Module 6

Implementation of Corporate Strategy

Introduction

In Module 1 we discussed formulation and implementation as being two important phases of the strategic management process. In this module the focus is on the implementation of strategy. Strategies which have been formulated now have to be put into action. Implementation has been described as the “managerial exercise of putting the chosen strategy in place” (Thompson & Strickland, 2003). As the strategies are implemented the existing/old order in the organisation will yield to the new one. Implementation implies an organisation-wide change at different levels, among different activities resources and their configuration. Implementation or execution of strategy has to be planned so that it happens. Implementation or execution as it is also called is perceived by most chief executives to be the more difficult task than formulation because it is the active change and how it takes place at ground level that determines the success or failure of strategy. Implementation has two aspects, an analytical aspect and a people aspect. Moving the people towards the action is an important job in implementation which is leadership-contingent. The deliverables of the implementation process are scattered across the functions/activities of the organisation and have to be aligned, altered and people-activated to achieve the deliverables through rewards and leadership. Managing the change process is integral to implementation.

People as doers and leaders play a pivotal role in implementation. People are the owners and drivers of change. The people in the organisation must know about rational change, the sequence of the change, and realignment of resources, structure, positions, and skills as part of the change process. The middle and lower level manager push the changes. Implementation requires a different set of skills and mind set.

Domain knowledge, business knowledge and people skills are important to steer the implementation process .Implementation is not possible unless there is a plan for it, and the linkage between strategy and implementation is clearly understood and may be revisited often. Culture, structure, business level leadership, knowledge and information sharing play significant mediating role in implementation. This module explains the different aspects of implementation.

Upon completion of this module you will be able to:

Outcomes

- *explain* the importance and relevance of implementation.
- *distinguish* between the skill set for implementation and formulation.
- *enumerate* the role of leadership, people process in implementation.
- *describe* the importance of project function in implementation.
- *develop* and apply an implementation checklist.
- *elucidate* the relevance of information technology in implementation.

Terminology

Culture:	The rituals and activities which define how the organisations function on a day-to-day basis.
Execution/Activation:	These are used as synonym for implementation
Key performance indicators:	Specific task-oriented time and budget-bound targets.
People processes:	Those processes which affect the productivity, motivation and morale of the employees include communication, compensation and leadership
Plans and programmes:	Short term tactical steps rooted in functional areas to further the process of implementation.
Transactional leaders:	Those leaders who bring about strategic changes whose impacts are profound on the organisation.

The implementation imperative

Implementation/execution leads to results. According to Ram Charan (2002, p.5) "most often today the differences between a company and its competitors is the ability to execute. If your competitors are executing better than you are they are beating you in here and now, and the financial markets won't wait to see if your elaborate strategy plays out. So leaders who can't execute don't get free runs anymore. Execution is the great unaddressed issue in business world today".

Implementation can be defined as the "let's make things happen", phase that puts to test a manager's ability to allocate resources, lead the organisation towards change, restructure operations, motivate people develop a strategy-supportive culture and meet or beat performance standards.

A mediocre strategy can yield results if the implementation is good but a great strategy cannot yield results if the implementation is weak. The 2x2 matrix **(Figure 6.1**) presents the four situations in terms of optimality of implementation versus quality of formulation. The four combinations that emerge are:

- Optimal implementation and excellent formulation (quadrant C) an ideal situation.
- Excellent formulation and sub optimal implementation (quadrant D) a situation of uncertain results.
- Sub optimal implementation and poor formulation (quadrant A) a grim situation.
- Optimal implementation and poor formulation (quadrant B) a situation of uncertain results.

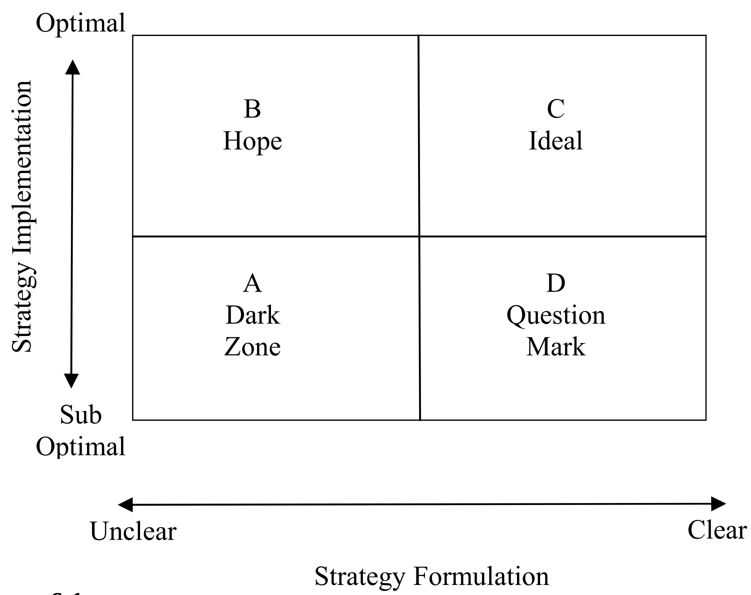

Figure 6.1

The quadrant C is the ideal situation for any organisation. For those organisations that are caught towards quadrants D or B, managerial initiative will play an important role in salvaging the situation. It is generally said that a poor formulation can be salvaged at the time of implementation, but it is more difficult to salvage a poor implementation. Implementation or execution is the phase where the abstractness of the formulation is translated into specific, clear programmes. The two phases are differentiated more in theory for understanding than in practice where they are inter-linked and iterative. If the implementation issues and bottlenecks are discussed at the time of formulation, implementation may become easier. Formulation and implementation are differentiated in terms of the nature of the process, participants, skills and deliverables as shown in **Table 6.1**.

Formulation	Implementation
• Is an analytical process. • Is market driven and entrepreneurial. • The focus is on the future • Select few participate in strategy formulation. • Requires analytical skills, vision and sense of business. • Can be abstract. • Is idea centric.	• Is the action/doing process. • Is operations and business process driven. • Focus is on present. • Every employee has to be a part of strategy implementation. • Requires ability to lead reconcile differences, take quick decisions and people skills. • Has to be specific and detailed. • Is performance-centric.

