements. It is the joint responsibility of the designers and management to operationalise the new process.

Question 13

What is Benchmarking? Explain briefly the elements involved in Benchmarking process.

Answer

Benchmarking is an approach of setting goals and measuring productivity of firms based on best industry practices or against the products, services and practices of its competitors or other acknowledged leaders in the industry. It developed out of need to have information against which performance can be measured. Benchmarking helps businesses in improving performance by learning from the best practices and the processes by which they are achieved. Thus, benchmarking is a process of continuous improvement in search for competitive advantage. Firms can use benchmarking practices to achieve improvements in diverse range of management functions like product development, customer services, human resources management, etc.

The various steps in Benchmarking Process are as under:

- (i) **Identifying the need for benchmarking:** This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organizations identify realistic opportunities for improvements.
- (ii) **Clearly understanding existing decisions processes:** The step will involve compiling information and data on performance.
- (iii) **Identify best processes:** Within the selected framework best processes are identified. These may be within the same organization or external to them.
- (iv) **Comparison of own process and performance with that of others:** Benchmarking process also involves comparison of performance of the organization with performance of other organization. Any deviation between the two is analysed to make further improvements.
- (v) **Prepare a report and implement the steps necessary to close the performance gap:** A report on benchmarking initiatives containing recommendations is prepared. Such a report also contains the action plans for implementation.
- (vi) **Evaluation:** Business organizations evaluate the results of the benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. They also periodically evaluate and reset the benchmarks in the light of changes in the conditions that impact the performance.