Strategy Implementation on Global Approach and Trends in Implementing- A Strategy

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Abstract- *Most strategies stumble in the implementation phase. This Chapter outlines the ways for optimizing implementation. This implementation process focuses on the critical time frame immediately following formal strategy selection, when broad objectives need to be translated into specific actions, schedules, budgets, and metrics. Often strategy development receives significant attention and resources, but its implementation is often neglected, with disastrous consequences. Using a straightforward approach, format and process, managers can bridge the gap between rhetoric and reality; they can succeed in accomplishing what they set out to do, thinking and acting strategically. Implementation lies at the core of strategy, and deserves as much attention as the formulation of the strategy.*

Key word: *implementation- actions-schedules-budgets-metrics- managers*

Introduction

A survey highlighted that less than 10% of strategies that are effectively formulated are effectively executed. Whilst formulating competitive strategy is very important and is the right thing to do, it does not guarantee success and results. Further, according to analysts, most companies spend close to 40% of their capital budgets on investments that are not aligned with corporate strategies, primarily due to a lack of clarity and visibility of strategic and investment goals. Implementation lies at the core of strategy, and deserves as much attention as the formulation of strategy. If the process is healthy, after the first cycle, the methodology will be refined or customized to the firm's particular information systems and culture, and the improved tools (templates, language, meeting schedule, etc.) can be deployed throughout the organization. Strategy.

Managers and the program managers they've tapped to help guide implementation, become versed in the language and process of strategy: they become ambassadors to the rest of the firm for thinking and acting strategically.

For all the energy and resources invested in the pursuit of the perfect strategy, it's surprising to consider how little effort is directed towards implementation. Most strategies stumble in the implementation phase, regardless of their merit. Managing the process of implementation is often more difficult than coming up with the strategy in the first place – but ideas that cannot be translated into action serve little purpose. Much literature is devoted to the study of the content and/or ex ante process of strategy formulation; much less literature focuses on the ins and outs of the ex post implementation of the selected strategies . The relative absence of implementation issues in the literature is not in balance with its importance for organizational performance in practice. It is widely accepted that several strategies may be viable in the same environment as long as managers are able to shape coherent configurations in which strategic choices, structures, systems and processes are carefully aligned.

Strategy implementation skills are not easily mastered. In fact, virtually all managers find implementation the most difficult aspect of their jobs – more difficult than strategic analysis or strategy formulation. Managers themselves report that less than half the plans resulting from these efforts are ever implemented. Strategies that are not implemented constitute little more than academic exercises. The ability to implement strategies is one of the most valuable of all managerial skills. Manager's intent on implementing strategy must:

1. master systems thinking to be able to coordinate a broad range of interconnected efforts aimed at transforming intentions into action, and
2. Take care of the factors impeding strategy implementation.

Never is strategy implementation more important than when innovation is at the heart of a strategy. When it comes to innovation, execution is not about fulfilling the script. It is about constantly rewriting it. Innovation always involves treading into uncertain waters. And as uncertainty rises, the value of a well thought- out, but static, enterprise strategy drops. In fact, when pursuing entirely new business models, no amount of research can resolve the critical unknowns. All that strategy can do is give you a good starting point. From there, you must experiment, learn, and adapt. However, for a proven business, strategy implementation is about performing at or above known standards. For an experimental business, strategy implementation is about zeroing in on the best possible strategy and in the process, discovering what standards are possible.

Definition Strategy implementation

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees.