Table 6.1: Difference between formulation and implementation

The implementation process

Implementation involves the entire organisation. Let us not assume that implementation is smooth and all the things that are critical to make the strategy fall into place, there is neither a short-cut nor a check list for implementation. In fact, if it were to be so then managerial talent would not be at a premium. There are a multitude of intertwined tasks that have to be performed to precision. Implementation is challenging because during this phase there may be a change in strategy on the basis of real time learning. As actualisation of strategies takes place many unforeseen situations develop – erratic supplies, shortage of manpower, change in external condition, and so on. These compel managers to work within the emergent circumstances. Some components of the strategy may now become unattainable and have to be dropped (for example, an organisation in pursuit of growth may decide to expand operations and subsequently reduce prices. Its decision is based on the premise that an increase in production capacity with the setting up of a new plant will result in significant cost advantages As it begins to set up the additional facility for capacity expansion the competitors also begin capacity expansion but they outsource instead of manufacturing, obtaining the same cost advantages as its expansion would provide. Should the organisation continue to lock up resources even if returns will be far below anticipations or reassess the situation and revise the strategy? Upon the analysis it decides to forgo capacity expansion by building a new plant and instead serve a differentiated class with improved product, better service, at higher prices. Its original business plan undergoes a change and the organisation plans to spend on developing resources for the emergent strategy.)

Its plan to expand is dropped (unrealised strategy) and its plan to invest to improvise the product and service is implemented (emergent strategy). The emergent strategy may have been a backup plan or may have emerged post analysis of the unrealised strategy. This means that during implementation there may be a realisation about the unfeasibility/inappropriateness/impossibility of going ahead with a chosen strategy. The readiness to evaluate the unrealised proposal and accept a new one in the light of professional and technical advice requires a high degree of communication, clarity, mutual trust and high professional competence among top and functional managers. This pattern of change in the strategies (from intended to unrealised to emergent is shown in **Figure 6.2.**

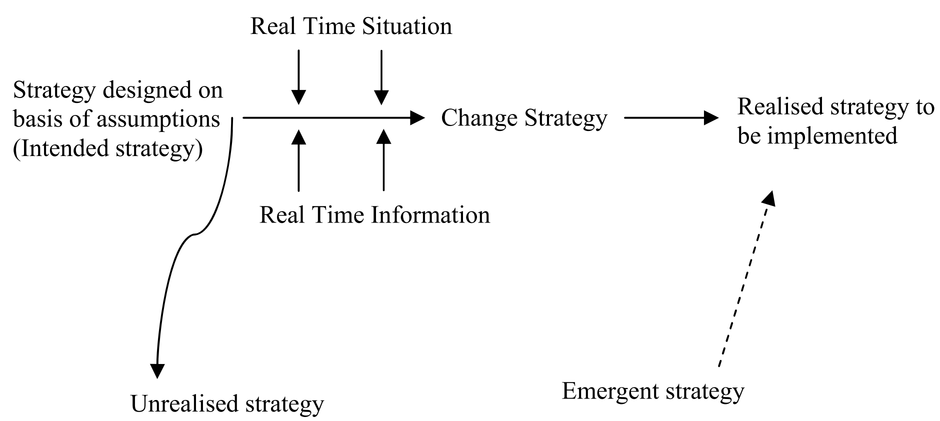

Figure 6.2

Based on Mintzberg, Henry. (1996) *The Strategy Process Concepts Contexts Cases3rd edition*. Prentice Hall N.J

The activity/division/department/function "silos" that are created to facilitate day-to-day functioning have to be broken down to facilitate cross functional/departmental/team learning and actions through specific projects. These silos harbour tough resistance to cross functionality, knowledge sharing, knowledge transfer or sharing of resources for optimisation. The resistance can be behavioural, procedural, resource contingent or driven by the organisation's coalitions and politics.

Strategy-specific resources may have to be allocated along with strategy-specific disbursement, measurement and control that can be attained only through special purpose vehicles created in implementation. Resource allocation would inevitably create some imbalances leading again to disgruntlement, frustration and questioning. Clarity of purpose and communication here are the way to resolve the impasse.

Strategic change may have to be initiated organisation wide with some areas changing in more ways than others. Issues, problems and conflicts endemic to change have to be addressed as would be the case with post-merger cultural integration. Many people-related issues would come up as the integration is carried out which may either have been overlooked or seemed trivial during the merger/premerger.

Implementation is a complex process. It requires provisioning of leadership, people, resources and an enabling culture to transform the relatively abstract conceptualisations of formulation into specific goal directed plans programmes and performance targets. These elements are detailed below.

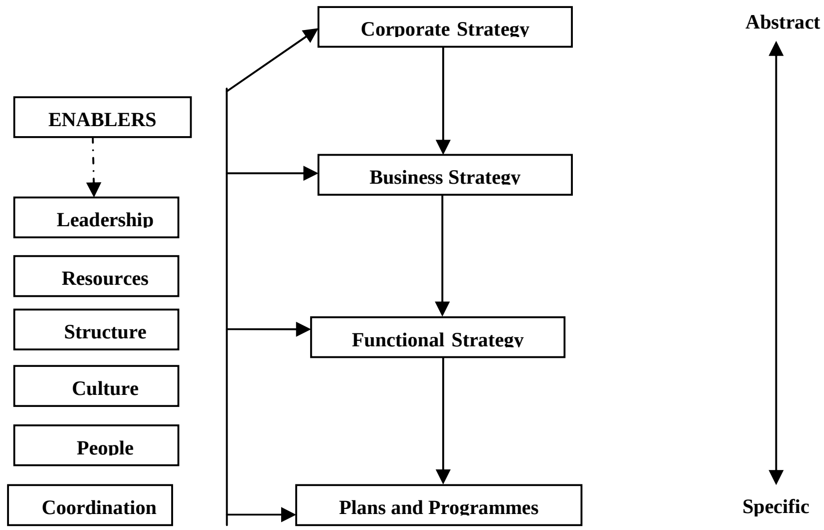

Figure 6.3

Leadership

Objective: To lead the change and to create ownership of strategy at all levels.

