PROGRAMME: MASTER OF BUSINESS ADMINISTRATION

MODULE: Strategic and Change Management

STRTAEGY IMPLEMENTATION AND CONTROL

Strategy implementation is an action-oriented, operations-driven activity aimed at shaping performance of core business activities in a strategy-supportive manner. It is tougher and more time-consuming than crafting strategy

The key tasks of strategy implementation include

- Improving efficiency of the strategy being executed
- Showing measurable progress in achieving targeted results

Strategy implementation includes:

- Building a capable organization
- Allocating resources to strategy-critical activities
- Establishing strategy-supportive policies
- Instituting best practices and programmes for continuous improvement
- Installing information, communication, and operating systems
- Motivating people to pursue the target objectives
- Tying rewards to achievement of results
- Creating a strategy-supportive corporate culture
- Exerting the leadership necessary to drive the process forward and keep improving

Good strategy execution Involves creating strong “fits” between the strategy and

- Organisational capabilities

- The reward structure of the organisation
- The internal operating systems
- The Organisation’s work climate and culture

The stronger these “fits” the better the execution and the higher a company’s odds of achieving its performance targets

Strategy implementation is the process that turns strategic plans into a series of action tasks, and ensures that these tasks are executed in such a way that the objectives of the strategic plan are achieved.

Strategy implementation differs from strategy formulation in several ways. Firstly, strategy formulation is the intellectual or thinking phase, whilst implementation is the phase where these thoughts are operationalised and turned into action. Secondly, is mostly a market-driven activity with an external focus, whereas strategy implementation is an internal, operations-driven activity. Another difference between these two phases is evident in the required skills: strategy formulation requires good intuitive and analytical skills, whilst strategy implementation requires motivation and leadership skills.

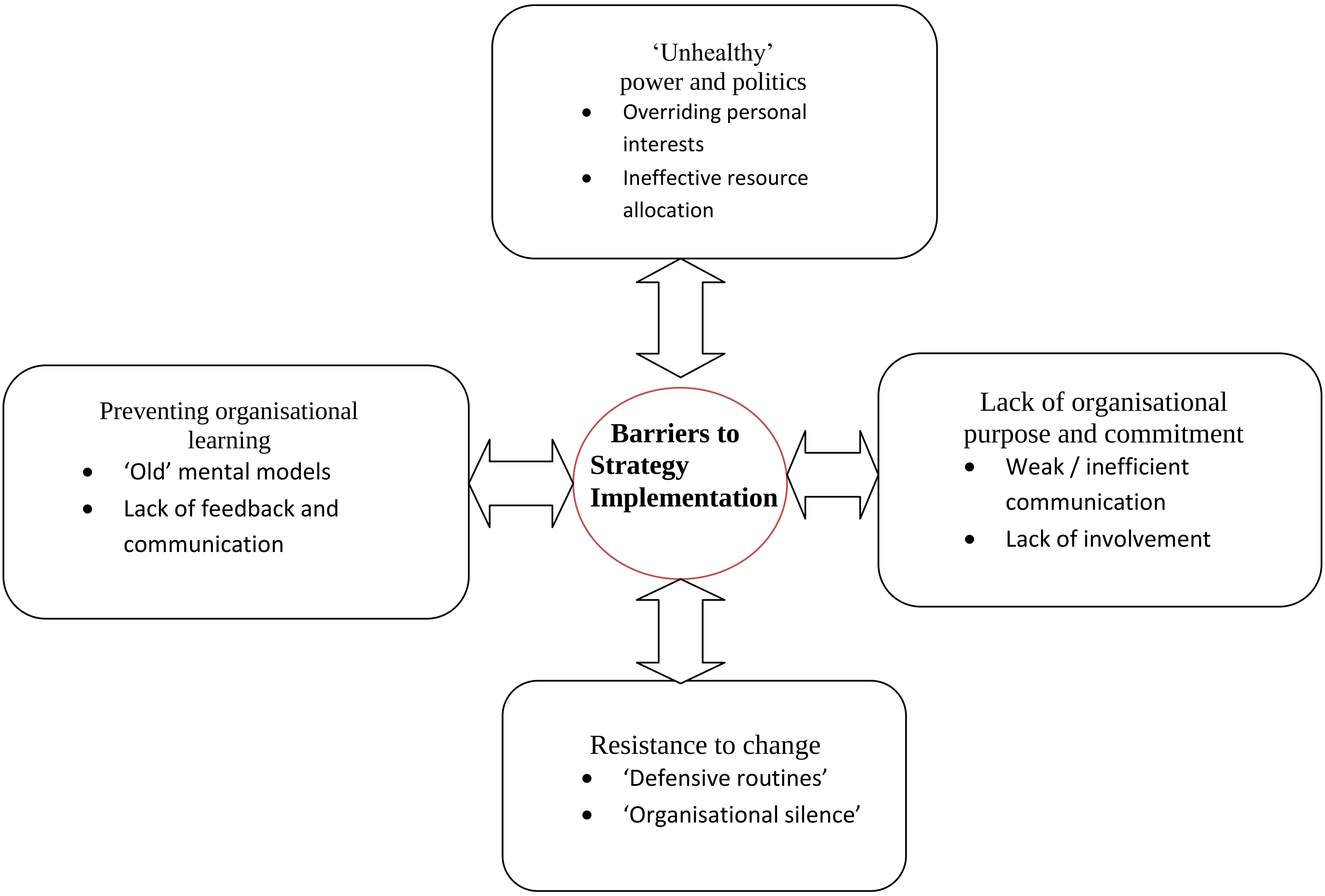
CRAFTING THE STRATEGY	EXECUTING THE STRATEGY
Primarily a market-driven activity Successful strategy making depends on – Business vision – Perceptive analysis of market conditions and company capabilities – Attracting and pleasing customers – Outcompeting rivals – Using company capabilities to forge a competitive advantage	Primarily an operations-driven activity Successful strategy execution depends on – Doing a good job of working through others – Good organisation-building – Building competitive capabilities – Creating a strategy supportive culture – Getting things done and delivering good results

