

Unit 14 Strategy Implementation

Concept:

Strategy implementation is the sum total of the activities and the choices required for the execution of a strategic plan. It is a process by which objectives, strategies and policies are put into action through the development of programs, budgets and procedures. (Wheelen and Hunger)

Process of Strategy Implementation:

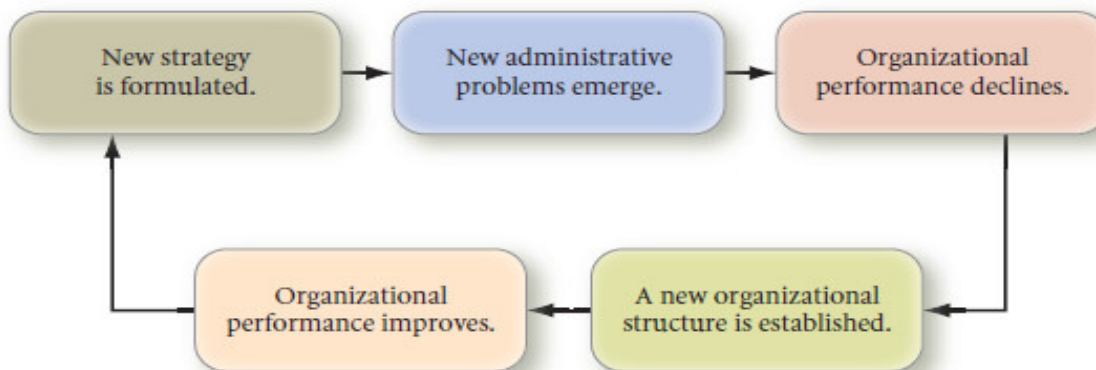
- i. Identifying short term objectives.
- ii. Initiating specific functional tactics.
- iii. Empowering people in the organization by communicating policies.
- iv. Matching the organization structure to strategy
- v. Linking reward system with strategic goals.
- vi. Measurement feedback and corrective mechanism.

Designing Structure for Strategy Implementation

Change in strategy often requires changes in the way an organization is structured for two major reasons: First, Structure largely dictates how objectives and policies will be established. Second, Structure dictates how resources will be allocated.

FIGURE 7-3

Chandler's Strategy-Structure Relationship



Source: Adapted from Alfred Chandler, *Strategy and Structure* (Cambridge, MA: MIT Press, 1962).

Role of sound organizational structure for effective implementation of Strategy:

Organizational structure largely dictates how objectives and policies will be established. If an organization's structure is based on customer groups, then resources will be allocated in that manner. Similarly, if an organization's structure is setup along functional business lines, then resources are allocated by functional areas. We need to be aware of situation that changes in strategy lead to changes in organizational structure. Structure should be designed to facilitate the strategic pursuit of a firm and, therefore, follows strategy. Structure does influence the strategy. Structure can also shape the choice of strategies. However, a more important concern is determining what types of structural changes are needed to implement new strategies and how these changes can best be accomplished. There are many types of organizational structure and each of them influences the strategic decisions and implementation. Organization structure for implementation of strategy is discussed below:

(a) Simple Structure: A simple structure is a form in which the owner manager makes all major decisions directly and monitors all activities. This structure involves little specialization of tasks, few rules and limited formalization. This structure is designed in a small business where there is a single product line with limited geographic market. The owner/ manager undertake almost all responsibilities of management along with assistants.

(b) Functional Structure: It is build around business functions. It is based on functions of an organization. This structure consists of CEO and a limited corporate staffs with functional line managers such as production, accounting, marketing, R and D, human resources etc. This structure facilitates career paths and professional development in specialized functional areas. However, it is generally adopted by smaller companies which have narrow product range.

(c) Multidivisional Structure/ SBU Structure: The multidivisional structure is composed of operating divisions, each representing a separate business or profit center. The top corporate officer delegates responsibilities for day-to-day operations. It is highly decentralized structure. Each strategic business units are divided on the base of products, services, geographical areas. When a firm diversifies its operations, a functional strategy becomes inadequate. Therefore, divisional structure is necessary to meet the coordination and decision making requirements resulting from increased diversity and size.

(d) Holding Company Structure: It is an investment company having shareholding in a variety of separate companies in which parent company exercises control. The ownership holds by parent company to subsidiary company may be fully or partially. The main advantage behind this holding company structure is

that the parent company can offer the best ideas to the subsidiary company to prepare and operate the strategy to the best potential.

(e) Matrix Structure: It is a combination of structures. It super imposes project structure on functional structure. It integrates knowledge and skills. It temporarily assigns people from functional departments to projects. It provides skills and resources where and when they are must needed. It depends on both vertical and horizontal flows of authority and communication. In it the quality decision are possible. It fosters creativity. There is increased motivation, commitment and communication.

(f) Team based Structure: A team is a group whose individual efforts results in positive synergy through coordinated efforts. It combines both horizontal and vertical coordination. In this the team members work collectively to achieve their objectives. There is no rigid hierarchy. The performance evaluation is done by the member themselves. The productivity and satisfaction is high. Employee's talent and skills are better utilized in this structure.

Resource Planning

Whenever organization selects new strategy to implement, it immediately requires effective manpower to deploy, financial measures, new plant or equipments, R&D etc. Therefore, there should be the sound resource planning for effective implementation of strategy.

An effective resource plan helps answer the following questions:

- Do organizations have resources enabling their strategies to be executed successfully?
- Are the strategies of the organization being shaped to capitalize on the expertise in the resource area?
- What are the processes for allocating resources at corporate and business level?

Process of Resource Planning

- Define the missions/goals
- Assess the current inventory of resources
- Assess and acquire the required resource
- Allocate the resources.

Management System for Strategy Implementation

Strategy implementation requires establishment of management system. Management gets the jobs done by working with & through people to implement strategy. It performs the functions of planning, organizing, staffing, leading & controlling. It manages change & conflicts. The essential of management system for strategy implementation consists of:

- i. **Human Resource Management:** People are the heart of strategy implementation. The unique competencies of people are the key strategic factors enabling the success of strategies. The components of human resource management consists of (a) putting together a strong management team (b) acquiring competent employees (c) development of employees (d) utilization of employees & (e) Retention of employees.
- ii. **Information Management:** Strategy implementation requires establishment & use of information, communication, & ecommerce systems. They enable people to carry out their roles successfully & effectively. Information management enables success of strategy. Information technology is advancing rapidly. The ability of organizations to access & process information is crucial to strategy implementation. E-commerce is a vital tool for strategy implementation.
- iii. **Leadership:** Leadership is guiding & influencing people. It establishes direction, manages change & builds a team. It makes decisions. It is essential to drive strategy implementation forward. Effective leaders carry out the following tasks to strategy into actions. (a) Benchmarking (b) performance based records (c) supportive environment (d) open communication (e) environmental adaptation (f) team building (g) conflict management & (h) leading.
- iv. **Shaping Organization Culture:** Management shapes supportive organization culture for strategy implementation. Organization culture refers to a set of beliefs, values, symbols & assumptions shared in common throughout the organizations. Strategy supportive culture is developed.
- v. **Reward System:** Effective reward system encourage the employees to do better which helps sound implementation of strategy.