STRATEGY IMPLEMENTATION

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Strategy implementation involves putting strategies into actions. The strategy-makers must now move from the 'largely intellectual exercise of formulation to the concrete realities of tactical choices, tradeoffs, conflicts, obstructions, misunderstandings, and even errors.'[1] Before practically entering into the world of strategy implementation, strategy-implementers at the top level of the organization must (i) define the requirements for implementation of strategies; (ii) communicate these requirements to the concerned employees and managers at other levels of the organization; (iii) provide support-facilities to the employees necessary for implementation of strategies; and (iv) provide clear directions to the employees regarding how to implement strategies in terms of policies, rules and regulations, instruction manuals, clearly defined work-procedures/standard operating procedures, and strategy-supportive reward systems.

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Lesson-1: Strategy Implementation: The Basic Issues

Learning Objectives:

After studying this lesson, you should be able to:

- Understand the importance of strategy implementation vis-à-vis strategy formulation.

- Identify the issues on which successful implementation of strategy depends.

- Make a list of the major tasks that managers of an organization must perform for successful implementation of strategy.

Introduction

As a strategy implementer, you should understand the significance of strategy implementation, grasp the issues on which strategy implementation hinges on, and clearly comprehend the major managerial tasks that need to be performed in order to ensure effective implementation of strategy. Keeping this in mind, this lesson has been devoted to these preliminary issues associated with strategy implementation in business organizations.

The Significance of Strategy Implementation

Strategy formulation and strategy implementation are two sides of a coin. And, organizational managers create, hold and maintain this coin with careful look on both the sides. In an endeavor to avoid organizational drift and lackluster results, managers of today's organizations must proactively shape their organization's business. In order for building a clear road-map to competitive advantage, business organizations need not only to develop sound strategy but they also must successfully implement strategy. In fact, they need to be savvy in strategy execution. A strategy comes to be known as a winning strategy only when it is well executed. However, strategy implementation is very complicated and time-consuming. As Thompson and Strickland put it, "Depending on how much consensus building, motivating, and organizational change is involved, the implementation process can take several months to several years."

A strategy comes to be known as a winning strategy only when it is well executed.

Clearly, the top managers have to take the lead responsibility for both crafting and implementing strategy. However, the board of directors of a company must exercise vigilant oversight over the implementation of strategy in order to ensure that strategic management process is carried out by the managers that would benefit the stakeholders, especially the shareholders/owners. They should act as supportive critics and proactively evaluate the caliber of top-level managers' skills in strategy implementation (strategy formulation as well).

Needless to say, competent implementation of strategy along with superior strategy making makes an organization distinctively different from other organizations. Organizational performance is affected by both strategy making and competent strategy implementation. A business organization can highly expect to become a leading performer in the

Competent implementation of strategy along with superior strategy making makes an organization distinctively different from other organizations.

industry if its managers can proficiently implement its well-conceived strategies.

Factors Responsible for Successful Implementation of Strategy

Since strategy implementation is an action-oriented operations-driven activity. It revolves around the management of people and business processes. Successful implementation of strategy depends on resolving several issues: creating sound organization structure, managing organizational change, developing core competencies, creating valuable capabilities, leading people effectively, building people-management skills, integrating the work-efforts of many teams of employees, working out measures to overcome ingrained inertia, adopting steps to bring in a shift in the traditional attitude toward staying with the present practices, overcoming pockets of disagreement, securing cooperation of all those who matter in the strategy implementation, motivating people, achieving continuous improvement in business processes, allocating adequate resources to various work-teams, establishing strategy-supportive policies and corporate culture, and installing support systems.

The lessons in this unit look at the major implementation tasks of strategy-managers. The strategic management process in a business organization reaches the *finishing line* when the strategy-managers undertake evaluation of the strategic actions and make corrective adjustments wherever necessary. Practically, the strategic management process never ends because of its ongoing nature due to continuous developments in the business environment.