Leadership can make or mar implementation. According to Hrebiniak (2005) "Leadership must be execution biased." If it is not, the organisation may flounder in its attempt to change and implement. Leaders lead by example. Personal integrity, commitment, inspiring people, and the ability to take risk, are the leadership qualities sought in organisational leaders. Implementation presents new challenges every day. Leadership is critical to implementation because implementation is as much an analytical operations process as it is a people's process. A leader's upfront involvement with execution sends the message of commitment; comprehensive understanding of what is happening and motivation. Jack Welch of GE led the six sigma initiative upfront in 1991. This interest, commitment and projection of involvement established six sigma very well in GE though initially he was sceptical of such programmes. The successful organisations of today: Wal-Mart, General Electric, Sony, Apple, Microsoft, Dell, and Infosys are to an extent what they are because of the leadership. Leadership drives an organisation to carry the implementation process well and successfully. Leaders themselves own the execution, create the ownership down the hierarchy and motivate accomplishment.

Therefore, the first requirement of good leadership is at the strategic level. Did the strategic leaders perceive the crest and pitfalls accurately within a reasonable limit? Michael Dell's idea to sell computers directly to customers wasn't new. Thousands of companies do so. Michael Dell's "direct sell and build to order approach" was the core of his strategy (Bossidy et al, 2002). This clarity about what needs to be done to make the strategy work had the backing of foresight and capacity to lead from the front. Years later the Dell model of assembly is the industry norm in the PC industry and Dell retains substantive edge because of assiduously building the operations part of the organisation lending it some immutable characteristics.

Leadership at the business unit and functional unit levels has to complement the strategic leadership. At these levels the dominant role of leadership is the front line mobilisation for change and execution. The translation of the broad ideas into specific actions with outcomes is contingent upon the ownership and leadership of business and functional level managers.

The Blake and Mouton (1985) grid of leadership styles places leaders in four quadrants in terms of concern for work or concern for people as shown in **Figure 6.4.** From the figure we infer that the leaders can be work or people-centric. The work-centric leader is the Hard Task Master and likely to be good at sequencing tasks, work planning but not at motivation and empowerment. In implementation we need to shift such managers more towards being people-centric. The leader who is too people-centric (Party Time) cannot effectively translate targets into tasks or enforce work discipline. It is a laissez faire attitude that permeates the organisation. The two opposing quadrants are the Ideal Leader who can have a high concern for work as well as for people and can be an asset to the implementation process and the Poor Leader who is casual showing neither concern for people or for work.

A leader's job in implementation:

1. Is to be involved with work so as to implicitly communicate the importance of initiatives, and desired work related behaviours.
2. Through their involvement with people implies being able to motivate them and develop the appropriate physical and cultural environment for performance.
3. To be the solution provider.

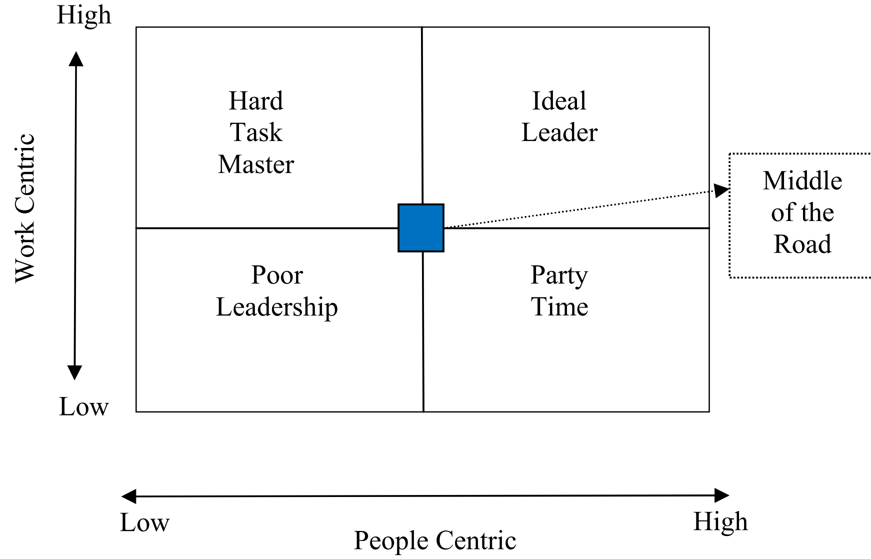

Figure 6.4

Implementation needs both transformational and transactional leaders. The distinction between the leadership approaches is in terms of the level at which the leadership is exercised.

Transformational leaders lead towards change with vision, commitment, belief and capability. Usually the top echelons of the organisation are expected to provide this leadership as are the project managers for specific assignments. Transformational leaders challenge the status quo. Transformational leaders work on the big picture and are adept at visualising holistically, they can put the different parts of the big picture together. They are complemented by those who can fix and nail the different parts. They are organisation builders and can mobilise people Mahatma Gandhi, Martin Luther King, Aung Sang Suu Kyi are such leaders from outside business organisations. Henry Ford, Jack Welch, Bill Gates and Michael Dell are transformational leaders from business.

Transactional leaders lead through incremental changes, focusing attention on minute details and progressing as per plan and directions. The managers at the operation's levels are transaction leaders or managerial leaders. They have to translate the vision of the organisation down the line. For example, the business unit leader who will participate on the six sigma workshop will undergo rigorous training in the methodology of six sigma then train people and also attain the revenue targets for his unit is a transactional leader. The transactional leaders deliver on the smallest part of the big picture in time. They can work across different functions and are hands down in approach. The transactional leaders are solution-centred.

Activity 6.1

Activity

Distinguish between the skills of and the scope of transformational and transactional leader belonging to the computer hardware, hospitality, public services and philanthropy segments. Examine the role and expectations from the transformational leaders. Assess if the segment requires some special skills. For example, the philanthropy segment may require the skills to raise funds from rich donors. Note your observations in terms of unique skills such as consensus building, technical knowledge, depth, and grasp of international business/events, emotional intelligence, ability to delegate, ability to work within a time constraint and budget etc Examine and segregate the different skills and qualities as being appropriate for transformational or transactional leaders.

Present your answers in the given format.