Strategy Formulation	Strategy Implementation
Positioning forces before the action	Managing forces during the action
Focuses on effectiveness	Focuses on efficiency
Primarily an intellectual process	Primarily an operational process
Requires good intuitive and analytical skills	Requires motivation and leadership skills
Requires coordination among a few individuals	Requires coordination among many persons

Organisations often experience problems when attempting to implement their chosen strategy or strategies. Such problems include:

- Ineffective coordination of implementation efforts.
- Inadequate leadership and direction provided by managers
- Goals not sufficiently defined; goals not well understood by employees
- Formulators of strategy not involved in the implementation
- Changes in responsibilities of employees not clearly defined.

The barriers to successful strategy implementation can be illustrated as follows:



Strategy implementation is the phase in which management aligns or matches leadership, organisational culture, organisational structures, reward systems, and resource allocation with the chosen strategy. These are often referred to as the drivers of strategy implementation.

Leadership and strategy implementation

Strategic leadership is defined a the ability to anticipate, envision, maintain flexibility and to empower others to create strategic change as necessary (Hitt, Ireland and Hoskission, cited in Ehlers and Lazenby, 2007:217)

Strategic leadership involves managing through others and influencing human behaviour in order to achieve goals. The key responsibilities of a strategic leader are:

- Developing an appropriate vision or strategic direction for the organisation
- Communicating the vision and strategic direction to all the employees
- Inspiring and motivating the employees to achieve the strategic objectives
- Designing appropriate reward systems and organizational structures
- Developing and maintaining an effective organizational culture.

(Ehlers and Lazenby, 2007:223)

Strategic leadership is about leading entire organisations; it is about understanding entire organisations and the environments within which they operate and using this understanding to create strategic change through other people so as to position organisations in the environment for both short-term stability and long-term viability.

Key characteristics of good strategic leaders

1. **Vision, eloquence and consistency**

   Give a clear sense of direction; a clear and compelling vision of where the organisation should go.

   Eloquence to communicate the vision and energise people.