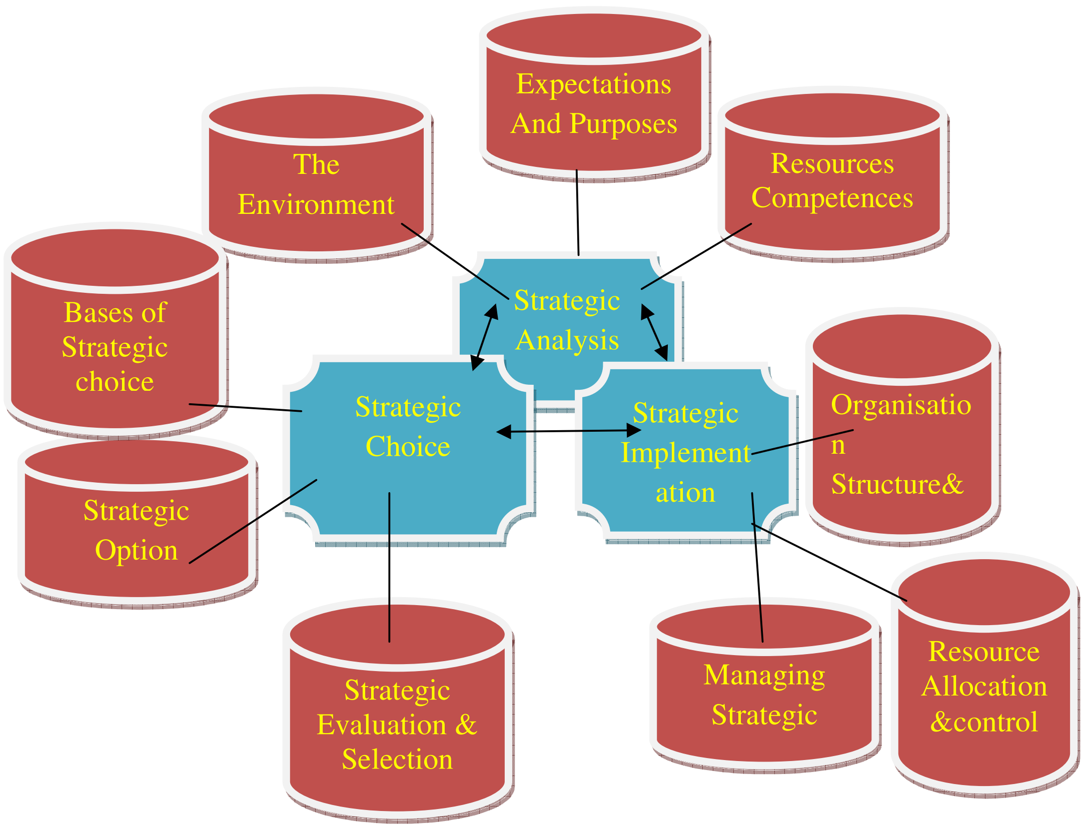
Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees.

An organizational control system is also required. This control system equips managers with motivational incentives for employees as well as feedback on employees and organizational performance. Organizational culture refers to the specialized collection of values, attitudes norms and beliefs shared by organizational members and groups.

Model of the Elements of Strategy Management

The fundamental model of the elements of strategy management are recapitulated in the following figure 5.a-

Figure 5.a A model of element of strategy implementation



Many organizations and their top level drivers blame the strategy model for failure of company while the main flaw might lie in failed implementation. An organization is successful only when the strategy formulation is sound and implementation is excellent.

