Strategy Implementation

One of a CEO's key roles is to communicate a vision and to guide strategic planning. Those who have successfully implemented strategic plans have often reported that involving teams at all levels in strategic planning helps to build a shared vision and increases individuals' motivation to see plans succeed.

Clarity and consistent communication, from mapping desired outcomes to designing performance measures, are essential to success. Successful leaders have often engaged their teams by simply telling the story of their shared vision and publicly celebrating large and small wins, such as the achievement of milestones. To ensure that the vision is shared, teams need to know that they can test the theory, voice opinions, challenge premises, and suggest alternatives without fear of reprimand.

Implementing strategic plans may require leaders who lead through inspiration and coaching rather than command and control. Recognizing and rewarding success, inspiring, and modeling behaviors is more likely to result in true commitment than use of authority, which can lead to passive resistance and hidden rebellion.

IMPLEMENTING STRATEGIC PLANS

Once strategies have been agreed on, the next step is implementation; this is where most failures occur. It is not uncommon for strategic plans to be drawn up annually and to have no impact on the organization as a whole.

A common method of implementation is hoopla—a total communication effort. This can involve slogans, posters, events, memos, videos, Web sites, and so on. A critical success factor is whether the entire senior team appears to buy into the strategy and models appropriate behaviors. Success appears to be more likely if the CEO, or a very visible leader, is also a champion of the strategy.

Strategic measurement can help in implementing the strategic plan. Appropriate measures show the strategy is important to the leaders, provide motivation, and allow for follow-through and sustained attention. Measures can increase the focus of the strategy, aligning the workforce around specific issues. The results can include faster changes (both in strategic implementation and in everyday work); greater accountability (since responsibilities are clarified by strategic measurement, people are naturally more accountable); and better communication of responsibilities (because the measures show what each group's primary responsibility is), which may reduce duplication of effort.

Creating a strategic map (or causal business model) helps identify focal points, showing the cause and effect linkages between key components. The map can simultaneously express both the vision and mission and the plan for
achieving desired goals. If tested through statistical-linkage analysis, the map also allows the organization to leverage resources on the primary drivers of success.

The senior team can create a strategic map (or theory of the business) by identifying and mapping the critical few ingredients that will drive overall performance. This can be tested (sometimes immediately, with existing data) through a variety of statistical techniques; regression analysis is frequently used, because it is fairly robust and requires relatively small data sets.

This map can lead to an instrument panel covering a few areas that are of critical importance. The panel does not include all of the areas an organization measures, rather the few that the top team can use to guide decisions, knowing that greater detail is available if they need to drill down for more intense examination. These critical few are typically within six strategic performance areas: financial, customer/market, operations, environment (which includes key stakeholders), people, and partners/suppliers. Each area may have three or four focal points; for example, the people category may include leadership, common values, and innovation.

Once the strategic map is defined, organizations must create measures for each focal point. The first step is to create these measures at an organizational level. Once these are defined, each functional area should identify how they contribute to the overall measures and then define measures of their own. Ideally, this process cascades downward through the organization until each individual is linked with the strategy and understands the goals and outcomes they are responsible for and how their individual success will be measured and rewarded.

Good performance measures identify the critical focus points for an organization and reward their successful achievement. When used to guide an organization, performance measures can be a competitive advantage because they drive alignment and common purpose across an organization, focusing everyone’s best efforts at the desired goal. But defining measures can be tricky. Teams must continue to ask themselves, ‘If we were to measure performance this way, what behavior would that motivate?’ For example, if the desired outcome is world-class customer service, measuring the volume of calls handled by representatives could drive the opposite behavior.

CASCADING THE PLAN

In larger organizations, cascading the strategic plan and associated measures can be essential to everyday implementation. To a degree, hoopla, celebrations, events, and so on can drive down the message, but in many organizations, particularly those without extremely charismatic leaders, this is not sufficient.

Organizations have found it helpful to ask each functional area to identify how it contributes to achieving the overall strategic plan. (“Functional area” designates whatever natural units exist in the organization—functions, geographies, business units, etc.) Armed with the strategic map, operational definitions and the overall organizational strategic performance measures, each functional area creates its own map of success and defines its own specific performance measures. They can follow the model outlined above, starting with their own SWOT analysis.

For example, for many years Sears cascaded its strategic plan to all of its stores through local store strategy sessions involving all employees. The plan was shown graphically by a strategy map and reinforced through actions (such as
the sale of financial businesses like Allstate). Online performance measures helped store managers to gain feedback on their own performance, and also let them share best practices with other managers.

Functional area leaders may be more successful using a cascade team to add input and take the message forward to others in the area. Developing ambassadors or process champions throughout the organization to support and promote the plan and its implementation can also enhance the chances of success. These champions may be candidates for participation on the design or cascade teams and should be involved in the stakeholder review process.

