Part 4
The implementation process

Chapter 13
Implementing and controlling the strategic plan

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How do we implement strategy?

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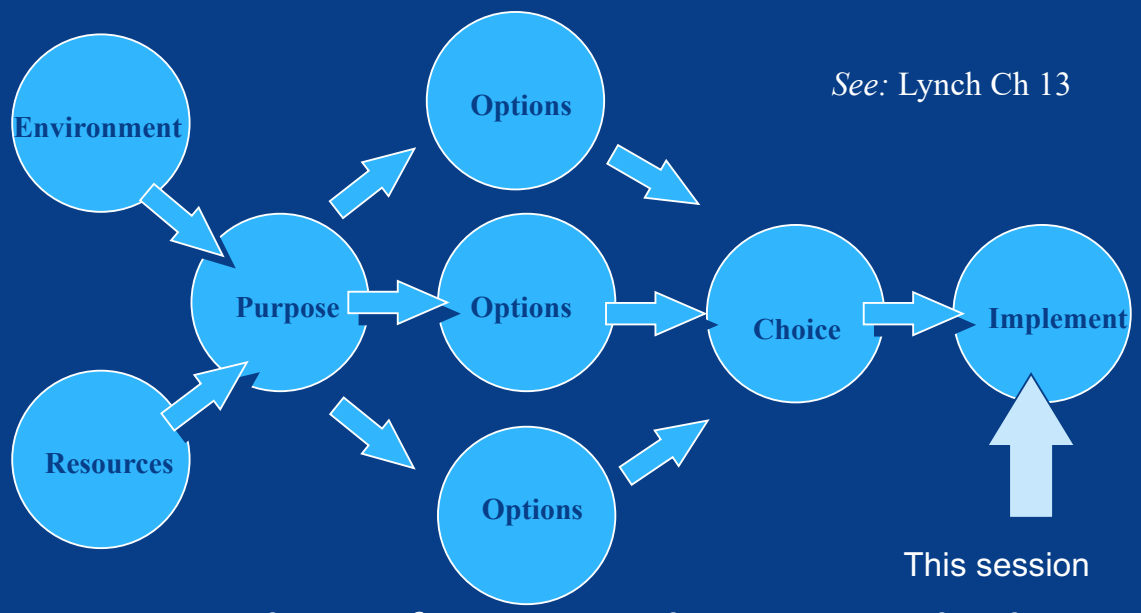
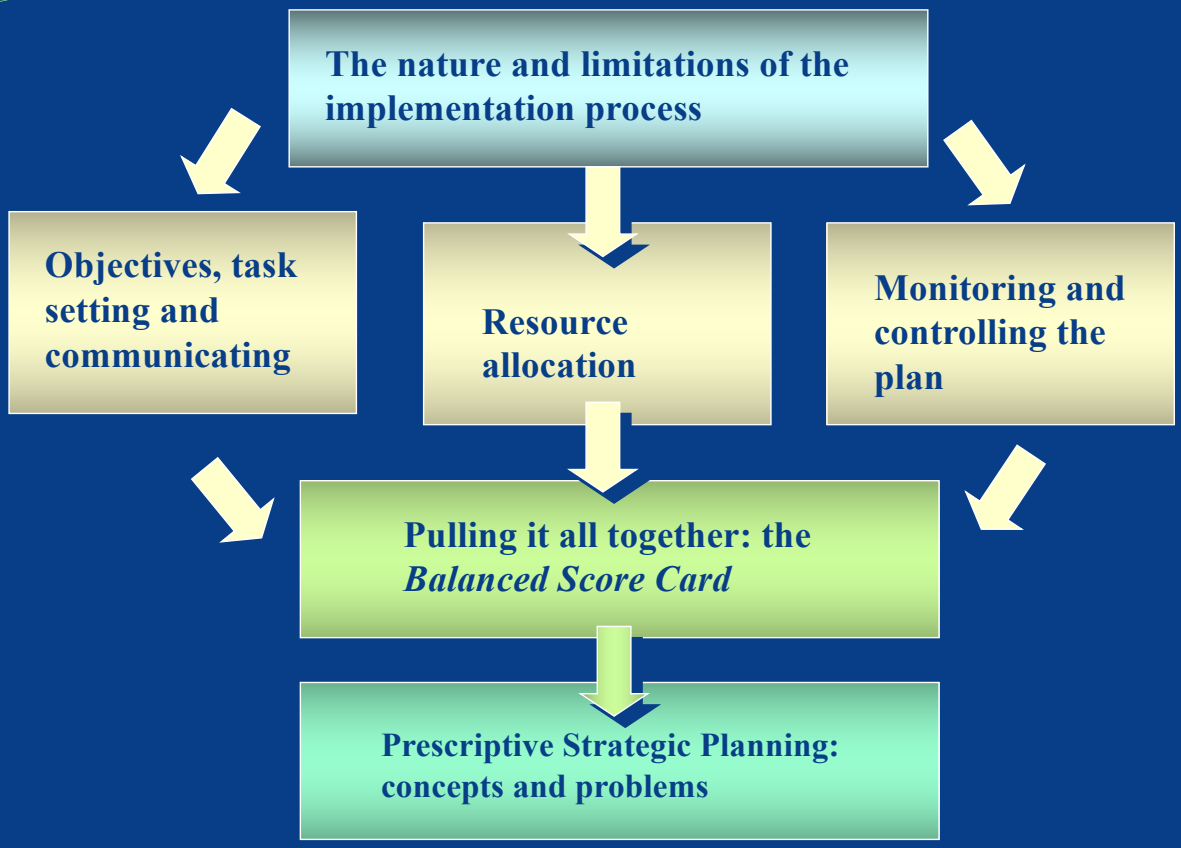