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The Strategy Implementation Tasks of Managers

Although strategy implementation requires a customized approach, there are some general tasks that managers must perform to successfully implement strategy. Based on the eight-task prescription provided by Thomson and Strickland, we describe here the major strategy-implementing tasks. However, the lessons learned from experience with strategy implementation in different organizations, we suggest 10 tasks for competent implementation of strategy. What is important to the managers in this connection is that they must gear their activities to meet the company-specific situations. Company-specific consideration is inevitable due to existence of unique organizational climate and resource availability in each company. Managers need to recognize that no two organizations are exactly similar; every organization has its own philosophy, management styles, culture, policies and work procedures, strategies, and unique taboos. Dissimilarities of organizations in these issues require tailoring of actions to meet specific needs of each organization.

Below is a list of the major strategy-implementing tasks:

1.	Exerting strategic leadership
2.	Building a capable organization
3.	Linking budget to strategy
4.	Creating strategy-supportive policies and procedures

5.	Instituting best practices
6.	Instituting mechanisms for continuous improvement
7.	Installing support systems
8.	Designing strategy-supportive reward systems
9.	Building a strategy-supportive corporate culture
10.	Designing strategic control systems

These strategy implementing tasks will be discussed in the remaining lessons of this unit.

Review Questions

1. Discuss the importance of strategy implementation. Is it enough that managers develop sound strategy and then assign others to implement it?

2. What are the issues on which successful implementation of strategy depends? Explain.

3. Make a list of the major tasks that managers of an organization must perform for successful implementation of strategy.

4. "Successful leadership is a potential source of competitive advantage, and, therefore, highly essential for successful strategy implementation." Explain this statement.

5. What are the tasks that winning leaders perform in relation to effective strategy implementation?

Application Discussion Questions

1. Mr. Zahed is the Managing Director and CEO of a software company which has been serving both local and foreign markets since its inception in 2003. It has earned high reputation as software developer under his able tutelage. Recently, because of several changes in the international environment of software industry, Mr. Zahed has changed the strategies drastically to cope with the trends in the international market. But he did not reallocate resources proactively. He believes that not reallocation of resources rather proper use of resources is important for effective implementation of strategy. Do you think Mr. Zahed is on the right track? Why or why not?

Lesson-2: Strategy Implementation Tasks: Exerting Strategic Leadership, Building a Capable Organization and Linking Budget to Strategy

Learning Objectives:

After studying this lesson, you should be able to:

- Understand the importance of strategic leadership in the implementation of strategy in organizations.

- Explore the tasks in relation to effective strategy implementation that a winning leader performs.

- Discuss the major components of building a capable organization necessary for strategy implementation.

- Explain the significance of linking budget to strategy.

Introduction

This lesson deals with three major tasks of strategy implementation. These are (a) Exerting Strategic Leadership, (b) Building a Capable Organization and (c) Linking Budget to Strategy. In strategy implementation, top of everything is leadership. Dynamic leadership has no substitute. It is the leadership that provides proper directions to those involved in strategy implementation. Next to strategic leadership is the existence of a capable organization in terms of structure, human capabilities and organizational systems. As is always true, a strategy is meaningless if it is not supported with adequate budget for implementation.

Leadership provides proper directions to those involved in strategy implementation.

Strategy Implementation Task-1: Exerting Strategic Leadership

Strategic leadership is a potential source of competitive advantage, and, therefore, highly essential for successful strategy implementation. Strategic leadership is construed as the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary.[1] It is concerned with managing the entire organization and addressing the environmental changes in the industry and outside the industry. Successful strategic leaders in organizations effectively and gainfully influence the employees' behavior and thoughts. They are capable of creating intellectual capital.[2] Strategic leaders have to perform their substantial decision making responsibilities by themselves. Although the main responsibility of strategic leadership rests with the CEO, other strategic leaders include the board-members, top management team and often divisional general managers. Without effective strategic leadership of these people in the organization, it is unthinkable to formulate and implement competitive strategies. They must provide needed leadership for strategy execution.

Strategic leadership is concerned with managing the entire organization and addressing the environmental changes in the industry and outside the industry.