   Consistently articulate their vision until it becomes part of the culture.

2. **Articulation of a business model**

   Ability to identify and articulate the business model the company will use to attain its vision. A business model is the conception of how the various strategies that the company pursues fit together into a congruent whole.

3. **Commitment**

   Strong leaders demonstrate their commitment to their vision and business model by actions and words and often lead by example.

4. **Being well informed**

   Develop a network of formal and informal sources who keep them well informed about what is going on. Using informal and unconventional ways to gather information is wise because formal channels can be captured by special interests or by gatekeepers who may misrepresent the true state of affairs.

5. **Willingness to delegate and empower**

Unless they delegate, leaders can become overloaded with responsibilities. Empowering subordinates is a good motivation tool. However, astute leaders recognise the need to maintain control over certain key decisions.

6. **The astute use of power**

   Power comes from control over important resources: budgets, capital, positions, information and knowledge. Astute leaders use these resources to acquire another critical resource – critically placed allies who can help attain strategic objectives.

   Strategic leaders must play the power game with skill and attempt to build consensus for their ideas rather than use their authority to force ideas through; they must act as members of a coalition or its democratic leaders rather than as dictators.

7. **Emotional intelligence**

   A bundle of psychological attributes – self-awareness, self regulation, motivation, empathy and social skills.

Leadership drives strategic change and strong leadership is an important 'tool' to give direction and purpose to integrated strategy formulation, implementation and control.

Strategic leadership is the ability to anticipate, envision, maintain flexibility and to empower others to create strategic change as necessary and to articulate a strategic vision for the organisation and to motivate others to buy into it. It involves managing through others and influencing human behaviour in order to achieve goals.
Management is about coping with complexity; leadership is about coping with change (Kotter, 2001)

Management	Leadership
• Directing others in the pursuit of goals • Tend to be more analytical, structured and controlled; work is a quantitative	• Guiding, encouraging and facilitating others • More experimental, visionary, flexible,

science. • Focus on the details, instruct and apply authority	creative and value intuitive side of work • Focus on the bigger picture, inspire and apply influence.

Leadership is not better than management or a replacement for it; leadership and management complement each other. Experience in both is necessary for successful strategy implementation.

Strategy and Organisational Culture

Every organisation has its own unique culture. The character of a company's culture or work climate is made up of its core values and business principles that executives adopt the standards of what is ethical or not, the operating business practices and the behaviours that define "How we do things around here." The company's approach to people management, the 'chemistry' and 'personality' that exist in the work environment and the stories that get told repeatedly to illustrate and reinforce the company's values, business practices, policies and traditions all influence the company culture. It also includes individual attitudes and behaviours, the peer pressures that exist within the business and the company politics.
Over time all these factors take root and become embedded in the way in which the company conducts its business, they come to be accepted and shared by both managers and employees and are encouraged to be adopted and followed by new and prospective employees.

"The meshing together of stated beliefs, business principles, styles of operating, ingrained behaviours and attitudes, and work climate define a company's corporate culture." (Hough et al, 2011)

Once established, company cultures are spread throughout the organisation in a six important ways:

1. By screening and selecting new employees who will fit in well with the culture
2. By systematic training of new members in the culture's fundamentals

3. By efforts of the senior group members to reiterate core values in daily conversations and announcements.
4. By telling and retelling of company stories and legends
5. By regular ceremonies that honour members who display desired cultural behaviours
6. By visibly rewarding those who display cultural norms and by penalizing those who don't

However, it is important to realise that cultures are not static, just like an organisations strategy or structures; cultures evolve and change to satisfy new environments and conditions. New challenges in the marketplace, revolutionary technologies and shifting internal conditions all change the ways in which things are done and thus the general culture of the organisation. Likewise, diversification into new businesses, expansions into foreign countries, rapid growth, an influx of new employees and a merger or acquisition of another company can all result in cultural changes of some kind.

A company's present culture and work climate may not be compatible with what is needed for effective implementation and execution of the chosen strategy. When a company's work climate promotes values, attitudes, practices and behaviours, which are in line with effective strategy execution; then its culture functions as a valuable resource in the process. However, the opposite is also true. When the company culture is in conflict with some aspect of the company's direction, performance targets, or strategy, the culture becomes a negative aspect in strategy execution.

