Strategy implementation: Organizing for action

Strategy implementation is the sum total of the activities and choices required for the execution of strategic plan by which strategies and policies are put into action through the development of programs , budgets and procedures. Although implementation is usually considered after strategy has been formulated, implementation is a key part of strategic management. Thus strategy formulation and strategy implementation are the two sides of same coin.

Implementing strategy

Depending on how the corporation is organized those who implements strategy will probably be a much more divorced group of people than those who formulate it. Most of the people in the organization who are crucial to successful strategy implementation probably had little to do with the development of corporate and ven business strategy. Therefore they might be entirely ignorant of vast amount of data and work into formulation process. This is one reason why involving middle managers in the formulation as well as in the implementation of strategy tends to result in better organizational performance.

Developing programs, budgets and procedures

The managers of divisions and functional areas worked with their fellow managers to develop programs, budgets and procedures for implementation of strategy. They also work to achieve synergy among the divisions and functional areas in order to establish and maintain a company‘s distinctive competence.

Programs

A program is a statement of the activities or steps needed to accomplish a single use plan. The purpose of program is to make a strategy action oriented.

Budgets

A budget is a statement of corporation‘s program in monitory terms. After programs are developed, the budget process begins. Planning a budget is the last real check a corporation has on the feasibility of its selected strategy.

Procedures

Procedures are system of sequential steps or techniques that describe in detail how a particular task or job is to be done.

Synergy

One of the goals to be achieved in strategy implementation is synergy between functions and business units. The acquisition or development of additional product lines is often justified on the basis of achieving some advantages of scale in one or more of company‘s functional areas. For example LG developing a product such as DVD Player will help it to achieve synergy by utilizing the same channel.

Stages of corporate development

Successful Corporation tend to follow a pattern of structural development called stages of development as they grow and expand. Beginning with the simple structure of the entrepreneurial firm, they usually get larger and organize along functional lines with marketing production and finance department. With continuing success the company adds new product lines in different industries and organizes itself into interconnected divisions. The differences among these three stages of corporate development in terms of typical problems, objectives strategies, reward systems and other characteristics as specified in detail in table.

Function		Stage I	Stage II	Stage III
1	Sizing up: major problems	Survival and growth dealing with short term operating problems	Growth, geographical expansion	Trusteeship in management and investment and control of large increasing and diversified resources
2	Objectives	Personal and subjective	Profits and meetings functionally oriented budgets and performance targets	ROI, profits, earnings per share
3	Strategy	Implicit and personal	Functionally oriented, exploitation of a basic product or service	Group and product diversification
4	Organization	One man show	Functionally specialized group	Multiunit general staff office and decentralized operating divisions
5	Measurement and control	Personal, subjective control	Assessment of functional operation	Complex formula system geared to comparative assessment of performance measure

Organizational life cycle

The organizational life cycle describes how the organization grow, develop and eventually decline. The stages of organization life cycles are

. Birth; 2. Growth; 3. Maturity; 4. Decline; 5. Death

The impact of these stages on corporate and structure are summarized in the table

	Stage II	Stage III	Stage IV	Stage V	
Stage I					
Dominate issue	Birth	Growth	Maturity	Decline	Death
Popular	Concentrati	Horizontal and vertical	Concentric and	Profit strategy	Liquidation or
strategies	on in a niche	integration	conglomerat e diversificati on	followed by retrenchmen t	bankruptcy
Likely structure	Entrepreneu r dominated	Functional management emphasized	Decentraliza tion into profit or investment centers	Structural surgery	Dismember ment of structures

An organizational structure

The prime purpose of organizational structure is to reduce the external and internal uncertainty. It defines the relationships within the organization and eternal organization. It consists of activities such as task allocation, coordination and supervision, which are directed towards the achievement of organizational aims. It can also be considered as the viewing glass or perspective through which individuals see their organization and its environment.