Scope	**Computer hardware**	**Hospitality**	**Public Services**	**Philanthropy**	**Learning Key differences**
Transformational					
Transactional					

People

Objective: To energise the organisation

According to Peter Drucker: "*Management is about human beings. Its task is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant"* (as quoted in The Definitive Drucker by Elizabeth Haas Edersheim, 2007, pp157). The organisation is most likely to do a better job if it has a long term plan to develop people. People are central to implementation. It is being increasingly recognised that all other resources being equal, it is the people factor that makes an enormous difference among the performance of organisations. People mobilise action towards the desired ends. The people function needs the commitment and direction from the CEO. If the CEO fails to do so, strategy implementation is on the wrong footing. The people aspect of the organisation is linked to the commitment of the CEO, the change in culture and the motivation climate of the organisation. For effective implementation through people the organisation has to:

- Put the right people at the right job.
- Right person in the job at the right time! "Right People" have to be hired and trained with focus, energy and time. The CEO has to recognise and place those who can deliver on the front lines of

implementation, the others will follow. Hiring the right people is the responsibility of the human resources department. It is also a function of culture. Remember HR performs the activation role not policy-making one.

- Develop people to their highest potential through training, responsibility assignment and motivation.
- Once the right people are on board the next onerous task is to develop them to give their best. In implementation, the development of people's capabilities has to be in line with the task ahead. People have an extraordinary capacity to deliver under the right set of circumstances. The people who will implement strategy must have integrity, energy, knowledge, capacity to build the team, lead, delegate, plan, programme and budget. Implementation requires discipline of time. Employee empowerment and engagement are an integral part of any organisation seeking to be in a predominant position in its industry. People are to be retained and developed continuously and not in a frenzy as a strategy requirement.
- Create a diverse work force for a knowledge-based digitised work place.
- Diversity among the workforce brings different perspectives to the organisation and enriches its decision making. Modern organisations have global exposure when they source materials, expertise and skills from across the world. Their home country governments initiate programmes of more inclusive employment so that the disadvantaged groups, minorities, women have better employment opportunities. The twin forces of exposure and regulatory pressure or persuasion as the case may be compel organisations to broad base the workforce. They must simultaneously develop plans to enable people to grow and feel equated so that their talent and expertise is used to the fullest for mutual benefits.
- Develop a culture conducive to growth of people.
- To attract the right people there are changes that may need to be made in appraisals, rewards, bonuses and stock options and also in the climate and culture of the organisation. These changes are to be brought about by the top management as they, with line managers, control the accountability and the rewards. The organisation has to ask: is this the kind of culture we what to work in? Improvements - sometimes radical, sometimes incremental must follow the No answer.

Resources

Objective: "Tooling" the people for action.

Resources provide the tools and ammunition for the strategy. If a University wants to increase its Gross Enrolment Ratio and decides to strengthen its open and distance learning programme it needs to invest in the latest and most appropriate technology to be able to reach a larger number of students and deliver quality, highly interactive, education through the distance mode. To be able to do so it needs to have sufficient money, manpower, teaching materials, building and studios and equipment. Without these, the strategy cannot be realised.

Organisations seldom can claim resource abundance. The process of developing resources where resource implies capabilities and competencies as well is an on-going process. The priority of the resources is determined by the strategic agenda of the organisation. For example, the uninterrupted working of the furnace in a cement plant requires a constant power supply. For a cement manufacturer power is a critical resource, provisioning of power by the captive power plant is an inbuilt cost. Compared to power, coal and limestone the other resources are less critical. However, if power supply is assured and uninterrupted the other resources would be given more attention. Resource criticality varies from industry to industry. Frontline staff is more important in retail, hospitality and health industries than in steel manufacturing. Intellectual resources are more critical for design firms, universities, research labs and industries that survive on innovation than for aluminium smelting. Capabilities for marketing are critical of fast-moving consumer goods and consultancies. Similarly organisations differ in their resource access. They can use strategic alternatives only if they have the necessary sources.

Resource constraints impose limits to what an organisation can do. In view of resource constraint organisations assess the resource availability and then use it as a guide in formulation of strategy. Financial resources are distributed using the portfolio approaches. For the distribution of talent and competencies, organisations can map the key competencies and leverage them in some instances. Over the long term, critical competences are to be developed consistently and continuously. Spreading resources requires much ingenuity and process innovations enable organisations to do so.

Portfolio approaches such as the BCG matrix and GE Matrix, are used to allocate resources but they may be inadequate to pin the needs of different activities within the given businesses as well as is needed. The two-dimensional aspects may not capture the intricacies of all the aspects associated with resource allocation, particularly when organisations operate in highly diverse businesses. Resource allocation can also turn out to be a contentious issue among the different units/functions/activities. This impasse can be resolved prior to allocation by a clear focused strategy and a clear plan for execution. Doubts, misgivings and ill-informed prejudices are best resolved before allocation rather than after.

Culture

Objective: To develop a fit between strategy and organisation's routines, beliefs and actions.

You would have studied culture in other subjects. Here our concern in to explore its impact on implementation. Culture exists and it affects and also reflects strategy execution. Culture is not "seen" in the organisation, it is palpable. You can sense whether the organisation is brimming with energy or seeped in an attitude of indifference even though there is no device to measure the energy levels. Culture also reflects the organisation's core values and beliefs. Culture dominates the people's mind-sets about what is doable or non-doable and what is or is not acceptable in the organisation. Culture leads to behaviour and behaviour leads to performance. If the culture of the organisation fosters excellence, people will learn behaviours that lead to it and that in turn will lead to good performance. Daily rituals reinforce the culture. People absorb the culture by observation of other people's behaviour and of those behaviours that get rewarded. Does the organisation reward initiative and ethical behaviour, or does it reward followership?

In the implementation phase, culture can be a stumbling block to initiatives and programmes. Very often an organisation's own systems, procedures and beliefs do not allow them to accept change. In India computerisation met with much resistance because most employees' within public sector organisations did not see it as a tool for increasing productivity but as a tool for replacement of manpower.

Functional subcultures reinforce their own codes for analysis and behaviour. These codes are important to understand and alter to promote cross-functional linkages

If the strategy requires that changes be made in people's attitude and methods of work for better performance issues cannot be addressed by functional systems alone. The organisation will also have to work around the culture and reinforce the desired behaviours through a series of HR-related measures. Culture broadly represents the "how we do things around here" stance. McDonald's, where 50 million burgers are made in a day, works on the credo of QSCV (quality, service, cleanliness and value) across the 34,000 outlets spread across 119 countries. The credo is enforced daily through training, actions of supervisors and control mechanisms. All organisation ritual and actions are in sync with the organisation's idea of affordable food in clean surroundings. Similarly if an organisation wants to put in place a culture that promotes ethical behaviour and conduct, its practices ranging from the composition of its board to requisition for small items will be developed to promote the specific culture. Strategy may require commitment, adherence to certain values, ethical behaviour and service delivery. If the culture promotes seeking alibis for tasks not done, lackadaisical attitude and resistance to learning, strategy has little chance of success. The primary task of culture change is to move the people towards the "can-do" side.