A culture that is well aligned with strategy enhances a company's strategy execution in two ways:

1. A culture that encourages actions supportive of good strategy execution not only provides company personnel with clear guidance regarding what behaviours and results form good job performance, but also produces significant peer pressure from co-workers to conform to culturally acceptable norms.

2. A culture that is surrounded with value and behaviours that assist strategy execution promotes strong employee identification and commitment to the company's vision, performance targets and strategy.

Unhealthy Cultures

The distinctive characteristic of an unhealthy organisational culture is the presence of counterproductive cultural traits that adversely impact on the work climate and the company's performance. The following three are particularly unhealthy.

1. A highly political internal environment

This is a situation in which many decisions are made and issues are resolved solely on the basis of who has the most political clout and power and not on what is necessarily the best decision for the organisation as a whole. Often a lot of time, energy and money are wasted on something that is not close to optimal for the company

2. Hostility to change

This includes people who are resistant to change and have a general wariness and negativity towards people that respond well to change and encourage new ways of thinking and doing things. These people avoid taking risks, do not pursue emerging opportunities, lack innovation in their product and service offerings and tend to follow rather than lead the market.

3. A 'must be invented here' mind-set

This occurs when the company personnel are against looking outside of the company for best practices and benchmarking, new approaches and innovative ideas. They are arrogant and generally underestimate competitors by thinking they can do everything themselves better than what may exist externally to the organisation.

"It is the strategy maker's responsibility to select a strategy compatible with the sacred or unchangeable parts of the organisations prevailing corporate culture. It is the strategy implementer's task, once the strategy is chosen, to change whatever facets of the corporate culture hinder effective execution" (Hough et al 2011.)

Changing a company's culture in order to align it with the strategy is one of the most complicated and challenging tasks because of the deeply entrenched values and habits that have been instilled into the organisation. People are also generally resistant to change and tend to cling emotionally to the old and familiar ways of doing things. It takes intensive management effort over a long period of time to replace and unhealthy culture with a better one and to hinder unwanted behaviours and introduce ones that are strategy supportive. Thus the single, most important factor that distinguishes successful cultural changes from failed attempts is competent leadership at the top of the organisation.

The initial step in fixing a problem culture is to identify the areas of the present culture that are dysfunctional and explain why they pose obstacles to executing strategies and achieving goals. Next the managers must decide upon and clearly define the desired new behaviours and specify the key characteristics of the culture that they want. Thirdly, managers need to talk openly to all those concerned about the problematic aspects of the culture and explain how the new behaviours will improve the company's performance.
The final and most important, the talking has to be followed by visible, aggressive actions to promote these desired new behaviours.

The methods management can use to change a problem culture include:

1. Make a compelling case for why the new direction and culture is in the company's best interests and why individuals and groups should commit themselves to making it happen.
2. Repeating the message of why this culture change is good for all the company's stakeholders at every opportunity that arises.
3. Visibly praising and rewarding those employees who adopt and display the newly advocated cultural norms and participate in implementing the desired kinds of operating practices.
4. Altering incentive compensation to reward the desired cultural behaviour and deny rewards to those who resist the change.
5. Recruit and hire new managers and employees who already posses the desired cultural values and can serve as role models for the desired cultural behaviour.

6. Replace key executives who are strongly associated with the old culture.
7. Revise policies and procedures in ways that will help to drive cultural changes.

Reward Systems and strategy implementation

Organisations can improve employee commitment and encourage behavior consistent with the strategy is to improve their understanding of the strategy and the required implementation process. Another way of ensuring that specific strategy-supportive tasks are performed are met is through the establishment of reward systems. Reward systems can be defined as the umbrella term for the different components considered in performance evaluation and the assignment of monetary and non-monetary rewards to them. (Ehlers and Lazenby, 2007:223)

Organisational structure and strategy implementation

Organisational structure can be a source of competitive advantage if designed in such a way that it is aligned with the chosen strategy, is functional and makes it easy for customers to do business with the organisation. An effective organisational structure forms the stable base on which the organisation can build its strategy implementation efforts.