**IN-DEPTH UNDERSTANDING OF CONSUMER MARKETS**

Effective strategy implementation focuses on the creation of value for customers with respect to the evolving trends of customer tastes and preferences. The organization’s commitment to specific customer preferences should be demonstrated clearly at the strategy implementation level and implemented according to the established plan. The firm should proceed to implement the customer satisfaction strategy by harnessing the required resources for exploiting the prevailing and emergent market opportunities according to the identified needs of the target markets. Yongye International, a company that specializes in the production of agricultural nutrients, is a good example of an organization that implements clearly articulated strategies. Yongye achieves competitive advantage in the market by positioning its fertilizer as farm nutrients and by focusing on conveying its brand as a trusted brand rather than competing on the basis of market pricing. The company further lends value orientation to its strategy implementation pursuits by providing farmers with aftersales services in the form of technical assistance.

**STRATEGY IMPLEMENTATION ISSUES**

Strategy implementation almost always involves the introduction of change to an organization. Managers may spend months, even years, evaluating alternatives and selecting a strategy. Frequently this strategy is then announced to the organization with the expectation that organization members will automatically see why the alternative is the best one and will begin immediate implementation. When a strategic change is poorly introduced, managers may actually spend more time implementing changes resulting from the new strategy than was spent in selecting it. Strategy implementation involves both macro-organizational issues (e.g., technology, reward systems, decision processes, and structure), and micro-organizational issues (e.g., organization culture and resistance to change).

**MACRO-ORGANIZATIONAL ISSUES OF STRATEGY IMPLEMENTATION**

Macro-organizational issues are large-scale, system-wide issues that affect many people within the organization. In their book *Strategy Implementation: Structure, Systems and Process*, Jay R. Galbraith and Robert K. Kazanjian argued that there are several major internal subsystems of the organization that must be coordinated to successfully implement a new organization strategy. These subsystems include technology, reward systems, decision processes, and structure. As with any system, the subsystems are interrelated, and changing one may impact others. Technology can be defined as the knowledge, tools, equipment, and work methods used by an organization in providing its goods and services. The technology employed must fit the selected strategy for it to be successfully
implemented. Companies planning to differentiate their product on the basis of quality must take steps to assure that the technology is in place to produce superior quality products or services. This may entail tighter quality control or state-of-the-art equipment. Firms pursuing a low-cost strategy may take steps to automate as a means of reducing labor costs. Similarly, they might use older equipment to minimize the immediate expenditure of funds for new equipment.

Reward systems or incentive plans include bonuses and other financial incentives, recognition, and other intangible rewards such as feelings of accomplishment and challenge. Reward systems can be effective tools for motivating individuals to support strategy implementation efforts. Commonly used reward systems include stock options, salary raises, promotions, praise, recognition, increased job autonomy, and awards based on successful strategy implementation. These rewards can be made available only to managers or spread among employees throughout the organization. Profit sharing and gain sharing are sometimes used at divisional or departmental levels to more closely link the rewards to performance.

Questions and problems will undoubtedly occur as part of implementation. Decisions pertaining to resource allocations, job responsibilities, and priorities are just some of the decisions that cannot be completely planned until implementation begins. Decision processes help the organization make mid-course adjustments to keep the implementation on target.

Organizational structure is the formal pattern of interactions and coordination developed to link individuals to their jobs and jobs to departments. It also involves the interactions between individuals and departments within the organization. Current research supports the idea that strategies may be more successful when supported with structure consistent with the new strategic direction. For example, departmentalization on the basis of customers will likely help implement the development and marketing of new products that appeal to a specific customer segment and could be particularly useful in implementing a strategy of differentiation or focus. A functional organizational structure tends to have lower overhead and allows for more efficient utilization of specialists, and might be more consistent with a low-cost strategy.

**MICRO-ORGANIZATIONAL ISSUES OF STRATEGY IMPLEMENTATION**

Micro-organizational issues pertain to the behavior of individuals within the organization and how individual actors in the larger organization will view strategy implementation. Implementation can be studied by looking at the impact organization culture and resistance to change has on employee acceptance and motivation to implement the new strategy.

Persons involved in choosing a strategy often have access to volumes of information and research reports about the need for change in strategies. They also have time to analyze and evaluate this information. What many managers fail to realize is that the information that may make one strategic alternative an obvious choice is not readily available to the individual employees who will be involved in the day-today implementation of the chosen strategy. These
employees are often comfortable with the old way of doing things and see no need to change. The result is that
management sees the employee as resisting change.

Employees generally do not regard their response to change as either positive or negative. An employee’s response
to change is simply behavior that makes sense from the employee’s perspective. Managers need to look beyond
what they see as resistance and attempt to understand the employee’s frame of reference and why he or she may
see the change as undesirable.