A leading example here is that of Wal-Mart. Wal-Mart set out to be the preferred destination for purchasing necessity items because of price. The idea of keeping costs low was reinforced by Sam Walton's adoption of strategies that even among senior managers promoted frugality: hired self-driven cars instead of limousines on business visits, stayed in clean but not fancy places when sourcing products.

Change in culture requires a change in mindsets and perceptions. Culture is not a standalone factor. Culture leadership and the people initiative are closely linked. A strong change needs a strong leadership push along with a change in many human resource-related practices.

Most of the merger and acquisition failures are because of a mismatch between cultures. A merger brings people from two different cultures together with the acquired company's employees feeling threatened by the dominant company. There is mistrust and apprehension about the way the future will unfold in terms of compensation, promotion, responsibility, layoffs, salary cuts, demotions and other cut backs. The new joint entity has to deal effectively with them as soon as it can otherwise the benefits of the merger will remain elusive. Strategies that are geared for cost reduction, innovation, and globalisation require discipline. The discipline has to be embedded on the corporate DNA. Culture can be shaped if there is clarity about the strategy outcomes and change requirements. Many a time strategy is not fully realised because of confusion about what to do, how to handle internal coalitions and politics and inability to prioritise or inability to back it in time with resources.

Strategy, people, history and functional policies are some of the important determinants of the organisational culture. Nordstrom and The Taj Mahal Hotel have developed a culture of customer first on the basis of these determinants. Nordstrom's credo is simple and self-explanatory and is indicative of the extent the frontline sales person is empowered to promise and deliver for customer satisfaction.

Case study

Case study

Case study 1

Nordstrom is speciality fashion retailer. The industry is fragmented and has high overheads. Image, creativity and service are important in the industry even though they are too abstract to be defined.

Nordstrom competes in the industry on the basis of its highly motivated professional and helpful employees who span the 70 speciality stores across North America with sales in excess of USD5 billion. Nordstrom has established its credentials for its customer-centric culture. Its employees are educated about the culture in simple language with a forceful appeal (Collins & Porras, 1997). Nordstrom's employee handbook:

Welcome to Nordstrom.

We're glad to have you with our Company. Our number one goal is to provide outstanding customer service. Set both your personal and professional goals high. We have great confidence in your ability to achieve them.

Nordstrom Rules: Rule #1: Use best judgment in all situations. There

will be no additional rules.

Please feel free to ask your department manager, store manager, or division general manager any question at any time.

The rules are simple and state what must be the guiding principle for behaviour and the non-rigid route they can opt for to gain more information. The front line employee has the maximum interaction with the customer and is the one empowered to take decisions to provide the legendary Nordstrom service without fuss.

Case study 2

The Taj Mahal Hotel, Mumbai was the target of the 26/11 Mumbai attack. The Taj Mahal Hotel enjoys an iconic status in the hospitality sector. It is situated at a vantage location and has been host to all those dignitaries who have visited the city and have been at the centre stage of world and Indian History. On 26/11 as the terrorist struck, the hotel was going about its business of making the evening memorable for its patrons, be they resident guests or diners. As the bullets started flying, the young staff guided the diners to safety on one floor and on another the staff hurried to instruct those in rooms to keep doors closed and stuff wet towels under the doors to prevent smoke from entering the rooms. There was confusion all around and most guests were caught unawares. The entire staff at the Taj, from the general manager to the cooks, receptionists, telephone operators had one motto safety of the guests no matter what. In the process many employees imperilled their lives. The Taj culture of connecting with the customer led many guests to be saved. The hospitality industry has looked at the Taj's service in amazement. There were many heroes that evening at the Taj, from the general manager who lost his family in the inferno, to the young trainee who took bullets in the back as he led guests to safety. Eleven Taj employees died in the terror attack. According to research conducted by Rohit Deshpande and Anjali Raina of the Harvard Business School, at Taj post attack, the hiring is for attitude and character and not grades, the training is to empower to take decisions and not just do a job. According to Raina, "I realised that just like the character of a human being is the sum of choices made over the years, the culture of an organisation is the sum of values, policies and practices consciously fostered over the years" (as quoted in *The Economic Times*, New Delhi, November 24, 2011).

Structure Design

You would have often observed that as the size of the family grows additional rooms are added and other activities undertaken to accommodate the new arrivals. On the basis of this analogy let us examine an organisation's growth with the same structure that it set out with.

Organisation structure is the arrangement of different positions and roles which have been vested with the responsibility and authority to perform tasks. Structure evolves in response to the external changes and the changing dynamics of work within the organisation. You would have read about different structures in your other courses. A review of those will be of help here. Through the structure the organisation develops operating competency (functional structure), competitive position (divisional structure) multi-functionality (matrix structure) or innovation competence (project structure). Structure also addresses the issue of the extent of decentralisation/centralisation and the span of control. No structure form is ideal or a panacea to the difficulties faced in implementation.

In implementation, the crucial question is: does the structure meet the requirements of the proposed strategy? According to Hrebiniak (2005) the structural requirements of the generic competitive strategies are:

Type of strategy	
• Low cost • Focus • Global	Functional structure/centralisation Divisional structure/decentralisation Matrix organisation
High Market and technology relatedness	Increased centralisation
Low Market and technology relatedness	Increased Decentralisation
If one is high and the other is low	centralisation and decentralisation

Table 6.2: Structure and strategy

Proctor and Gamble once had a product divisional structure to service each of its main product lines adequately. It met the then-competitive requirements of the organisation. However, with global expansion and the strategy of globalisation in emerging markets supported by 127,000 employees, 300 brands in 180 countries its needs for coordination management and efficiency can no longer be serviced by the same structure. It needed to develop a structure which was simple, strengthened both, the centre and the many different control units across the globe to effectively market P and G's product across different psychographic, social, and economic segments. The current structure of P&G is shown in **Figure 6.5**.