The concept *structure follows strategy* emphasises that a change in strategy necessitates a change in structure. In the absence of a tight fit between strategy and structure, an organisation's performance will decline, it will experience administrative problems, resource allocation problems and conflicting priorities regarding strategy implementation tasks.

However, strategy and structure have a reciprocal relationship, i.e. in as much as strategy influences structure, structure can also influence the choice of strategy to some extent.

Implementing and executing strategy is an operation-driven activity revolving around the management of people and business processes. The manager's emphasis is on converting strategic plans into actions and good results. Management's handling of the process of implementing and executing the chosen strategy can be considered successful if and when the company achieves the targeted strategic and financial performance and show good progress in making its strategic vision a reality. Shortfalls in performance signal weak strategy, weak execution or both.

Eight managerial tasks recur in the efforts to execute strategy:

- Building an organisation with the competences, capabilities and resource strengths to execute strategy successfully.
- Marshalling sufficient money and people behind the drive for strategy execution.
- Instituting policies and procedures that facilitate strategy execution.
- Adopting best practices and pushing for continuous improvement in how value-chain activities are performed.
- Installing information and operating systems that enable employees to carry out their strategic roles proficiently.
- Tying rewards directly to the achievement of strategic and financial targets and to good strategy execution.
- Shaping the work environment and corporate culture to fit the strategy.
- Exercising strong leadership to drive execution forward, improving on the details of execution, and achieve operating excellence as rapidly as possible.

Building an organisation capable of good strategy execution entails three types of organisation building actions:

- Staffing the organisation – assembling a talented management team and recruiting and retaining employees with the needed technical skills, experience and intellectual capital.
- Building core competences and competitive capabilities that will enable good strategy execution
- Structuring the organisation and work effort.

In evaluating how well a company's present strategy is working, a manager first needs to decide upon what exactly the strategy is. It needs to look at the type of strategy used, the firms competitive scope in the industry, what is geographic market coverage is, the size of the customer base, individual functional strategies and many other differentiating factors. Although it is wise to evaluate the strategy from a qualitative standpoint, in terms of its completeness, rationale and suitability; the best quantitative evidence of how well a company is doing comes from studying the company's recent strategic and financial performance. The two best indicators are:

1. Whether the company is achieving its stated financial and strategic objectives
2. Whether it is performing above the industry average or not

Persistent shortfalls in meeting company performance targets and weak performance relative to competitors are warning signs that the company is suffering from poor strategy. Performance of a company's strategy can be gauged by looking at a number of different measures

- Whether the organisation's sales are growing above or below the market pace as a whole, resulting in rising or falling market share
- Whether the company is acquiring new customers as well as retaining existing ones
- Whether the organisation's profit margins are increasing or decreasing and how well they are doing in comparison to rival firms
- Trends in the organisation's net profits, return on investment, economic value added and how these compare to other firms in the industry
- Whether the organisation's overall financial strength and credit rating are improving or worsening
- Whether the organisation can demonstrate continuous improvements in internal performance measures such as unit costs, defect rates, employee morale and turnover, customer complaints etc.
- How shareholders view the organisation based on share price and shareholder value
- The organisation's image and reputation
- Whether the organisation is regarded as a leader in technology, innovation, quality, prices and other relevant factors which affect buyer's choices.

Three questions can be used to test the qualities of one strategy from another and distinguish a winning strategy from a poor or mediocre strategy.

1. How well does the strategy fit the company's situation?

   To be a winning strategy, it has to be well matched to the industry and competitive conditions, the market opportunities and threats and many other aspects that influence the external environment. Whilst at the same time being tailored to the company's own resource strengths and weaknesses, competencies and capabilities. Unless a company's strategy fits tightly with both the internal and external aspects of an organisation, it is not likely to produce the optimal outcomes

2. Is the strategy helping the company to achieve a sustainable competitive advantage? Winning strategies allow the company to achieve a competitive advantage that is durable and cannot be easily imitated by rival firms. The bigger and more sustainable the advantage is, the more appealing the strategy is.
3. Is the strategy resulting in better company performance?