The winning leaders perform a number of tasks in relation to effective strategy implementation:

i. They keep themselves well-informed of everything that happens in the organization.

ii. They closely monitor and review the progress in the process of strategy implementation.

iii. They learn lessons from the success and obstacles.

iv. They develop a broad network of contacts and sources of information, both formal and informal.

v. Many leaders practice MBWA (Management by Walking Around) through regular visits to the field and talking with people at different levels.

vi. They lead the efforts to establish a strategy-supportive culture and organizational climate.

vii. They (as culture-change leaders) convey corporate values through stories, create new role models, and encourage employees actively to work as change agents.

viii. They keep their organization responsive to changing conditions by encouraging people to be creative and innovative.

ix. They anticipate changes in market requirements and proactively develop new capabilities.

x. They encourage compliance of ethical standards and they themselves remain committed to moral conduct.

xi. They lead the process of making corrective adjustments – decide when to make adjustments and what adjustments to make.

Successful leaders always solicit active support of the managers at different levels of the organization.

Successful leaders always solicit active support of the managers at different levels of the organization. This they do for smooth implementation of strategy at all levels. Top-level managers who really have to exert leadership for strategy implementation rely on the mid-level and operating level managers for carrying out the strategies in the operating units and the functional areas on time. These managers are made responsible for supervising the strategy execution process on a day to day basis. However, for success, top leaders of the organization should ensure that the strategy implementers at all levels have strategy-implementing skills.

Strategy Implementation Task-2: Building a Capable Organization

In strategy implementation a very high priority is given to building a capable organization. Giving top priority on this issue is justified because successful implementation of strategy depends to a great extent on sound organization. And, an organization becomes sound when its employees are competent, its management structure has a matching with its requirements and it has high competitive capabilities. We present the major components of building a capable organization in Figure 9.1

Component-1: Developing competent personnel

The first component of building a capable organization - **competent personnel** – is the first and foremost requirement for successful strategy

implementation. Developing a strong team of competent personnel may require reshaping the staffing system in the organization. If the existing management team is adequately capable of addressing strategic issues, then it is fine. But sometimes it may be necessary to undertake developmental measures for strengthening capability of existing managers and even recruiting suitably qualified managers from outside the organization. In addition to management team, attention also needs to be given to recruiting and retaining talented employees. Talented employees facilitate the creation of knowledge base essential for effective strategy implementation. Many large companies recruit best available latent (gifted, imaginative and energetic people) and then retain them by offering more-than-expected salary and benefits package. The people with strong skill-sets bring life to new ideas.
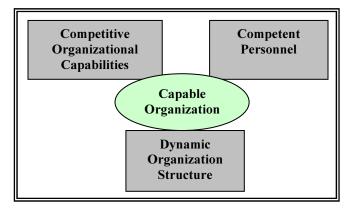
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Figure 9.1: Components of a capable organization

Component-2: Competitive organizational capabilities

The second component–**competitive organizational capabilities**–gives the company a competitive edge over the competitors. Therefore, one of the most important strategy implementing tasks of managers is to build core competencies and competitive capabilities. This helps the company beat competitors with superior strategy execution.

One of the most important strategy implementing tasks of managers is to build core competencies and competitive capabilities.

Component-3: Dynamic organization structure

The third component – **dynamic organization structure** – requires top managers to match organization structure to strategy. Thompson and Strickland prescribe that 'a customized organization structure is appropriate,' that is, an organization structure should be situation-specific. A new strategy (or a different strategy) usually entails new competencies/capabilities and new activities. Consequently, it becomes a necessity for the company to make for a new internal organizational arrangement. Although there is a need for situation-specific organization structures, there are some common considerations in organization structures of every company. These are : (i) identification of activities that are critical to strategic success; (ii) identifying non-critical value-chain activities which can be outsourced profitably; (iii) developing collaborative partnerships with other companies to gain added competitive capabilities; (iv) making strategy-critical activities the main

building-blocks in creating organization structure (or structure must be modified to fit the strategy); (v) determining the extent of centralization of authority at the top-level of the company and the degree of authority to be decentralized throughout the organization; (vi) providing for coordination among the various departments, processes and geographical divisions/units; and (vii) assessing specific responsibility to specific persons to collaborate with outsiders.

In fine, we can say that senior management must provide leadership in creating a capable organization through developing a strategy-supportive structure. Senior managers also need to supplement the organization structure with coordination–mechanisms and establish networking arrangements to support implementation of strategy.