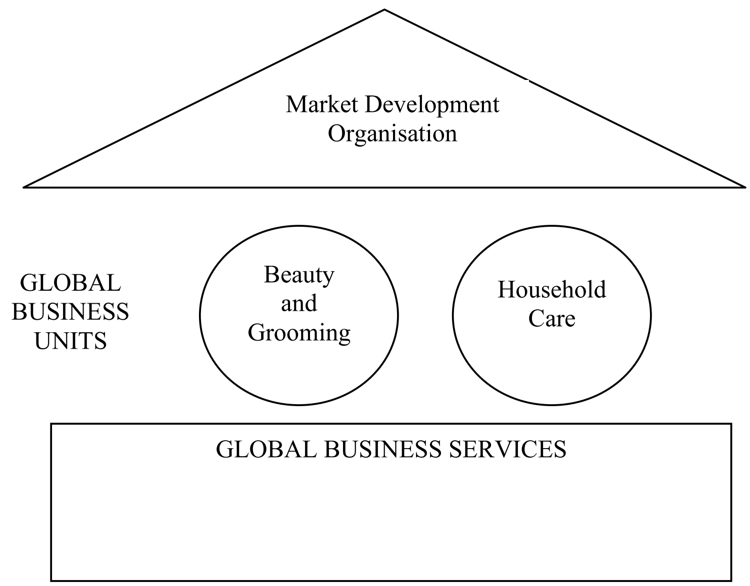

Figure 6.5

Source: www.pg.com/en_us/company/global_structure. Retrieved June 22, 2012

The market development unit is charged with knowing about consumers and retailers in each market and integrates the innovation from GBU in business plans. You will notice that the building of products into two categories indicates that P&G sees marketing distribution and manufacturing related synergy among the products (out of 300) placed with each broad unit. Mergers, acquisitions, vertical integration, and forward integration necessitate organisational restructuring to accommodate the new tasks that have to be performed. Structure creates the envelope within which they have been equipped with resources. A change in structure is difficult from the point of view of getting every body’s acceptability for the same.

A structure suited to the strategy is presumed to lead to effectiveness In addition to the four basic structures, that is, functional, divisional, project and matrix organisations, structure is also determined within the context of the business practises of the country. Network structures are common with the Chaebols (in South Korea) or Keiretsu (Japan.). In network structures there are groups of independent organisations which have different products and markets but the same administrative and financial control. The Keiretsu are networks of related businesses whereas the Chaebols are networks of unrelated businesses. The Toyota Keiretsu has a network of organisations such as Toyota Machine Works, Toyota Body Works, Aichi Steel Works, Nippondenso, and Futaba Industrial, whereas the Chaebols of Samsung has networks with electronics, chemicals construction, and heavy industry organisations to name a few.

The execution of strategy is impacted by the extent of centralisation versus decentralisation, the costs associated with the structure (tall structures are expensive as they have more managerial levels as opposed to flat structures), extent of coordination mechanism and information sharing and the extent to which responsibility and accountability are clear.

Activity 6.2

Activity

Proposition: Structure embodies reporting relationships and informal power structure. Change in structure therefore entails resistance.

Taking the above statement as given and uncontested, discuss the possible reasons for resistance to structural change. Explore the different dimensions such as power interplay, control over resources, fear of loss of power, prestige anxiety, fear of learning in your discussion and answer. Explain what in your opinion the most important reasons are:

Reason for resistance

Project Management

Objective: To transcend divisional/functional/structural boundaries.

As organisations pursue corporate strategy there are instances when the work they are expected to do is accomplished through a project. NASA took up the man on moon mission. It was not possible to devote the time and energy to all the tasks and activities for such a vision within the ambit of the existing structure, budget, accountability, and skills. It was not only a country's vision but also a reaffirmation of humankind's ability. To accomplish that vision, a separate project with budget, accountability, credibility, and structure was set up. On similar lines, organisations set up projects to undertake tasks which are not possible for the organisation within the confines of the present set up. A project performs the function of freeing the organisation's resources from the current set-up to deliver more than what it is doing at the moment.

For example, an organisation is pursuing growth on the platform of a very high quality industrial product. It has planned to introduce six sigma and get results for three critical divisions that will generate revenue to be ploughed back in the business to retain its innovative and qualitative edge. A project management approach to introduce six sigma would establish clear, specific, concise objectives for the introduction of the initiative. To initiate the six sigma initiation across three divisions, first cross-divisional teams have to be created, who will take up the assignment and then cross-functional teams across external and internal procurement, scheduling, operations, delivery, and so on have to be taken up. The project management team helps cut across horizontal and vertical lines in the organisation for new strategy-led initiatives. In case the strategy of an infrastructure company requires erecting a new plant or developing a port, then the project management approach would develop before the project, (for issues such as regulatory and legal issues about land ownership, titles, environmental clearances, fund raising), project in progress, (design development, construction, quality assurance, resource restructuring commercial tie-ups) and post project plan (marketing support, managing collaborations monitoring meeting performance targets). For each of the three different phases the skill pool and resources from across the organisation will be identified, trained and put on task.

The project can be externally oriented such as setting up a plant in Africa in proximity to raw material as well as markets. The organisation has no prior experience in Africa. It creates a specialist team of engineers, legal experts, designers, and liaison officers each having a different but complementary skill set. They help to lay the foundation of the organisation's business in an unknown land. The organisation could not have done so if the people were in their incumbent positions and with the same set of rules regulations and accountability. The organisation's rituals of working would take too much time and may scuttle effort. The internally focussed projects on the other hand are taken up to pilot quality set up ISO14000/ISO15000, six sigma employee coaching empowerment initiatives. Success of the project leads to a scale up. At a time an organisation may be involved with both externally oriented and internally focussed projects.

Organisations may have the project management skills. They, however, have difficulty with initiation of new change culture and learning because it means dismantling the old order. In the absence of the project management approach the organisation faces difficulty in implementing new projects as on-going activities take precedence and people and other resources are not available. The project management approach induces a sense of accountability, a sense of urgency, importance, credibility and ownership for the task. A project management approach puts the exercise in a time frame for accomplishment, important milestones and control measure. The approach can help to economise time and effort. Introduction of quality programmes, environment compliance programmes, and diversity programmes are facilitated sooner with the project management approach. The project enables testing of ideas and scalability across the organisation base on the learning.

