Business strategy implementation and strategic management: An analytical study

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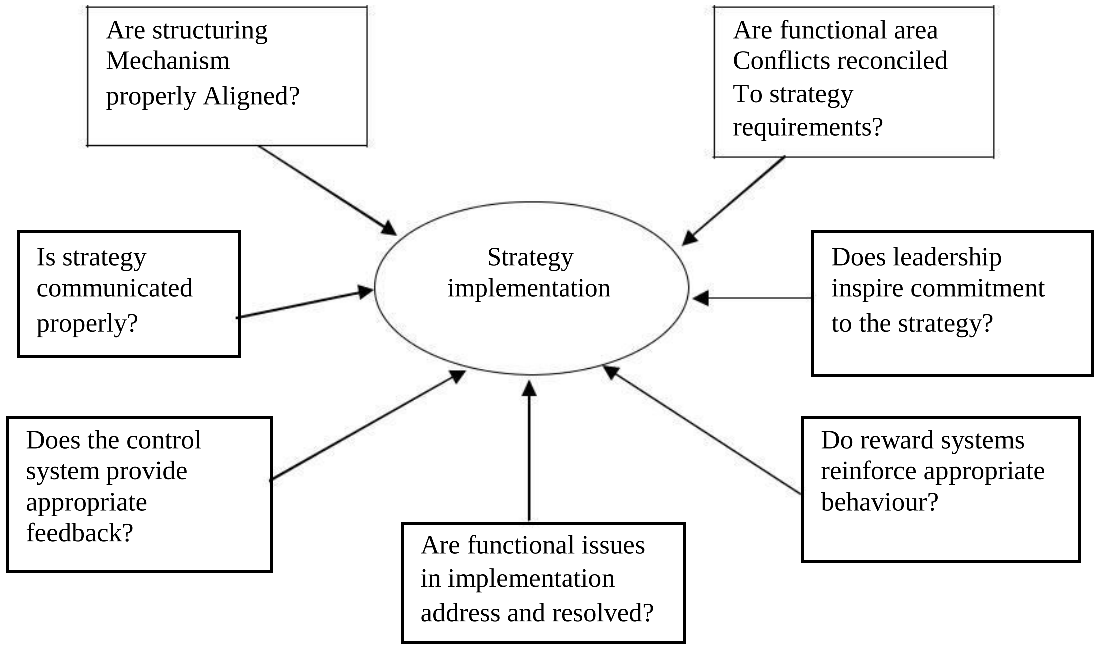
Abstract

Strategy implementation may be viewed as a process inducing various forms of organizational learning, because both environmental threats and strategic responses are a prime trigger for organizational learning processes. Following to this we review that it's quiet a complicated task for any management team, making a strategy perform or execute, implementing the ideas all throughout the organization. Strategy implementation is considered mostly as something of an expertise and its research history has formerly been illustrated as fragmented and diverse. Soft, hard and mixed factors which range from the people who communicate or mechanism in place for co-ordination and control have been proved influential to the success of Strategy implementation. Strategy execution is also defined as 'the step by step implementation of the various activities that make up a formulated decision making strategy.

Key-words: *Strategy implementation, Strategy execution, Management.*

Introduction

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. In this study, we consider some important aspects of strategy implementation. On the business level, these include specifying the requirements of the business strategy for each of the functional areas and resolving any functional area conflicts in the interest of the organization as a whole. On the corporate level, a number of issues arise around the merger tactic to implement growth and diversification strategies. Corporate strategy implementation also requires proper alignment of the organizations structuring mechanisms, its control systems, its reward systems, and managements approach to leadership. Exhibit below shows factors, which affect strategy implementation. Strategy implementation is concerned with making decisions with regard to developing an organizational structure to achieve the strategy, staffing the structure, providing the leadership and motivation to the staff, and monitoring the effectiveness of the strategy in achieving the organizations objectives.