Strategy Implementation Task-3 Linking Budget to Strategy

Budgetary require-ments must be deter-mined carefully so that fund allocation can be made judiciously.

Effective strategy implementation requires reallocating resources to ensure that relevant business-units/divisions/departments have sufficient budgets to do their work successfully. Managers need sufficient fund to carry out their activities related to strategic plan. Senior mangers responsible for preparing budget in the company need to take care of the budgetary requirements of each unit for strategy implementation. Budgetary requirements must be determined carefully so that fund allocation can be made judiciously. This is very important because 'too little funding slows progress' and creates obstacles on the way to implementing strategy. Also, excess funding leads to wastage of resources.

When managers change a strategy, resource reallocation becomes a necessity. If a particular unit has to play a more critical strategic role due to the changes, it may need more personnel, equipments and facilities. Thus, there will be a need to increase the unit's operating budgets. Sometimes, companies shift resources from one unit to another, downsize some units and upsize others to match budget with the strategy to be implemented. For example, in one university, there is a practice of shifting officials/employees from area to area for organizing and promoting a new 'educational product' or expansion of academic facilities. 5M InfoTech Limited, a prominent software company located at Dhaka, frequently changes its budgets to keep pace with needed changes in strategies. Because of changes in budgets, the company shifts its resources frequently. Available information indicates that several big companies like General Electric, Xerox, IBM, Nestley and Boeing shift resources from area to area to support the launch of new products and new business ventures.

Review Questions

1. What are the major components of building a capable organization? How can senior managers provide leadership in creating a capable organization?

2. Effective strategy implementation requires reallocation of budgets. Why?

3. What are the tasks that the winning leaders perform in relation to effective strategy implementation?

4. Discuss the components of building a capable organization.

5. How can senior managers provide leadership in creating a capable organization?

Application Discussion Questions

1. Visit an NGO in your community. Examine the organization structure of the NGO. Is the NGO using the right organization structure that is appropriate, given its strategy? If you find that it is not using the right structure, then what structure would you suggest for this NGO?

Lesson-3: Strategy Implementation Tasks: Creating Strategy-Supportive Culture, Instituting Best Practices and Establishing Mechanisms for Continuous Improvement

Learning Objectives:

After studying this lesson, you should be able to:

- Explain the importance, in the context of strategy implementation, of creating strategy-supportive policies and work procedures in the organizations.

- Explain the concepts of 'best practice' and benchmarking.

- Understand why organizations should go for benchmarking the best practices.

- Discuss the issues of continuous improvement.

- Discuss the importance of business process reengineering and total quality management in the context of strategy implementation.

Introduction

In addition to the tasks that we have discussed in Lesson-2, there are some more tasks that managers need to perform for implementation of strategy. In Lesson-4, we will discuss about three managerial tasks such as Creating Strategy-Supportive Culture (Task-4), Instituting Best Practices (Task-5), and Establishing Mechanisms for Continuous Improvement (Task-6).

Strategy Implementation Task-4 Creating Strategy-Supportive Policies and Procedures

The organizational policies and operating/work procedures must have conformity with strategy. If deviations exist, strategy implementation will be impeded. Strategy-supportive policies are essential, as they provide useful guides for decision making. Similarly, strategy-supportive work procedures or work practices are unavoidable as any deviation from the existing ones may create resistance from employees. It is thus important for managers of the company to formulate policies and procedures in such a way that they can provide support to effective strategy implementation.

Strategy-supportive policies are essential, as they provide useful guides for decision making.

Managers in organizations need to review existing policies and operating procedures and devise new policies and procedures with the changes in strategies, if necessary. Usually, some policies and procedures become dysfunctional with the changes in situations and business conditions. Thus, the ones that are in match with the changed situations should be revised or altogether eliminated and new ones be formulated. Revised or new policies and procedures help in strategy implementation in various ways, especially by creating strategy-supportive work climate and corporate culture.

With a change in the organization, strategy-managers need to revise policies and procedures if these are not in congruence with the new strategy. When policies and operating procedures are wisely formulated

or carefully revised, they tremendously help in effective implementation of strategy. Policies and procedures that are not strategy-supportive can hinder the process of strategy execution. This calls for review of policies and procedures every time a company changes it strategy. This should be done proactively. It may be necessary to formulate new policies and procedures to facilitate execution of new strategic initiatives.