Activity 6.3

Activity

You are the head of the project design and development of a hybrid car to be launched in South East Asia in August 2014. You have been asked to make a presentation to the board of your organisation to seek an approval for a budget of USD25 million for developing the prototype and test run. The mandate for the project is design, development, prototype, and test run under real conditions. The hybrid must run 35 kilometres on compressed natural gas.

Prepare a presentation (in discussion with your colleagues and instructor) enumerating the work plan. Your presentation must include the scope of accountability, responsibility, team structures, and desirability to have a project team, milestones of the project timelines. You must develop contingency plans for some unforeseen circumstances also. The duration of the project is one year (April 2013 to April 2014).

Programmes and plans

Objective: To establish small control units.

On the ground it translates into delegation, empowerment and specificity of key performance indicators. The intent may be to offer quality service and experience but if the replacement policies are opaque or require the customer to visit the store twice, thrice, or if the employees are not trained in courtesy and order processing than the intent is not realised. **Figure 6.6** shows the interrelatedness among billing, merchandise selection, display and policies to cater to the customer. If any of these are weak then the entire customer satisfaction objective is not attained to the fullest.

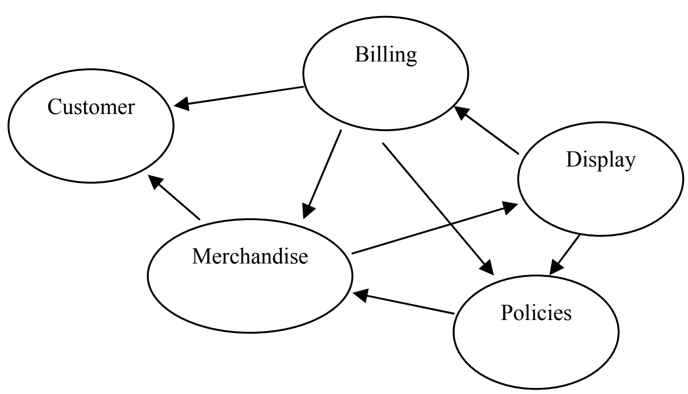

Figure 6.6

Programmes are developed by a team of cross-functional managers under guidance/supervision of designated senior management personnel or even the CEO. They examine the overall strategy from the point of view of translating it into specific responsibility/timelines/out-come/resources/budgets and monitoring. When the programmes are either poorly drawn up or implemented ineffectively desired strategic outcomes are not achieved. In fact the programmes at the lowest functional levels are drawn from the hierarchy of strategy-corporate, competitive and functional. The programmes are spelled out in terms of measures such as cash flow and so on. Consequent to the change in the strategic stance, these measures are also redefined so as to lead to profitability after the changes have been made in strategy. **Figure 6.7** shows both the relationship of the programmes to strategy as well as he changes subsequent to strategy shift.

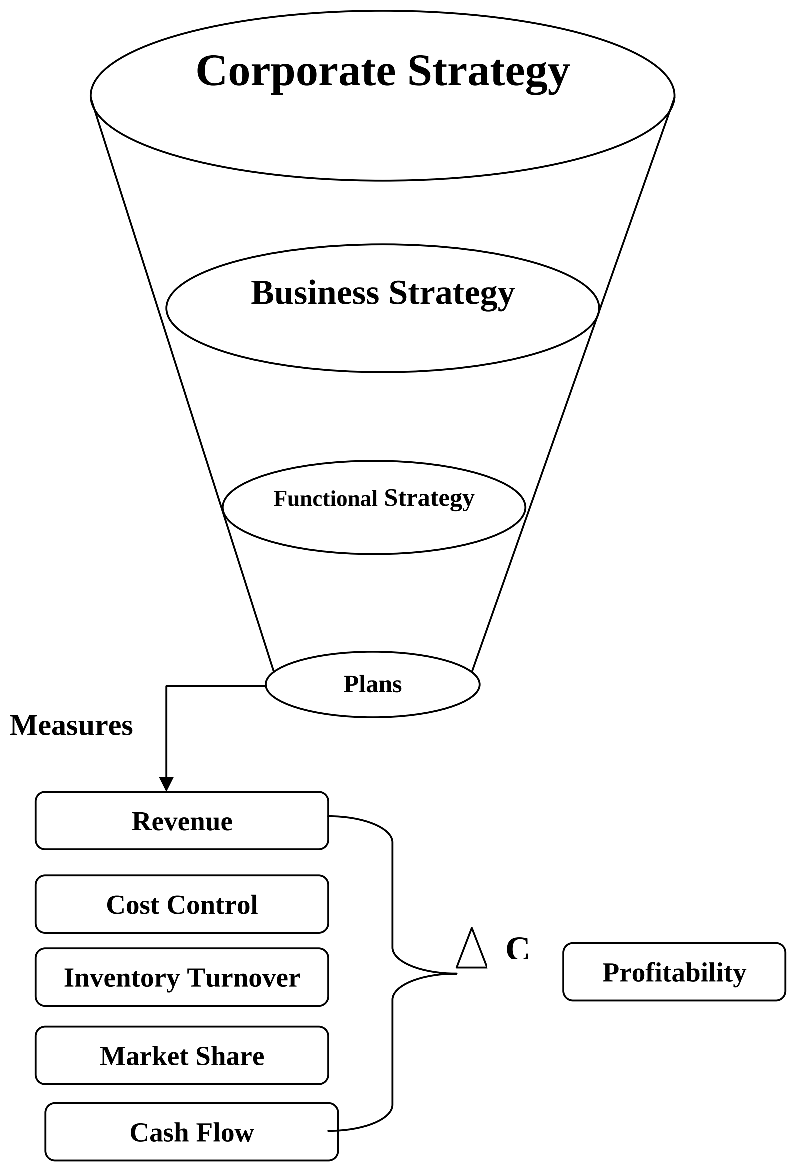

Figure 6.7

At the functional levels much interdependence among the different activities is required. It is here that detailed specific communication about tasks, resources, outcomes and very importantly links to strategy is required. Standard operating procedures, interdependent key performance indicators, work manuals, departmental agreements, face-to-face interactions, interdepartmental meetings are used to develop coordination. In the absence of such mechanisms there is confusion and loss of coordination. Inherent contradictions among the intent, strategy and plans may lead to avoidable mistakes some of them strategic. In the box below the situation of the Indian organised retail sector is discussed. The retail sector had a favourable external environment. The expansion of the retail sector with well-crafted strategies could have led to a different scenario for employment and growth. However the assumption that the customer is just waiting for organised retail to open the doors and retailers' only worry is real estate and long-term funding led them to miss the vital aspect of customer centralism either through price or selection of merchandise. As a result, organised retail floundered. Apart from the lack of strategic foresight, what hit it badly was the inability to develop well-thought out plans. Company policy was the mantra rather than customer policy as shown below.