Strategic Implantations: Connecting Actions to Ideas

The strategist has a number of tools, which can be used to put strategy into action. These tools should be utilized in a manner that is both comprehensive and consistent. Comprehensive implementation refers to the range of techniques employed. An organization, which seeks an increased reliance on new products and customers to broaden its revenue base, has a wide selection of techniques available to make the shift. A typical approach might include increased resource allocation to both research and development and marketing, a shift in the reward system to encourage the extra attention needed by new activities, and a change in the way activities are grouped as well as in reporting relationships. Furthermore, it is necessary to track the progress of new endeavors, compare progress with original plan and provide the resulting information to those parts of the organization, which can take appropriate action. The use of functional strategies, the organization structure, the reward system, the control systems, and the information systems to implement changes in strategy constitutes a more comprehensive approach Consistent implementation minimizes conflicting signals when several techniques are being used. A conflict could occur, for example, when shifts in structure to allow for managerial attention to new products are implemented under a reward system which focuses sales force attention on repeat sales to current customers. Lack of comprehensiveness and consistency are manifest in different ways. Failure to implement comprehensively is wasteful because ail techniques are not used. The danger of contradictory signals is that individuals are left to resolve contradictions on their own and the unifying power of a common direction for effort is dissipated in numerous uncoordinated decisions.

Whether an organization seeks improved implementation of its current strategy or must adjust current implementation techniques to the requirements of a new strategy. The same basic concerns must be addressed. The requirements of the strategy must be defined for groups and individuals. These groups and individuals must receive organizational support necessary to fulfill the requirements. Implementing strategy is the work of the entire organization. Top managers must work through others rather than taking actions directly. This requires skills in administration; an understanding of what motivates human behavior, and a grasp of how the parts of the organization interact. These skills are not so much learned as developed. Before a strategy can be implemented it must be clearly understood. A clear understanding of strategy gives purpose to the activities of each organization member. It allows the individual to link whatever task is at hand to the overall organizational direction. This is mutually enhancing and gives meaning to the task. It also provides the individual with general guidance for making decisions and enables him or her to direct efforts toward activities that count.

Strategy Communication: The Desirability of the Direct Announcement

The desirability of the direct announcement of a strategy depends on several factors. The wider, the dissemination of information concerning strategic decisions, competitive moves, or shifting emphasis, the greater, the likelihood that it will reach a competitor who could subvert the move decision, or shift. A strategy, which will provide or exploit unpublicized advantage, may be best kept undisclosed. The advantages of organizational commitment would be offset by the loss of surprise. If the strategy will divulge proprietary information, it should be shared only on a need to know basis. It is not always possible to achieve consensus concerning the appropriate strategic directions for an organization. If a number of top managers participate in the formulation process, it is not unlikely that there will be differences of opinion about the final choice. The differences of opinion may have been settled in a way that created animosity in the losers. In an organization, where relationships are strained, factions may form around strong individuals, and the strategy may be judged and supported according to who is backing it rather than upon its own merits. In such a situation, it may be more efficient to communicate the strategy piecemeal rather than as a whole. Strategy communication that sparks infighting will hinder implementation more than it will help.

The announcement of a strategy gives all organizational stakeholders a means of evaluating operations and performance. It also raises and defines expectations about the future of the organization, which may prove embarrassing to management if unforeseen circumstances arise and diminish performance. For this reason, many public announcements of strategy are retrospective, indicating what has been attempted and how well the objectives have been met. An organization, which announces strategy, is subject to criticism from security analysts, to fluctuations in stock prices, to government scrutiny and to buyer and supplier moves, as well as to union responses. Communication of strategy should be preceded by consideration of the expectations and resulting responses by stakeholders that may be generated. A clear statement of strategy may either inspire or demoralize. The effect of a given communication must be considered in light of the personal implications for the individuals required to implement it. Growth strategies have enjoyed popularity because, among other things, the rewards both financial and career are perceived as greater for all concerned. Retrenchment strategies are full of financial and personal unpleasantness even though they may be necessary to maintain long-term viability. At the corporate level, considerable differences may exist among the strategies of various business units.