FORCE FIELD ANALYSIS

One technique for evaluating forces operating in a change situation is force field analysis. This technique uses a
concept from physics to examine the forces for and against change. The length of each arrow as shown in Figure 1
represents the relative strength of each force for and against change. An equilibrium point is reached when the sum
of each set of forces is equal. Movement requires that forces for the change exceed forces resisting the change.

Reducing resisting forces is usually seen as preferable to increasing supporting forces, as the former will likely reduce tension and the degree of conflict.

This model is useful for identifying and evaluating the relative power of forces for and against change. Likewise, it is
helpful in visualizing salient forces and may allow management to better assess the probable direction and speed of
movement in implementing new strategies. Forces for change can come from outside the organization or from within.

External forces for change may result from sociocultural factors, government regulations, international developments,
technological changes, and entry or exit of competitors. Internal forces for change come from within the organization
and may include changes in market share, rising production costs, changing financial conditions, new product
development, and so on.

Similarly, forces resisting change may result from external or internal sources. Common external pressures opposing
change are contractual commitments to other businesses (suppliers, union), obligations to customers and investors,
and government regulations of the firm or industry. Internal forces resisting change are usually abundant; limited
organizational resources (money, equipment, personnel) is usually one of the first reasons offered as to why change

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**Figure 1: Forces Operating in Strategy Change**

- **Forces for change**
  - External: Sociocultural changes, Government regulations, Competitive pressures
  - Internal: Changes in market share, Changing rates of return, Production economics

- **Forces resisting change**
  - External: Prior commitments, Obligations to consumers, Government regulations
  - Internal: Limited resources, Employee/labor relations, Organization culture

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cannot be implemented. Labor agreements limit the ability of management to transfer and, sometimes, terminate employees. Organization culture may also limit the ability of a firm to change strategy.

The total elimination of resistance to change is unlikely because there will almost always remain some uncertainty associated with a change. Techniques that have the potential to reduce resistance to change when implementing new strategies include participation, education, group pressure, management support, negotiation, co-optation, and coercion.

Participation is probably the most universally recommended technique for reducing resistance to change. Allowing affected employees to participate in both the planning and implementation of change can contribute to greater identification with the need for and understanding of the goals of the new strategy. Participation in implementation also helps to counteract the disruption in communication flows, which often accompanies implementation of a change. But participation has sometimes been overused. Participation does not guarantee acceptance of the new strategy, and employees do not always want to participate. Furthermore, participation is often time consuming and can take too long when rapid change is needed.

**POTENTIAL STRATEGY IMPLEMENTATION PROBLEMS**

The failure to sequence the implementation of strategies according to their logical priorities leads to loss of direction in the strategy implementation process. The organization experiences such eventualities when the framework of the strategic plan is altered without sufficient consultation or when it is completely ignored. Strategy implementation failure prevails when the business underestimates the scope of market competition. For example, Samsung offered to sell its computer hard disk production unit to Seagate Technology in April 2011 after the company failed to register much impact in the market, barely raising a 10 percent market share. Samsung's strategy implementation flopped because it underestimated the tough market competition from Western Digital Corp, the market leader in the hard disk production industry, and other leading competitors such as Seagate, Hitachi, and Toshiba.

Strategy implementation is also bound to fail if the organization's strategic plan is not reviewed on a consistent basis in tandem with the changes in the internal and external environments. For example, if the organizational employees participate in an industrial action as a result of the organization's implementation of a workforce reduction strategy, then a review of the entire strategy would be unavoidable. Similarly, changes in economic growth patterns would necessitate changes in the organization's production strategies.

**ROLE OF TOP MANAGEMENT**

Top management is essential to the effective implementation of strategic change. Top management provides a role model for other managers to use in assessing the salient environmental variables, their relationship to the organization, and the appropriateness of the organization's response to these variables. Top management also shapes the perceived relationships among organization components.

Top management is largely responsible for the determination of organization structure (e.g., information flow, decision-making processes, and job assignments). Management must also recognize the existing organization
culture and learn to work within or change its parameters. Top management is also responsible for the design and control of the organization’s reward and incentive systems.

Finally, top management is involved in the design of information systems for the organization. In this role, managers influence the environmental variables most likely to receive attention in the organization. They must also make certain that information concerning these key variables is available to affected managers. Top-level managers must also provide accurate and timely feedback concerning the organization’s performance and the performance of individual business units within the organization. Organization members need information to maintain a realistic view of their performance, the performance of the organization, and the organization’s relationship to the environment.

SEE ALSO Managing Change ; Strategic Planning ; Strategy Formulation ; Strategy Levels.

BIBLIOGRAPHY


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