See: Lynch Ch 13

The conventional view of strategy implementation – but how does it work in practice?

Main elements of the implementation process



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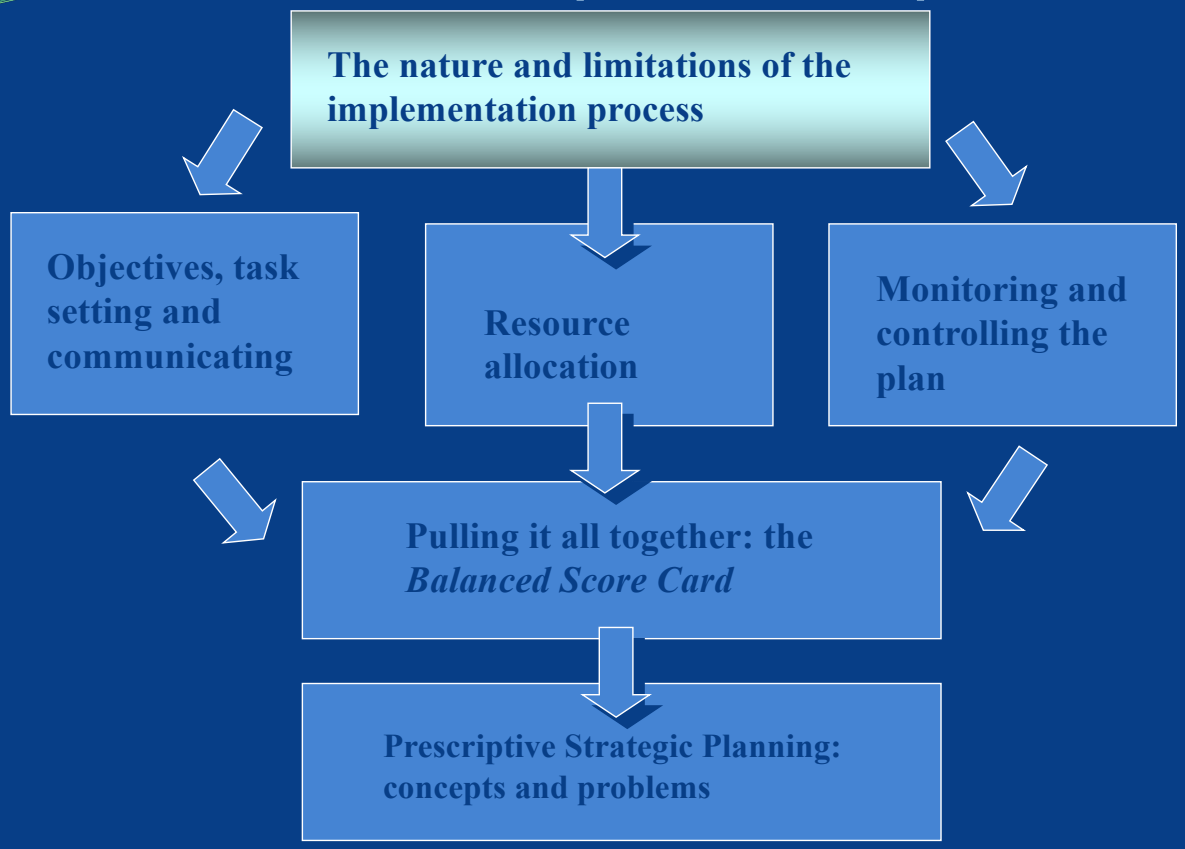