Organization Structure and Strategy: Growth of Organization & Stages of Development

Organization structure refers to the network of organizational arrangements and relationships formally established on a durable basis. It consists, among other-things, of mechanisms to ensure that parts are linked and work together effectively. Distinction is sometimes made between two aspects of the organization structure as the super structure i.e. groupings based on activities forming departments or divisions; this is generally depicted in the organization chart; and the infra structure i.e. authority-responsibility relations, channels of communication, specialization etc. Theoretical analysis and empirical studies have given rise to different viewpoints regarding the nature of relation between a firm's strategy and its structural implications. A dominant opinion holds that strategy is an independent variable and the structure of organization should conform to the strategy. In other words, this view suggests that structure follows the strategy of a firm. Another contention in this respect is that structure is not necessarily a dependent variable and that it can influence the strategic choice through perception of the strategic issues. A third viewpoint suggests that the relationship between strategy and structure or the precedence of one over the other depends on the degree organizational slack or resource constraints.

The form of organization of a firm besides establishing the inter relationship between the differentiated units and subunits also seeks to regulate the pattern of managerial behavior and supplements the managerial efforts to achieve the organizational objectives. The structure of organization, however, is a necessary but not sufficient condition for successful implementation of strategy. Poor results may be as much manifest in an organizationally perfect company as success is in an ill organized company. Discerning executives in an ill organized company may recognize the necessity of adjustment and adapt their actions to the informal but more effective arrangement outside the formal structure. Two other dimensions of strategy implementation are thus suggested to be of equally critical significance, leadership and organizational climate. The choice of leadership is closely related to the nature of strategy to be implemented. For, it is of foremost importance to ensure that the right type of executives is associated with the process of implementation at the corporate head quarters and the SBUs.

Implementation of a new strategy sometimes requires the chief executive to be replaced by a new incumbent. Chief executives may also be replaced when they are unable to effectively deal with the demands of dynamic environment. Indeed, the choice of a strategy is sometimes possible after the existing chief executive has been replaced. Public ads are quite frequently seen inviting professionally qualified persons to apply confidentially for executive positions to man product divisions or functional departments and even for chief executive position in growing concerns. The quality of leadership is a vital element of the role of executives in the implementation of strategic decisions. Organizational climate generally refers to the quality of the internal environment which conditions in turn the quality of cooperation, the development of individuals, the extent of member's dedication or commitment to organizational purpose, and the efficiency with which that purpose becomes translated into results. The nature of climate is determined by the processes of leadership, motivation, decision-making, communication and control and by the corporate culture.

Dimensions of leadership style management styles may have different orientations. These are referred to as dimensions of leadership style as manifested through the orientations. Top management of organizations may differ in their orientations. While it is important for the management style to be appropriate for the chosen strategy to ensure effective implementation. Increasing attention has recently been given to the significance of compensation incentives and career Envelopment plans for the top executives which must be needed to match with the strategic choice. It is thus argued that to motivate top executives to achieve the strategic objectives, their achievements should be linked with appropriate compensation incentives and career development plans, taking into account the executives abilities, experience, education, personality and style of management. Decisions bearing on the allocation of resources have vital significance in the process of strategy implementation. In a single product firm, it may involve assessment of the needs of the different functional departments. In the multi-visional organizations it implies the resource needs of different SBUs or product divisions. Resources may be said to consist of money, facilities and equipment, materials, supplies and services, and personnel.