Strategy Formulation and Implementation Matrix

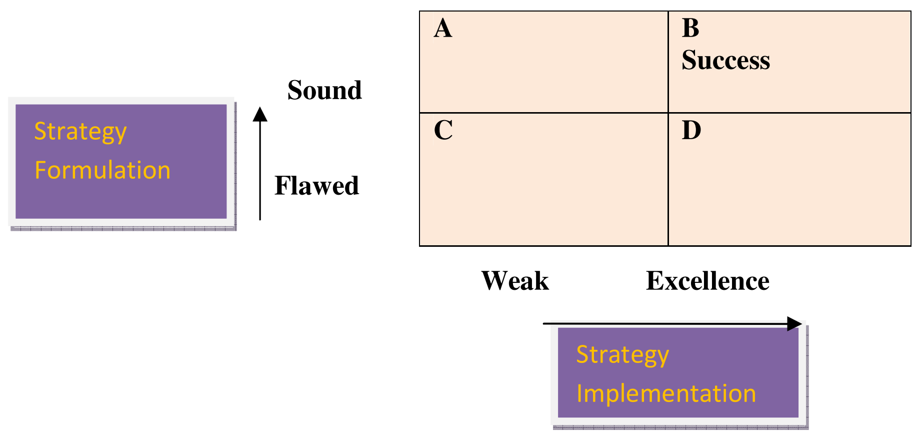


Figure 5.c Strategy Formulation and Implementation Matrix

The above figure shows the distinction between sound/flawed strategy formulation and weak/excellent strategy implementation. 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 A is a 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 , 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 C is reserved for companies that have not succeeded in coming up with a sound strategy formulation and in addition are bad at implementing their flawed strategy 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 other 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 common in many organization. In organization that lack strategic direction there has been a tendency to look inwards in time of stres , and for management to devote their attention to cost cutting and to shedding unprofitable divisions. In other words, the focus has been on efficiency (that is the relationship between input and outputs, usually with short time horizon) rather than on effectiveness highlights the link 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.

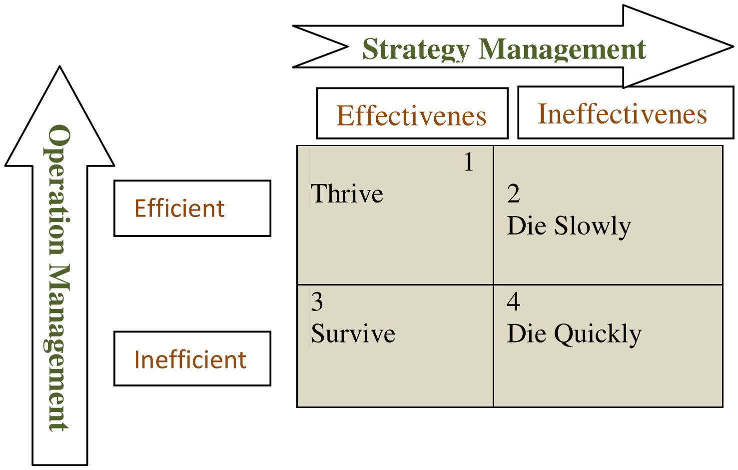


Figure 5.d Principal Combinations of efficiency and effectiveness

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 established some strategic direction. The particular point to note is that cell 2 is a worse place to be than in 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 output. 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 be the thing right. An emphasis on efficiency rather than on effectiveness is clearly wrong.

Distinction between Strategy Formulation and Implementation

Strategy is a blue print indicating the course action to achieve A good strategy by itself does not ensure success .The success depends to a very large extent on how it is implemented. According to Fred David, “strategy formulation is largely in intellectual process, whereas strategy implementation is more operation in character.

Strategy Formulation	**Strategy Implementation**
Strategy Formulation includes planning and decision-making involved in developing organization’s strategic goals and plans.	Strategy Implementation involves all those means related to executing the strategic plans.
In short, Strategy Formulation is **placing the Forces before the action**.	In short, Strategy Implementation is **managing forces during the action**.
Strategy Formulation is an **Entrepreneurial Activity** based on strategic decision-making.	Strategic Implementation is mainly an **Administrative Task** based on strategic and

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	operational decisions.
Strategy Formulation emphasizes on **effectiveness**.	Strategy Implementation emphasizes on **efficiency**.
Strategy Formulation is a **rational process**.	Strategy Implementation is basically an **operational process**.
Strategy Formulation requires co-ordination among few individuals.	Strategy Implementation requires co-ordination among many individuals.
Strategy Formulation requires a great deal of **initiative and logical skills**.	Strategy Implementation requires specific **motivational and leadership traits**.
Strategic Formulation precedes Strategy Implementation.	STrategy Implementation follows Strategy Formulation.