Policies and procedures that are not strategy-supportive can hinder the process of strategy execution.

Strategy Implementation Task-5 Instituting Best Practices

'Best practices' refer to the innovative manner in which activities or processes are performed by companies considered 'best-in-industry' or 'best-in-world'. To put it differently, best practices are those business activities of either competitors or some other organizations that have proved very successful in achieving business goals. A company may have best practices in exceeding customer expectations and/or in motivating employees. A rent-a-car company, such as Cab One Limited of Dhaka, can be proud of its best practice in sophisticated use of information technology. It might have developed its technology in such a way that the 'station manager' can see the location of any taxi-cab in Dhaka city on a computer screen and identify each taxi's speed and direction as well as roads.

Best practices are those business activities of either competitors or some other organizations that have proved very successful in achieving business goals.

A company can identify the best practices of other companies through *benchmarking*. Benchmarking is searching out best practices of other companies. It finds out how well a company performs particular activities and processes against the best company/ies in the industry (sometimes best in the world). Benchmarking best practices and then adopting them are important for successful strategy implementation.

A company can identify the best practices of other companies through benchmarking.

Best practices 'provide useful performance targets' for a company to compare itself against other *best* performers. Such performance targets also help a company consider achieving them. However, there is a caveat. Exact copying of best practices is not desirable, and also not feasible in most cases. Adaptation to company situations is essential. Best practices of other companies need to be modified to make them adaptable. As time passes on after adaptation, these adapted practices can be gradually improved. The unique advantage of adopting best practices of other companies is that they help develop distinctive competencies. These competencies, in turn, "contribute toward superior efficiency, quality, innovation and customer responsiveness."

Many large organizations, especially those competing globally, involve themselves in benchmarking of best practices. For example, Xerox – the giant photocopier manufacturer – instituted a policy of benchmarking in the 1980s and 1990s to identify ways to improve its operational efficiency. It benchmarked one company for distribution procedures, another company for central computer operations, a third company for marketing, and a different company for TQM. [3]

Strategy Implementation Task-6 Instituting Mechanisms for Continuous Improvement

Mechanisms for continuous improvement of business-operations and processes (including products and services) are many. Of them, two are

widely known and used by corporate giants. These are (a) business process reengineering (or simply called reengineering), and Total Quality Management (TQM). These two continuous improvement techniques need elaboration. We provide a short explanation of them for a broad understanding of the readers. (Numerous books are available on TQM and Business Process Reengineering. Readers may consult those books for detailed information).

Business Process Reengineering

Reengineering invol-ves redesigning operations of organi-zations to avoid bottlenecks and duplication of effort.

Reengineering involves redesigning operations of organizations to avoid bottlenecks and duplication of effort. Unlike the traditional system where pieces of related activities in a business-process are performed in various departments, reengineering redesign the work-effort in such a way that all pieces of related activities are performed by relevant employees in a group. All relevant people are grouped together and they are asked to perform the tasks in the whole process. The activities are not allowed to be performed in separate departments. A telephone in the private sector was tremendously successful in reengineering bureaucratic procedures in the company. The company pulled workers who performed related activities in various departments, and then put them in teams to handle customer requests of recurring nature. If the business processes are properly reengineered, organizations can expect to gain efficiency, reduce waste, and achieve greater coordination among functions.[4]

Total Quality Management

TQM is a philosophy of management that is driven by the constant attainment of customer satisfaction through the continuous improvement of all organizational processes. It requires employees to rethink what they do and become more involved in workplace decisions. The notable features of TQM are:

- It is a management philosophy with specific focus on customer.

- It is a set of guiding principles that create the foundation of a continuously improving organization.

- It is the application of quantitative methods and human resources of organization to improve everything that it does.

- It integrates fundamental management techniques and technical tools under a disciplined approach.

- It emphasizes on employee empowerment and teamwork.

TQM involves an unending search for improvement of quality of both products and services on a continuous basis.