Control System for Strategy Implementation

The strategy formulation is referred to in current literature as "strategic planning" and is distinguishable from "management planning and control" for strategy implementation. Strategic planning is defined as the process of deciding on the objectives of the organization, on the changes in the objectives, on the resources used to attain these objectives, and on the policies that are to govern the acquisition, use and disposition of these resources. It involves matching of the external economic, political and social environments to corporate capabilities and setting the long-term objectives and goals of the organization as well as the policies and strategies to achieve the objectives. In an Industrial company, this process includes planning that affects the objectives of the company the acquisition and disposition of major facilities, divisions, or subsidiaries, policies of all types, including policies as to management control and other processes, the markets they service and distribution of channels for serving them, the organization structure, research and development of new product lines, sources of new permanent capital, and dividend policy and so on. As distinguished form strategic planning, the system of management planning and control is associated with the ongoing administration of an enterprise. It is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organizations objectives. It accepts the corporate objectives evolved by strategic planning as givens and attempts to relate the organizational resources to the objectives in order to arrive at a time-phased statement of the corporate goals and objectives and operational plans. Thus, the management planning and control system may be regarded as the medium through which the strategic objectives, policies and plans are translated into more specific, measurable, attainable and meaningful goals and plans. Conceptually, it is a part of the total concept of strategy a segment of the strategy implementation phase.

The planning device commonly used to implement strategy is the budget. As an instrument for putting plans and policies into effect the budget enables management to formalize goals and targets to quantitative/financial terms. Moreover, budgeting requires the participation of managers at different levels in the development of plans and policies. A motivational force is thus built into the process of planning and control, which is a vital necessity for successful implementation of the strategy. Its usefulness notwithstanding, budgeting has also its inherent limitations. But on balance, many of the limitations may be found to lie not in the budget or the process of budgeting in the lack of management awareness of the limitations or the improper use of budgets. Implementation of strategy involves a wide range of policy decisions to be made including those relating to the functional areas. The purpose of policy as a guide to decision making is to pull out and clarify strategy, to provide a basis for interpreting strategy which is usually stated in general terms. A carefully selected policy sharpens the meaning of the strategy and guides specific decisions in a direction that supports the strategy.

Internal Growth: Creation of New Business

Entry through internal development involves the creation of a new business entity in an industry', including new production capacity, distribution relationships, sales force and so on. Joint ventures raise essentially the same economic issues because they are also newly started entities, although they create complicated questions about the division of efforts among the partners and how effective control has. The first important point in analyzing internal "development is that it requires the firm to confront directly the two sources of entry barriers into an industry structural entry barriers and the expected reaction of incumbent firms. The entrant through internal development must pay the price of overcoming structural entry barriers and face the risk that existing firms will retaliate. The cost of the former usually involves up-front investment and start up losses, which become part of the investment base in the new business. The risk of retaliation by existing firms can be viewed as an additional cost of entry, equal to the magnitude of the adverse effects of retaliation multiplied by the likelihood that retaliation will occur. The appropriate analysis of a decision to enter will balance the cost and benefits.

Many capital budgeting treatments of the entry decision neglect one or more of these factors. For example, too often the financial analysis assumes the industry prices and costs prevailing before entry and measures only the clearly visible investment necessary to the business like constructing manufacturing facilities and assembling a sales force. Ignored are the more subtle costs of overcoming structural entry barriers, such as established brand franchises, distribution channels tied up by competitors, competitor's access to the most favorable sources of raw materials, or the need to develop proprietary technology. Also new entry can raise the prices of scarce supplies, equipment, or labor, which means that the entering firm must bear higher costs. Another factor often neglected is the effect the entrant's new capacity will have on the supply demand balance in the industry. If the internal entrants addition to industry capacity is significant, is efforts to fill its plant will mean that at least some other firms will have excess capacity. Even more neglected in the entry decision is the impact of the probable reactions of existing firms.