In India the retail sector was seen as the sunrise sector which held promise of growth with employment. The growth story was thwarted in part because the retail chains could not get the merchandise selection, price points and service attributes right.

The first of the retail chains operated with the mindset of a shop owner rather than an organised retailer. This led them to be oblivious of the customer needs for comfort, selection and service. Most of them compromised on quality to be able to offer lower priced products on the assumption that customers will make a trade-off between quality price and the convenience of shopping. Customers wanted good quality at affordable price along with the shopping experience.

The unorganised sector with its many family stores and specialised shops was catering to the price and quality aspirations 50 per cent of the time. Organised retail had to match the quality offered by the existing stores and additionally create a value on the ground that was superior to the previous experience.

The investors were upbeat about retail expansion and PE funding was available. They expanded in haste without getting the mix of quality, experience and price right.

The organised retail stores could not develop customer friendly packaging (choices of smaller packaging for grocery items or policies for exchange for clothes or electronic goods which their competitors in smaller shops could) or the right merchandise mix or customer-friendly exchange policies. The mind-set that "it won't work here" prevented them from innovating and organised retail could not take off as expected.

Most of the organised retail failed to deliver to the customer the right mix of price, ambience, experience and quality. The industry experienced mergers, takeovers, sell offs and liquidation within a span of a few years.

The inability to resolve the contradictions between opting for rapid growth versus getting the mix right led to many Indian retail forays closing shop. The industry could not either strategise optimally or develop good action plans for implementation. Too many inward-looking procedures made the organisations bureaucratic rather than customer-centric.

In contrast, Nordstrom empowers employees at the store level to offer exchange arrangements. The employee feels empowered and the customer is spared the hassle of going to many people for an exchange or refund. Nordstrom's other service standards are exacting and do not easily lead to customer disgruntlement.

Nordstrom would support its policy of salesperson's empowerment with requisite training about products, company credo, communication skills and etiquette. The training initiative has to be supported with a budget. The budget not only meets the training costs but should some hiring be required than too is within the budget provisions.

Consider the second example where disconnect between the intent and the plans on the ground leads to citizens' dissatisfaction. In Asian countries, there is tendency for civic organisations to builds amenities without providing for their operation and management. Later, there is no budget available for repairs, replacements or upgrades. Here it is not the lack of foresight but poor budgeting which makes the representatives unpopular with voters.

Glueck (1988) suggests five reasons why plans and programmes are needed. They are developed to ensure:

1. The strategic decisions are implemented by all the parts of an organisation.
2. There is a basis available for controlling activities in the different functional areas of business.
3. The time spent by functional managers in decision-making is reduced as plans lay down clearly what is to be done and policies provide the discretionary framework within which decisions need to be taken.
4. Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers

Coordination across the different functions stakes place where necessary.

Information technology and implementation

For effective implementation real time information among the different units of the organisation is required. Before the advent of the information technology, the management information system department of the organisation would manually collect and disseminate information. That information obviously lagged the events unfolding in the organisation. Information technology has facilitated much faster dissemination of information among the organisational units but also outside the organisation. A vast network of computers and customised software makes it possible to track the movement of goods from the vendor's site to the works of the buyer. In fact, information technology has been a major force in easing much of the pain associated with implementation. Information is the key to decisions which are the life blood of implementation. Implementation today is also a task for creating coordination among the different organisation networks.

Information technology enables organisation to:

- Integrate and leverage knowledge across different geographically dispersed units. This enables organisations to respond faster to requirements and complaints whether from customers or vendors.
- Embed IT specific skills in its functioning to gain a competitive advantage. Some of the competencies necessary to implement competitive strategies require efficiency, quality, innovation, and so on. It makes it possible to develop specific competencies for these.
- Transform structure. It enables the management of outsourcing and network structure in an efficient manner. Organisations can reduce hierarchy as they begin to become proficient in the use of information technology.
- Improve communication across the organisation. IT enables a more comprehensive communication network through the use of email and organisation-wide intranets. Many inter-departmental issues can be sorted by communication directly among divisions instead of being referred for arbitration to the senior management.
- Create knowledge management systems to store, archive and share work-related knowledge.
- Improvise business-to-business and business-to-customer transactions.

Overall information technology can be used to accomplish the strategy in a better manner by installing more efficient and effective processes.

Module summary

Summary

In this module you learned about the implementation phase of the strategic management process. The implementation phase actuates the formulation of strategy. Implementation may be initiated with the formulation phase but is distinct from it. The implementation phase requires a different set of skills, it is focussed on solution. Structure, culture, leadership, resources plans projects are some of the things that effect implementation and are also impacted by implementation The plans and programmes are the link between the corporate, business level strategy and the functional units of the organisation. The plans are based on attainable targets and gradually transform the organisation towards the strategic orientation. Information technology also plays an important role in determining the efficiency and effectiveness of the implementation. The different determinants have been spelled out in the text with the help of cases and examples.

Assignment

Assignment

Choose a CEO of a prominent organisation in your country who in your opinion exemplifies the positive aspects of strategic leadership. What actions does the CEO take that demonstrate effective leadership? What are the effects of the leadership on the organisation?

Choose a prominent organisation in your country which has a reputation for successful implementation. Collect information about the organisation and the changes made in its structure. What is the most outstanding accomplishment of the organisation? What are different plans and programmes that the organisation set up for that accomplishment.

Assessment

Assessment

Critically review the following proposition and its associated question. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: Strategic pathway options and choices may emerge out of a variety of complex relationships that are embedded within the overall strategic planning cycle. It is not a static but a dynamic process and the strategic planner must balance the need to simplify and rationalise choices against the need to embrace the complexity that lies at the heart of the ‘strategy equation’.

Task: Consider this proposition in relation to the following question:

When articulating long-term strategies, how does the organisational strategist best balance the need for depth of analysis against the need for simplicity in definition? (Simple statements with powerful undertones and shades of meaning – easily read, understood, and actioned.)

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Further Reading

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