Many organizations have hierarchical structures, but not all organizations have hierarchical structures. An organization can be structured in many different ways, depending on their objectives. The structure of an organization will determine the modes in which it operates and performs. Organizational structure allows the expressed allocation of responsibilities standard operating procedures and routines rest. Second, it determines which individuals get to participate in which decision-making processes, and thus to what extent their views shape the organization‘s actions.

Operational organizations and informal organizations

Organizational processes are designed to help the organizations to have effective and efficient use of resources. If the informal organizations are formed and try to offset the formal organizations there is likely to be a inefficiency in the organization.

History

Organizational structure types

Entrepreneurial structures

Entrepreneurial structures lack standardization of tasks. This structure is most common in smaller organizations and is best used to solve simple tasks. The structure is totally centralized. The strategic leader makes all key decisions and most communication is done by one on one conversations. It is particularly useful for new (entrepreneurial) business as it enables the founder to control growth and development.

Bureaucratic structures

Max Weber (1948) gives the analogy that ―the fully developed bureaucratic mechanism compares with other organizations exactly as does the machine compare with the non-mechanical modes of production. Precision, speed, unambiguity, … strict subordination, reduction of friction and of material and personal costs- these are raised to the optimum point in the strictly bureaucratic administration.‖ Bureaucratic structures have a certain degree of standardization. They are better suited for more complex or larger scale organizations. They usually adopt a tall structure. Then tension between bureaucratic structures and non-bureaucratic is echoed in Burnsand Stalker[6] distinction between mechanistic and organic structures. It is not the entire thing about bureaucratic structure. It is very much complex and useful for hierarchical structures organization, mostly in tall organizations. The Weberian characteristics of bureaucracy are:

1. Clear defined roles and responsibilities

2. A hierarchical structure

3. Respect for merit.

Post-bureaucratic

Hierarchies still exist, authority is still Weber's rational, legal type, and the organization is still rule bound. It may be argued that it is cleaned up bureaucracies that are removing the problems of bureaucracies rather than a shift away from bureaucracy. Gideon Kunda, in his classic study of culture management at technological companies he argued that 'the essence of bureaucratic control - the formalization, codification and enforcement of rules and regulations - does not change in principle.....it shifts focus from organizational structure to the organization's culture'. That is reason why TCS and Infosys spend lot of time and training people to make them to be Infocians in the process the bureaucratic system gets embedded rather resisted as high handed.

Another smaller group of theorists have developed the theory of the Post-Bureaucratic Organization., provide a detailed discussion which attempts to describe an organization that is fundamentally not bureaucratic. Charles Heckscher has developed an ideal type, the post-bureaucratic organization, in which decisions are based on dialogue and consensus rather than authority and command, the organization is a network rather than a hierarchy, open at the boundaries (in direct contrast to culture management); there is an emphasis on meta-decision making rules rather than decision making rules.

Functional structure

Employees within the functional divisions of an organization tend to perform a specialized set of tasks, for instance the engineering department would be staffed only with software engineers. This leads to operational efficiencies within that group. However it could also lead to a lack of communication between the functional groups within an organization, making the organization slow and inflexible. As a whole, a functional organization is best suited as a producer of standardized goods and services at large volume and low cost. Coordination and specialization of tasks are centralized in a functional structure, which makes producing a limited amount of products or services efficient and predictable. Moreover, efficiencies can further be realized as functional organizations integrate their activities vertically so that products are sold and distributed quickly and at low cost.

Divisional structure

Also called a "product structure", the divisional structure groups each organizational function into a division. Each division within a divisional structure contains all the necessary resources and functions within it. Divisions can be categorized from different points of view. One might make distinctions on a geographical basis (a US division and an EU division, for example) or on product/service basis (different products for different customers: households or companies). In another example, an automobile company with a divisional structure might have one division for SUVs, another division for subcompact cars, and another division for sedans. Each division may have its own sales, engineering and marketing departments.