Figure 5. Distinction between strategy formulation and strategy implementation

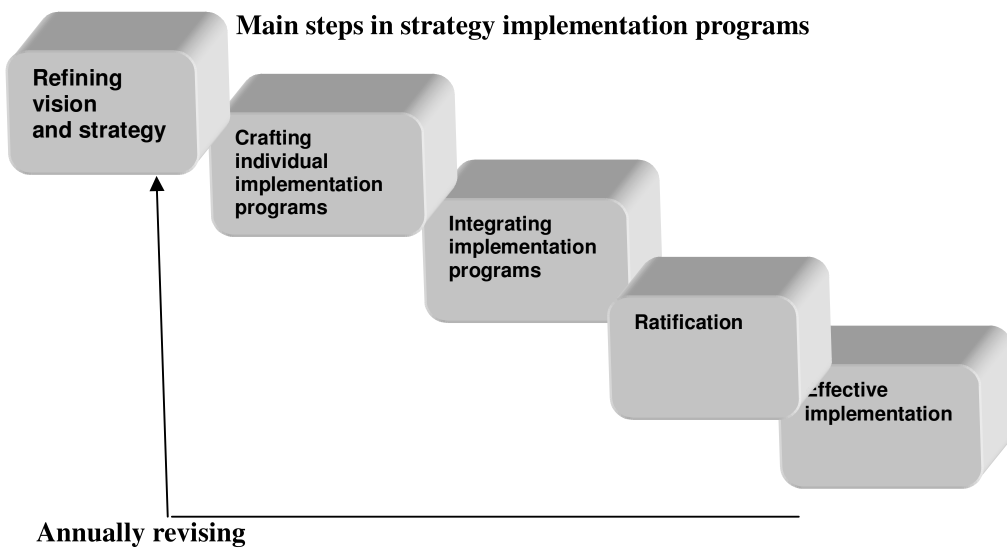

Figure 5.a: Implementation process

Executing the Strategy

Managing the implementation of a strategy is an operations-oriented, makethings- happen activity aimed at performing core business activities in a strategy supportive manner. It is easily the most demanding and time-consuming part of the strategy management process. Converting strategic plans into actions and results tests a manager's ability to direct organizational action, motivate people, build and strengthen company competencies and competitive capabilities, create and nurture a strategy-supportive work climate, and meet or beat performance targets. Initiatives to put the strategy in place and execute it proficiently have to be launched and managed on many organizational fronts.

Management's action agenda for executing the chosen strategy emerges from assessing what the company will have to do to achieve the targeted financial and strategic performance. Each company manager has to think through the answer to "What has to be done in my area to execute my piece of the strategic plan, and what actions should I take to get the process under way?" How much internal change is needed depends on how much of the strategy is new, how far internal practices and competencies deviate from what the strategy requires, and how well the present work climate/culture supports good strategy execution. Depending on the amount of internal change involved, full implementation and proficient execution of company strategy (or important new pieces thereof) can take several months to several years. In most situations, managing the strategy execution process includes the following principal aspects:

1. Staffing the organization with the needed skills and expertise.
2. Building and strengthening strategy-supporting resources and competitive capabilities.
3. Organizing the work effort along the lines of best practice.
4. Allocating ample resources to the activities critical to strategic success.
5. Ensuring that policies and procedures facilitate rather than impede effective strategy execution.
6. Installing information and operating systems that enable company personnel to carry out their roles effectively and efficiently.
7. Motivating people and tying rewards and incentives directly to the achievement of performance objectives.
8. Creating a company culture and work climate conducive to successful strategy execution.
9. Exerting the internal leadership needed to propel implementation forward and
10. drive continuous improvement of the strategy execution processes.

Good strategy execution requires diligent pursuit of operating excellence. It is a job for a company's whole management team. Success hinges on the skills and cooperation of operating managers who can push for needed changes in their organizational units and consistently deliver good results. Management's handling of the strategy implementation process can be considered successful if things go smoothly enough that the company meets or beats its strategic and financial performance targets and shows good progress in achieving management's strategic vision.

Levels of Strategy

Strategy may operate at different levels of an organization -corporate level, business level, and functional level.

Corporate Level Strategy

Corporate level strategy occupies the highest level of strategic decision-making and covers actions dealing with the objective of the firm, acquisition and allocation of resources and coordination of strategies of various SBUs for optimal performance. Top management of the organization makes such decisions. The nature of strategic decisions tends to be value-oriented, conceptual and less concrete than decisions at the business or functional level.

Business-Level Strategy

Business-level strategy is – applicable in those organizations, which have different businesses-and each business is treated as strategic business unit (SBU). The fundamental concept in SBU is to identify the discrete independent product/market segments served by an organization. Since each product/market segment has a distinct environment, a SBU is created for each such segment. For example, Reliance Industries Limited operates in textile fabrics, yarns, fibers, and a variety of petrochemical products. For each product group, the nature of market in terms of customers, competition, and marketing channel differs.