The expected profitability of the firms in an industry depends on the strength of the five competitive forces rivalry, substitution, bargaining power of suppliers and buyers, arid entry. Entry acts as a balance in determining industry profits. If an industry is stable, or in equilibrium, the expected profits of entrants should just reflect the height of structural barriers to entry and the legitimate expectations of entrants about retaliation. The potential entrant, calculating its expected profits, should find that they are normal or average profits, even though the profits of incumbents may be high. Because the entrant must overcome structural entry barriers and bear the risk of reaction from going firms, it faces higher costs than the successful firms in the industry and these costs eliminate its above average profits. If the costs of entry did not offset the above average returns, other firms would already have entered and driven profits down to the level where the cost of entry and the benefits of entry cancel. Thus it will rarely pay to enter an industry in equilibrium unless the firm has special advantages market forces are at work that eliminates the returns.

Industrial Growth and Its Barriers

In new, rapidly growing industries, the competitive structure is usually not well established and the costs of entry may be much less than they will be for later entrants. Probably no firm will be locked for supplies of raw materials, created significant brand identification, or have much proclivity to retaliate to an entry. Growing firms may face limits on the rate at which they can expand; however, a firm should not enter a new industry just because it is a new industry. Entry will not be justified unless a full structural analysis lead to the prediction of above average profits for a period longs enough to justify the investment. It is also important to note that in some industries the cost of entry for pioneers is greater than for firms entering later, just because of the costs of pioneering. Finally other entrants may well be forthcoming into a new industry, and in order for it to expect profits to remain high the firm must have some economic basis for believing that later entrants will face entry costs higher than its own. Increasing entry barriers mean that future profits will more than offset the current costs of entry. Being first or one of the early entrants can minimize entry costs and also sometimes yield an advantage in product differentiation. However if many other firms also enter early, this door may be closed. Thus the premium in such industries is on moving early and then facilitating the rise in entry barriers to block later entrants. A long run imbalance between the cost of entry and expected profits may be present in some industries because of lack of recognition of this fact by potential entrants. This situation may occur in back water or obscure, industries which do not come to the attention of many established firms.

Internal entry will be profitable despite the market forces if the firm has some distinctive ability to change the structural equilibrium in the target industry. If the firm can increase mobility barriers in the industry for subsequent, entrants, for example, the structural equilibrium in the industry will change. The initiator will then be in a position to reap above average profits from entry. Also entry into a fragmented market can sometimes start in motion a process that greatly increases mobility barriers and leads to consolidation. Internal entry will be positive, even in the absence of the conditions described above, if it has a beneficial impact on the entrants existing businesses. This impact occurs through the improvement of distributor relations, company image defense against threats and so on. Thus even if the new business earns an average return, the company as a whole will be better off.

International development: Development in the Context of MNC

An international company is one that engages in any combination of activities from importing/exporting to full-scale manufacturing in foreign countries. The multinational corporation in contrast, is a highly developed international company with a deep involvement throughout the world, plus a worldwide perspective in its management and decision-making. For multinational corporations to be considered global, it must manage its worldwide operations if they were totally interconnected. This approach works best when the industry has moved from being multi-domestic to global. Strategic alliances, such as joint ventures and licensing arrangements, between a MNC and a local partner in a host country are becoming increasingly popular as a means by which a corporation can gain entry into other countries, especially less developed countries. The key to the successful implementation of these strategies is the selection of the local partner. Each party needs to assess not only the strategic fit of each company's project strategy, but also the fit of each company's respective resources. A successful joint venture may require as much as two years of prior contacts between two parties. The design of an organization structure is strongly affected by the company's stage of development to international activities and the types of industries m which the company is involved. The issue of centralization versus decentralization becomes especially important for a multinational corporation in both multi-domestic and global industries. Corporations operating internationally tend to evolve through five common stages, both in their relationships with widely dispersed geographic markets, and in the manner in which they structure their operations and programs.

Conclusion

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. A strategic plan is of little use to an organization without a means of putting it into place. In fact, implementation is an essential part of the strategic planning process, and organizations that develop strategic plans must expect to include a process for applying the plan. The specific implementation process can vary from organization to organization, dependent largely on the details of the actual strategic plan, but some basic steps can assist in the process and ensure that implementation is successful and the strategic plan is effective.

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