TQM first considers the desires of customers, then proceeds to produce high quality products and services to satisfy those desires, and in the process creates new set of values for the organization. It involves an *unending search* for improvement of quality of both products and services on a continuous basis. In a TQM organization it is believed that 'good is not good enough' and nothing is best; there is always a scope to improve. TQM is thus a race without a finish line.

Available research evidence indicates that over 95 percent of manufacturing companies and 70 percent of service companies in the

USA have used TQM in some form. Also, 55 percent of US executives and 70 percent of Japanese executives used quality improvement information for assessment of business performance.[5] It is often claimed that the Japanese companies have achieved global prominence in producing world-class products.

Both reengineering and TQM are important tools for implementing strategy effectively. When all employees from top to bottom adopt them as a way of everyday life, strategy implementation becomes easier. Both aim at improved efficiency, reduced cost, better product quality, and greater customer satisfaction.

Both reengineering and TQM are important tools for implementing strategy effectively.

Review Questions

1. Why should managers create strategy-supportive policies and work procedures in the context of strategy implementation?

2. What is 'best practice'? Explain with examples.

3. Define benchmarking. What is its purpose?

4. How does benchmarking the best practices help an organization?

5. What are the major mechanisms for continuous improvement of business operations and processes?

6. Explain the process of business process reengineering.

7. What is TQM? Explain the major features of TQM.

8. How do reengineering and TQM help in strategy implementation?

Application Discussion Questions

1. Observe the culture of a large organization which has a reputation for its dynamic culture. Do you think the culture has been able to exert a significant impact on its performance? Why do you think so?

Lesson-4: Strategy Implementation Tasks: Installing Support Systems, Designing Reward Systems, Building Strategy-Supportive Corporate Culture and Designing Control Systems

Learning Objectives:

After studying this lesson, you should be able to:

- Explain the importance of support systems in the organization.

- Critically examine the role of strategy supportive reward systems.

- Explain how strategy-supportive corporate culture facilitates better strategy implementation.

- Understand how strategic control systems help managers in achieving superior efficiency, quality, innovation and responsiveness to customers.

Introduction

The last four major strategy-implementing tasks of managers will be discussed in this lesson. These include installing support systems (information, communication, e-commerce and operating systems), linking reward systems to performance outcomes, building a strategy-supportive corporate culture, and designing appropriate control systems. All the ten tasks, discussed throughout this Unit-9, have to be performed meticulously by the managers for effective implementation of strategy

Strategy Implementation Task-7 Installing Support Systems

Successful strategy implementation entails establishment of a number of support systems to carry on business operations. Well-established support systems strengthen company capabilities and at the same time facilitate better implementation of strategy. In the age of hyper-competition shaped by globalization and information revolution, companies need to install cutting-edge information systems and other relevant systems/operating capabilities. Unless this is done wisely, they would fail to compete against the competitors with any strategy. State-of-the-art support systems provide a competitive edge over the competitors.

Successful strategy implementation entails establishment of a number of support systems to carry on business operations.

Successful companies have a practice of installing required support systems for better execution of their business strategies. For example, a company's internet-related support systems include attractive websites, reliable server capacity, credit card payment system, hardware and software systems to handle order processing/invoicing/accounts receivables/inventory etc., warehousing systems and many more. FedEx -the world famous courier service provider company – has internal communication systems, leading-edge flight operations systems and online system for shipping and tracking packages of customers. These systems of FedEx support its strategy of "next-day package delivery." Bangladesh Biman – the national flag carrier of Bangladesh – would be successful in the implementation of its competitive strategies if it can

effectively install a computerized reservation system, fast baggage handling system and a strong aircraft maintenance system.

Managers who are responsible for implementation of strategy must consider that a number of support systems in the organization are a necessity for implementation of competitive strategies. Well-established support systems facilitate strategy implementation as well as strengthen capabilities of organizations. The world-famous fast food chains like McDonald, Wimpy, and Domino's Pizza have achieved prominence globally for their state-of-the-art support systems. They have computerized systems at each outlet. As a result, it is very easy for the staff to effectively handle ordering, inventory, payroll, cash flow and work control functions. The information systems have been installed in such a way that the managers can closely monitor the team performance of the employees.