Matrix structure

The matrix structure groups employees by both function and product. This structure can combine the best of both separate structures. A matrix organization frequently uses teams of employees to accomplish work, in order to take advantage of the strengths, as well as make up for the weaknesses, of functional and decentralized forms. An example would be a company that produces two products, "product a" and "product b". Using the matrix structure, this company would organize functions within the company as follows: "product a" sales department, "product a" customer service department, "product a" accounting, "product b" sales department, "product b" customer service department, "product b" accounting department. Matrix structure is amongst the purest of organizational structures, a simple lattice emulating order and regularity demonstrated in nature.

- **Weak/Functional Matrix:** A project manager with only limited au thority is

  assigned to oversee the cross- functional aspects of the project[31]. The functional managers maintain control over their resources and project areas.

- **Balanced/Functional Matrix:** A project manager is assigned to oversee the project. Power is shared equally between the project manager and the functional managers. It brings the best aspects of functional and projectized organizations. However, this is the most difficult system to maintain as the sharing power is delicate proposition.

- **Strong/Project Matrix:** A project manager is primarily responsible for the project. Functional managers provide technical expertise and assign resources as needed.

Among these matrixes, there is no best format; implementation success always depends on organization's purpose and function.

Organizational circle: moving back to flat

The flat structure is common in entrepreneurial start-ups, university spin offs or small companies in general. As the company grows, however, it becomes more complex and hierarchical, which leads to an expanded structure, with more levels and departments.

Often, it would result in bureaucracy, the most prevalent structure in the past. It is still, however, relevant in former Soviet Republics and China, as well as in most governmental organizations all over the world. Shell Group used to represent the typical bureaucracy: top-heavy and hierarchical. It featured multiple levels of command and duplicate service companies existing in different regions. All this made Shell apprehensive to market changes, leading to its incapacity to grow and develop further. The failure of this structure became the main reason for the company restructuring into a matrix.

Starbucks is one of the numerous large organizations that successfully developed the matrix structure supporting their focused strategy. Its design combines functional and product based divisions, with employees reporting to two heads. Creating a team spirit, the company empowers employees to make their own decisions and train them to develop both hard and soft skills. That makes Starbucks one of the best at customer service.

Similarly Life Insurance Corporation has the flat structure and it is most successful in implementing its strategies of reaching largest number of people in the country. Some experts also mention the multinational design, common in global companies, such as Procter & Gamble, Toyota andUnilever. This structure can be seen as a complex form of the matrix, as it maintains coordination among products, functions and geographic areas. In general, over the last decade, it has become increasingly clear that through the forces of globalization, competition and more demanding customers, the structure of many companies has become flatter, less hierarchical, more fluid and even virtual.

Team

One of the newest organizational structures developed in the 20th century is team. In small businesses, the team structure can define the entire organization Teams can be both horizontal and vertical. While an organization is constituted as a set of people who synergize individual competencies to achieve newer dimensions, the quality of organizational structure revolves around the competencies of teams in totality. For example, every one of the Whole Foods Market stores, the largest natural-foods grocer in the US developing a focused strategy, is an autonomous profit

centre composed of an average of 10 self-managed teams, while team leaders in each store and each region are also a team. Larger bureaucratic organizations can benefit from the flexibility of teams as well. Xerox, Motorola, and DaimlerChrysler are all among the companies that actively use teams to perform tasks.

Network

Another modern structure is network. While business giants risk becoming *too clumsy* to proact (such as), act and react efficiently, the new network organizations contract out any business function that can be done better or more cheaply. In essence, managers in network structures spend most of their time coordinating and controlling

external relations, usually by electronic means.H&M is outsourcing its clothing to a network of 700 suppliers, more than two-thirds of which are based in low-cost Asian countries. Not owning any factories, H&M can be more flexible than many other retailers in lowering its costs, which aligns with its low-cost strategy. The potential management opportunities offered by recent advances in complex networks theory

have been demonstrated including applications to product design and development and innovation problem in markets and industries.