   A winning strategy enhances company performance. These include gains in profitability and financial performance, as well as, gains in the company's competitive strength and market standing.

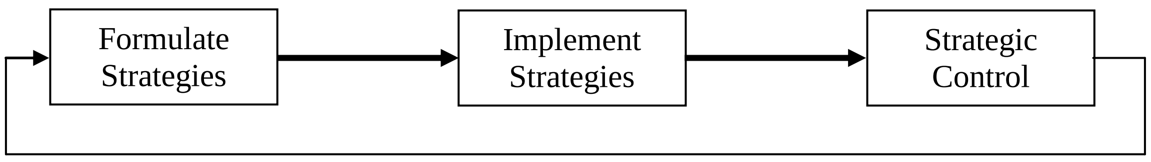
Strategies that possess the highest scores on all three of the above mentioned questions can clearly be regarded as the most appealing or attractive strategic alternatives. Other criteria that can be used for judging the worthiness of specific strategies include; internal consistency and unity among all the pieces of the strategy and the degree to which the chosen strategy is flexible and adaptable to changing circumstances.

<u>Strategic Control</u>

For organisations to be effective, they must practice effective strategic control and corporate governance. Without such controls, the organisation will not be able to achieve competitive advantages and outperform rivals in the marketplace.

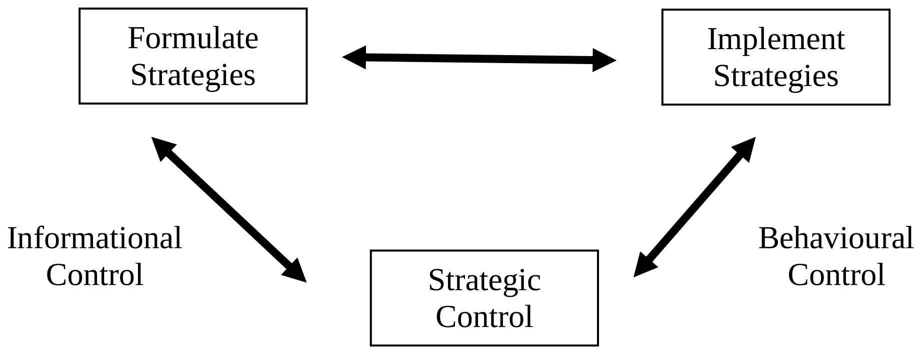
The traditional approach to strategic control is sequential:

(1) Strategies are formulated and goals are set.
(2) Strategies are implemented, and
(3) Performance is measured against the predetermined goal set.



Control is based on a feedback loop from performance measurement to strategy formulation. This process may involve lengthy time lags, often linked to the planning cycle of the organisation. This approach ("single loop") is appropriate when the environment is stable and objectives can be measured with a high level of certainty.

A more contemporary approach to strategic control integrates adapting to and anticipating both internal and external environment change. The relationships between strategy formulation, implementation and strategic control are highly interactive.



Informational control is primarily concerned with whether or not the organisation is "doing the right things". Informational control is a method of organisational control in which the organisation gathers and analyses information from the internal and external environment in order to obtain the best fit between the organisation's goals and the strategic environment.

Informational control is part of an ongoing process of organisational learning that continuously updates and challenges the assumptions that underlie the strategy of an organisation. In such 'double loop" learning, the organisation's assumptions, premises, goals and strategies are continuously monitored, tested and reviewed. The benefits are that time lags are shortened,, changes in the competitive environment are detected earlier and the ability of the organisation to respond with speed and flexibility is enhanced.

Behavioural control asks if the organisation is 'doing things right' in the implementation of its strategy. Behavioural control is a method of organisational control in which the organisation influences the actions of employees through culture and rewards. Where there are strong and positive cultures and rewards, employees tend to internalize the strategies and objectives of the organisation. (Dess, Lumpkin, Eisner and McNamara, 2014:278-305)