Strategy Implementation Task-8 Designing Strategy-Supportive Reward Systems

Strategy-supportive incentive systems substantially help in gaining employee commitment for strategy implementation.

The reward and motivation systems in the company need to be such that they promote better strategy implementation. Strategy-supportive incentive systems substantially help in gaining employee commitment for strategy implementation. The reward systems should be linked with strategy-related performance. High performers (i.e., employees with good performance) should be rewarded adequately to boost up their commitment. Rewards can be given in the form of financial or non-financial incentives. Successful managers can effectively use motivational incentives/rewards as a tool for strategy implementation.

In order to effectively apply reward systems, managers need to first emphasize more on financial incentives (such as higher salary, bonuses, pension and provident fund facilities, gratuity, stock options, etc.). However, non-financial incentives are not less important. Non-financial positive incentives include better job security, recognition of employees publicly, praising employees for good performance, good words about an employee in the company's newsletter, challenging assignments, growth opportunities, rapid promotion, employee empowerment/decision making autonomy, etc.

The reward system should be designed with careful considerations of several factors: [6]

a. The monetary payoff should be a major percentage of the compensation package.

b. All managers and workers should get the incentives.

c. The reward system should be administered with care and fairness.

d. The incentives should be linked to performance targets, which have been spelled out in the strategic plan.

e. The performance-targets of each employee should be determined in relation to each employee's outcomes that he/she can personally influence in his/her arena of activities (not outside the arena of influence).

f.   Rewards should promptly be paid after the determination of good performance.

g.   Monetary rewards should be supplemented with liberal use of nonmonetary rewards.

h.   Skirting the system to reward nonperformers should be avoided. (Some advocate that failure should not be punished if the failure originates from circumstances beyond the control of the individual).

Strategy Implementation Task-9 Building a Strategy-Supportive Corporate Culture

Whenever a company's culture is compatible with strategy, strategy-implementation becomes easier. If there is a mismatch between the two, obstacles are created. When corporate culture does not fit the new strategy, managers need to change the culture. But it is easier said than done. Managers face a real challenge while trying to transform the inbuilt existing culture into a strategy-supportive culture. In fact, managers have two options: (i) change those facets or aspects of culture that have a misfit with strategy's requirements, or (ii) modify the strategy to align with the existing culture if that culture is not an obstacle to strategy implementation.

Where does corporate culture come from? Corporate culture originates from the sociological forces in the organization. Many components of corporate culture originate with the company's founders(s) and other strong leaders. Corporate culture consists of values, beliefs, norms, work practices, management styles followed, and overall work environment of the company. These are commonly shared by all employees. As defined by Hills and Jones, "Organizational culture is the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization." Values (i.e., beliefs and ideas) and norms govern the way in which employees can behave inside the organization.

Corporate culture originates from the sociological forces in the organization.

A company may have dominant culture and subcultures. When majority of employees share the core values of the organization, the culture is dominant. It is the macro-view of culture. When a particular department or unit or office of a company has its own value system, then subculture develops in that particular area. However, in subculture, core values are retained but some additional values unique to that area are blended. Again, culture can be strong or weak. In a strong culture, core values are widely shared. In a weak culture, core values are not intensely shared and as a result, it has less impact on employee behavior.

Research indicates that strategy-supportive corporate culture motivates employees to implement strategy with their hearts and souls. They are motivated because they find an environment where they feel enthusiastic to perform their duties. A strategy-supportive culture also provides a system of informal rules and peer pressure for doing jobs. Strategy implementers should keep in mind that conflicts between strategy and culture can result in perils, through weakening employees' commitment.

Strategy-supportive corporate culture motivates employees to implement strategy with their hearts and souls.

Thus, for strategic success, culture has to be changed rather than making changes in strategy. In a turbulent business environment, strategic success requires a culture that can support the company's efforts for implementing strategy. That means, an adaptive culture is a necessity for effective strategy implementation. It is the prime responsibility of the CEO/top leaders to ensure an adaptive cultural environment so that employees find a strong fit between strategy and culture.

Strategy Implementation Task-10 Designing Strategic Control Systems

Strategic control systems provide managers the tools to regulate and govern its activities.