Virtual

A special form of boundaryless organization is virtual. Hedberg, Dahlgren, Hansson, and Olve (1999) consider the virtual organization as not physically existing as such,but enabled by software to exist. The virtual organization exists within a network of alliances, using the Internet. This means while the core of the organization can be small but still the company can operate globally be a market leader in its niche. According to Anderson, because of the unlimited shelf space of the Web, the cost of reaching niche goods is falling dramatically. Although none sell in huge numbers, there are so many niche products that collectively they make a significant profit, and

that is what made highly innovative Amazon.com so successful.

Management by Objectives (MBO)

MBO is an organization-wide approach to help assure purposeful action toward desired objectives by liking organizational objectives with individual behavior.

The MBO process involves:

1. Establishing and communicating organizational objectives.
2. Setting individual objectives that help implement organizational ones.
3. eveloping an action plan of activities needed to achieve the objectives.
4. Periodically reviewing performance as it replace to the objectives and including the results in the annual performance appraisal.

Total Quality Management (TQM)

TQM is an operational philosophy that stresses commitment to customer satisfaction and continuous improvement.

It has four objectives:

1. Better, less-variable quality of the product and service
2. Quicker, less-variable response to customer needs
3. Greater flexibility in adjusting to customers‘ shifting requirement

4. Lower cost through quality improvement and elimination of no value-adding work.

The essential ingredients of TQM are:

1. An intense focus on customer satisfaction

2. Customers are internal as well as external

3. Accurate measurement of every critical variable in a company's operations.

4. Continuous improvement of products and services.

5. New work relationships based on trust and teamwork.

Evaluation and Control

It is the process of by which corporate activities and performance results are monitored so that actual performance can be compared with desired performance. This process can be viewed as a five step feedback model.

1. Determine what to measure.

2. Establish standards of performance.

3. Measure actual performance.

4. Compare actual performance with the standard.

5. Take corrective action.

Evaluation and Control in Strategic Management:

Evaluation and control information consists of performance data and activity reports. Top management need not involved. If however, the processes themselves cause the undesired performance, both top managers and operational managers must know about it so that they can develop new implementation programs or procedures.

Evaluation and control information must be relevant to what is being monitored. One of the obstacles to effective control is the difficulty in developing appropriate measures of important activities and outputs.

Using of measures

Returns on Investment (ROI) are appropriate for evaluating the corporation‘s or division‘s ability to achieve profitability objectives. This type of measure, however, is adequate for evaluating additional corporate objectives such as social responsibility or employee development. A firm therefore needs to develop measures that predict likely profitability. These are referred to as steering controls because they measure those variables that influence future profitability.

Differing of behavior and output control

Controls can be established to focus either on actual performance results or on the activities that generates the performance. Behavior controls specify how something is to be done through policies, rules, standard operating procedures and orders from a superior. Output controls specify what is to be accomplished by focusing on the result on the end result of the behavior through the use of objectives or performance targets or milestones. They are not interchangeable. Behavior controls are most appropriate when performance results are hard to measure and a clear cause-effect connection exists between activities and results. Output controls are most appropriate when specific output measures are agreed upon and no clear cause-effect connection exists between activities and results.

Guideline for Proper Control.

Measuring performance is a crucial part of evaluation and control. Without objective and timely measurements, making operational, let alone strategic, decisions would be extremely difficult. Nevertheless, the use of timely, quantifiable standards does not guarantee good performance.

1. Controls should involve only the minimum amount of information needed to give a reliable picture of events.

2. Control should monitor only meaningful activities and results, regardless of measurement difficulty.

3. Controls should be timely.

4. Control should be long term and short-term.

5. Control should pinpoint exceptions.

Activity based costing (ABC) is a new accounting method for allocating indirect and fixed costs to individual products or product lines based on the value-added activities going into that product. This method is very useful in doing a value-chain analysis of a firm‘s activities for making outsourcing decisions. It allows accountants to charge costs more accurately because it allocates overhead far more precisely. It can be used in much type of industries.