There-fore, it requires different strategies for its different product groups. Thus, where SBU concept is applied, each SBU sets its own strategies to make the best use of its resources (its strategic advantages) given the environment it faces. At such a level, strategy is a comprehensive plan providing objectives for SBUs, allocation of re-sources among functional areas and coordination between them for making optimal contribution to the achievement of corporate-level objectives. Such strategies operate within the overall strategies of the organization. The corporate strategy sets the long-term objectives of the firm and the broad constraints and policies within which a SBU operates. The corporate level will help the SBU define its scope of operations and also limit or enhance the SBUs operations by the resources the corporate level assigns to it. There is a difference between corporate-level and business-level strategies.

For example, Andrews says that in an organization of any size or diversity, corporate strategy usually applies to the whole enterprise, while business strategy, less comprehensive, defines the choice of product or service and market of individual business within the firm. In other words, business strategy relates to the ‘how’ and corporate strategy to the ‘what’. Corporate strategy defines the business in which a company will compete preferably in a way that focuses resources to convert distinctive competence into competitive advantage. Corporate strategy is not the sum total of business strategies of the corporation but it deals with different subject matter. While the corporation is concerned with and has impact on business strategy, the former is concerned with the shape and balancing of growth and renewal rather than in market execution.

Functional-Level Strategy

Functional strategy, as is suggested by the title, relates to a single functional operation and the activities involved therein. Decisions at this level within the organization are often described as tactical. Such decisions are guided and constrained by some overall strategic considerations. Functional strategy deals with relatively restricted plan providing objectives for specific function, allocation of resources among different operations within that functional area and coordi-nation between them for optimal contribution to the achievement of the SBU and corporate-level objectives. Below the functional-level strategy, there may be operations level strategies as each function may be divided into several sub functions. For example, marketing strategy, a functional strategy, can be subdivided into promotion, sales, distribution, pricing strategies with each sub function strategy contributing to functional strategy.

Steps in implementing a strategy:

1. Developing an organization having potential of carrying out strategy successfully
2. Disbursement of abundant resources to strategy-essential activities.
3. Developing an organization having potential of carrying out strategy successfully.
4. Disbursement of abundant resources to strategy-essential activities
5. Creating strategy-encouraging policies
6. Employing best policies and programs for constant improvement
7. Linking reward structure to accomplishment of results
8. Making use of strategic leadership.

Excellently formulated strategies will fail if they are not properly implemented.

Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc. Strategy implementation poses a threat to many managers and employees in an organization. New power relationships are predicted and achieved. New groups (formal as well as informal) are formed whose values, attitudes, beliefs and concerns may not be known. With the change in power and status roles, the managers and employees may employ confrontation behavior.

Strategy Implementation and Leadership

Major change efforts have to be top – down and vision –driven .Leading change has to start with diagnosing the situation and then deciding which of several ways to handle it. Managers have five leadership roles to play in pushing for

The Challenge of Strategy Implementation

A recent commercial for a major computer company's e-business consulting practice showed a CEO, in a state of high excitement, expostulating about a thick book he held in his hands. "Here it is," he exclaimed, "it cost $2 million. The best strategy ever! Now the question is, 'is it implementable?'" We then watch his face fall as, one by one, his executives consider the question and reply "No." Numerous studies have noted the very weak relationship of strategy formulation to strategy execution. Fortune Magazine stated that "Less than 10% of strategies effectively formulated are effectively executed." Companies large and small worldwide spend billions of dollars each year on strategy formulation. A search of the World Wide Web using Google took less than 1/3 of a second to return more than 1.3 million hits on strategy consulting, ranging from the "Big 6" firms to boutique firms specializing in strategy. Interestingly, a similar search for strategy implementation consulting returned less than 500,000 hits. Even allowing for overlap this is a significant disconnect.