An important task of managers is to design strategic control systems for successfully implementing strategy. Strategic control systems provide managers the tools to regulate and govern its activities. In strategic control, managers first select strategy and organization structure, and then create control systems to evaluate and monitor progress of activities directed towards implementing strategies. Finally, they adopt corrective actions through adjustments in the strategy if variations are detected. Strategic controls can be both proactive and reactive. When proactive, control systems help in keeping an organization on track, anticipating future events and responding to opportunities and threats. When reactive, strategic controls detect deviations after events have occurred and then take corrective actions.

Strategic managers create a control system to monitor the quality of products.

Strategic control systems further help managers achieve superior efficiency, quality, innovation and responsiveness to customers. Strategic managers can measure efficiency by comparing the total inputs with the total outputs (how many units of inputs are used to produce a unit of output). Strategic managers create a control system to monitor the quality of products. When customers' complaints are nonexistent or negligible and hardly customers return product (such as machinery/equipment) for repair, managers have an indication of the quality of products. Strategic control system can also help in encouraging the employees to think about innovation through decentralization of authority, empowerment of employees, and monitoring the performance of each work group/team. Lastly, strategic control system makes employees more responsive to customers through evaluating and monitoring employees' behavior and contact with customers.

Strategic controls are mainly of three types:

- Financial Control
- Output Control
- Behavior Control

Financial control system to measure a company's financial performance.

Managers use **financial control system** to measure a company's financial performance. For effective financial control, they establish financial goals (e.g., growth, profitability, return to shareholders) and then measure the actual achievement of those goals. In the case of **output control system**, managers forecast performance goals for each unit and employee. They measure the actual performance of the units and employees. Lastly, they compare the actual performance against the goals already set for them. When the performance of employees or units

Output control system, managers forecast performance goals for each unit and employee.

is linked to the reward system, the output control itself provides an incentive structure for employee motivation in the organization. **Behavior control system** refers to a comprehensive system of rules and procedures. These are prescribed to direct the behavior/actions of employees at each level of the organization. Rules and procedures standardize the way of reaching the goals. Two forms of behavior control are (i) operating budgets and (ii) standardization of inputs, conversion activities (programming work activities so that they are done the same way time and again), and outputs.

Behavior control system refers to a comprehensive system of rules and procedures.

Successful strategy implementation requires, among others, a control system that matches with the organization's strategy. Strategic managers should ensure that financial and output controls are supplemented with behavior controls for efficient achievement of goals.

Review Questions

1. Why do managers install support systems in the organization? Explain with examples how support systems help in successful implementation of strategy in organizations.

2. Critically examine the role of strategy supportive reward systems in strategy implementation.

3. What are the factors that need to be considered while designing strategy supportive reward systems?

4. Discuss the importance of strategy-supportive corporate culture in the implementation of strategy.

5. Explain how strategy-supportive corporate culture facilitates better strategy implementation.

6. How do strategic control systems help managers in achieving superior efficiency, quality, innovation and responsiveness to customers?

7. What are the various types of strategic controls? Why should managers ensure that financial and output controls are supplemented with behavioral controls?

Application Discussion Questions

1. Suppose, Bangladesh Biman has a very good ticket reservation system and baggage handling system in the airport but it lacks an effective aircraft maintenance system. Do you think it possible for Bangladesh Biman to implement its competitive strategies successfully? Give your arguments succinctly.

NOTES (for Unit-9)

1. Hitt and his associates provided this definition of strategic leadership. See, for details, Hitts et el., op.cit. p. 489.

2. Intellectual capita refers to employees' expertise, brainpower, innovation and ideas.

3. See Hills and Jones, op.cit.

4. Readers, for details of how process reengineering is done, may consult Michael Hammer and James Champy, *Reengineering the Corporation* (New York: HarperBusiness, 1993).

5. Judy Olian and Sara Rynes, "Making Total Quality Work: Aligning Organizational Processes, Performance Measures, and Stakeholders," *Human Resource Management*, 30 (3), Fall 1991, p. 303.

6. A. A. Thompson and A. J. Strickland, *Strategic Management* (New York: McGraw-Hill, 2001), pp. 402-405.