Corporate performance

The most commonly used measure of corporate performance is ROI. It is simply the result of dividing net income before taxes by total assets. Return on investment has

several advantages. It is a single comprehensive figure that is influenced by everything that happens. It measures how well a decision manager uses the division‘s assets to generate profits. It is a common denominator that can be compared with other companies and business units. It provides an incentive to use existing assets efficiently and to buy new once only when it would increase profits.

Stakeholder Measures

Each stakeholder has its own set of criteria to determine how well the corporation is performing. Top management should establish one or more simple measures for each stakeholder category so that it can keep track of stakeholder concerns.

Shareholder value

It is defined as the present value of the anticipated future streams cash flows from the business plus the value of the company if liquidated. The value of corporation is thus the value of its cash flows discounted back to their present value, using the business cost of capital as the discount rate.

Economic value added (EVA) is after tax operating profit minus the total annual cost of capital. It measures the pre-strategy value of the business.

Responsibility Centers

Responsibility centers are used to isolate a unit so that it can be evaluated separately from the rest of the corporation. The center resources to produce a service or a product.

Five major types of responsibility centers is used

1. Standard cost centers.

2. Revenue centers.

3. Expense centers.

4. Profit centers.

5. Investment centers.

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6. Controls should be used to reward meeting or exceeding standards rather than to punish failure to meet standards.

Corporate Entrepreneurship:

Sharma and Chrisman present an overview of the different definitions in the field of entrepreneurship: A variety of terms are used for the entrepreneurial efforts within an existing organization such as corporate entrepreneurship, corporate venturing,, intrepreneuring , internal corporate entrepreneurship , internal entrepreneurship, strategic renewal and venturing. Entrepreneurship encompasses acts of organizational creation, renewal or innovation that occur within or outside an existing organization. Entrepreneurs are individuals or groups of individuals, acting independently or as part of a corporate system, who create new organizations, or instigate renewal or innovation within an existing organization. Burgelman, in his work, also proposes a definition:

Definition of Ethics

The concept has come to mean various things to various people, but generally in the context of organizations coming to know what it right or wrong in the workplace and doing what's right -- this is in regard to effects of products/services and in relationships with stakeholders. (We will have a discussion on stakeholders later) In times of fundamental change, values that were previously taken for granted are now strongly questioned. For example, lifelong employment is considered one of the best policies of organizations. What kind of knowledge does ethics lay claim to? How is such knowledge defined? What is its relevance/application to business conduct?

How is morality acquired? What are the origins of ethics as systems of belief? Should we be good all the time? Must the answer always be "Yes" or are there degrees of correct or wrongful action?

Is morality necessarily related to religion?

Is questionable morality necessarily criminal or needing a framework of control and sanction? What form does a framework of sanction take for example for a businessperson operating in global market place? For example, an organization may be following all that is required regarding pollution in a particular country. However, in some other country the rules may not be so stringent regarding pollution control. Now, should the organization follow the same stringent rules?

Are some acts committed by people always wrong (murder, theft, corrupt practice, exploitation of others, damaging and irreversible destruction of the natural environment)?

Is moral, ethical behaviour bound by absolute, universal, undeniable rules, which everyone must accept and follow in life? What are such rules? How could they be so absolute? Alternatively is such behaviour based more on

(a) Avoidance of consequences (fear of punishment) when making decisions or acting? Generally during childhood, certain behaviour is encouraged and other type of behaviour is discouraged. In this process ethics are being thought.

Broad Areas of Ethics in relation to Business

1. **Managerial mischief** includes "illegal, unethical, or questionable practices of individual managers or organizations, as well as the causes of such behaviours and remedies to eradicate them." There has been a great deal written about managerial mischief, leading many to believe that business ethics is merely a matter of preaching the basics of what is right and wrong.