If Fortune is correct, only one of ten companies that do an effective job of formulating strategy are doing equally effective jobs of implementing it. For the rest, presumably, the well-crafted strategy is lost in the press of day-to-day tactical concerns or is left to languish in a report on the CEO's bookshelf. Yet very few people would deny that, in today's fast-moving fast-changing business world, strategy, with its long-range perspective, is critical. By analogy, if the guidance system on an airplane or ocean liner is not programmed to reach its destination, then it cannot keep the plane or ship on course in rough or stormy weather. For any company today, strategy provides, or should provide, that overall trip plan against which management can true up in difficult times. Why is it seemingly so difficult to execute strategy? The answer, I believe, lies in the way the nature of business has changed in the past 30 years. For the first three-quarters of the 20th Century, strategy was not seen as difficult to formulate or difficult to execute. As recently as 1981, when Jack Welch took over as Chairman and CEO of GE he was able to formulate a strategy as simple as "be number 1 or number 2 in every business we are in or don't be in that business," and was able to execute that strategy with legendary results. Yet 1981 was the beginning of one of the most remarkable shifts in the history of business, the shift from value based in tangible assets to value based in intangible assets.

Baruch Lev of the Brookings Institution has made an extensive study of this shift. Lev's and Brookings' data indicate that in 1982, 62% of the market value (measured by market capitalization) of companies could be attributed to tangible assets, and only 38% to intangibles. Ten years later Brookings' analysis of S&P 500 companies showed that the relationship had been reversed: in 1992 it was 32% tangible to 68% intangible.

A follow-up study in 1998 showed that, with the rise of the knowledge-based economy, the ratio had further shifted to 85% intangible to 15% tangible. This could be said to be a shift to a world where value is based in service, in selling solutions rather than in objects or hard assets. But why would this shift have had such an effect on strategy implementation? The answer is deceptively simple – the rules of management have changed. Management of a company whose value-creating mechanisms are based largely on intangibles is a whole different ballgame than when those mechanisms are based on tangible assets. Peter Drucker is said to have remarked that “if you can’t measure it, you can’t manage it.” Yet the measurement of intangibles is, by its nature, a tricky business. Tangible assets are measurable directly. If it costs $100 to manufacture an item and the cost of sales is $25, and you sell it for $200, then every item sold puts $75 on the gross profit line of the spreadsheet. If the (tangible) assets of a company are worth $5,000,000 and the liabilities of the company are $4,000,000, then the net worth of the company is $1,000,000. But intangible assets are, well, intangible. Like electrons in a cloud chamber they cannot be measured directly, but only by the tracks they leave.

If we invest $1,000,000 in a CRM system, the measures for the ROI from that system are things like customer satisfaction, repeat business, customer retention, new business acquisition, etc. To be sure, the ultimate measure is increased revenue. But in order to determine how much of the increased revenue is attributable to the CRM system, we must look at second, third, and even fourth-order effects. Furthermore, much of the case for ROI will be made inferentially rather than by direct observation as in the case of tangible asset ROI. And it gets worse: In almost every case the use of an intangible asset for value creation will require the initiation of at least one other intangible asset as well.

The CRM system will require a training program and the creation, actively or passively of a culture or climate that promotes using the system. This will require leadership (another intangible asset), and possibly process reengineering. Just as tangible assets had to be integrated with the company’s overall strategy (GE would rightly have rejected out of hand a suggestion that they go into the business of making automobiles), intangible assets must be integrated as well. The problem is that intangible assets reside in people’s thinking and the value creating power of these assets lies in people’s ability to put them to work. This means that in order to integrate them into the organization’s strategy, that strategy cannot be a top-down imposition by management, but must be interjected and owned by the proprietors of the intellectual property. So in today’s business world, strategy implementation is inseparable from effective leadership and communication within the company.

Conclusion

The value creation process, in our experience, follows these lines:

1. Formulation and effective communication of vision and values
2. Formulation and effective communication of mission
3. Generation of enthusiasm and buy-in at all levels
4. Commitment to projects and business results that will fulfill on the mission
5. Design of organizational architecture that allows for empowerment and communication
6. Creation of tactics and short-term goals at the local level
7. Effective Action in a context of accountability

Work on these intangibles is a strategic investment equally as important as new equipment, buildings, or mergers and acquisitions.

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