The nature and limitations of the implementation process - 1

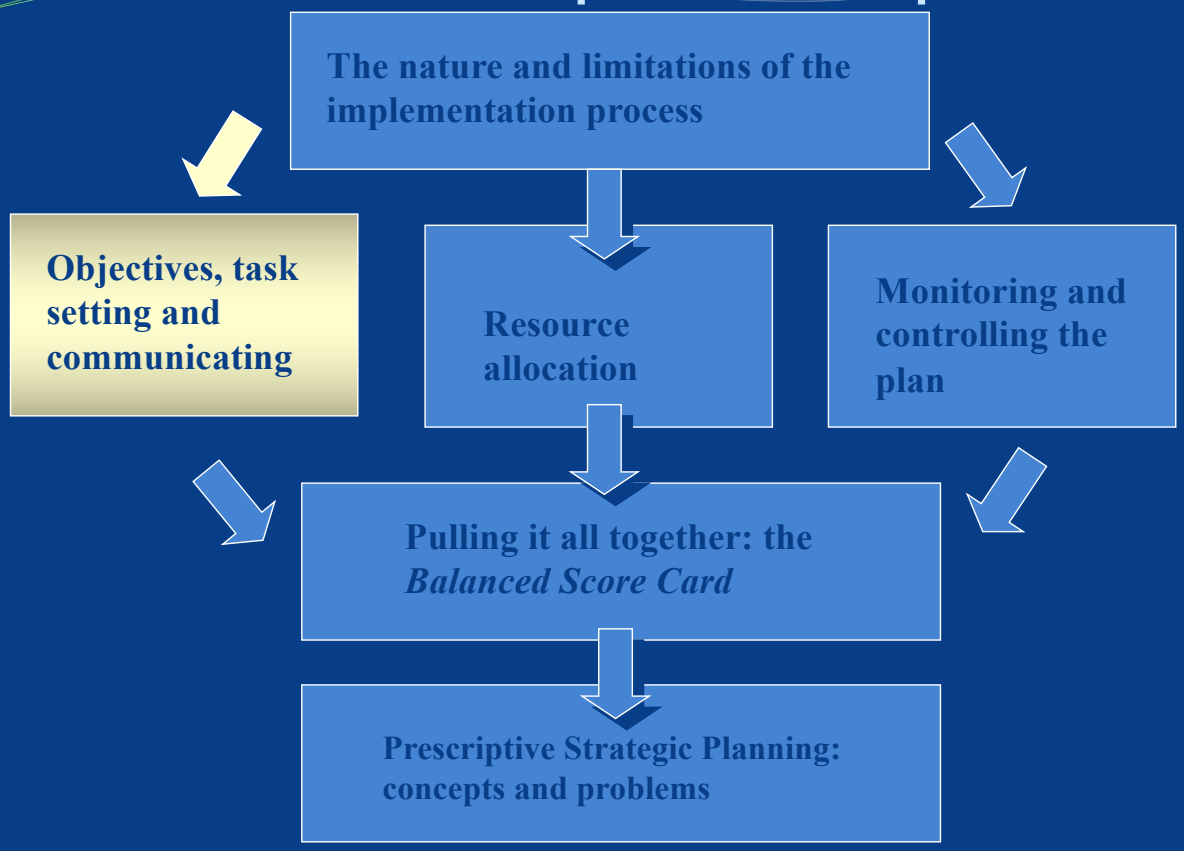
- 'Implementation' comes after the strategic choice has been decided
- Implementation seeks to address the following questions:
  - What activities have been agreed in order to achieve the agreed objectives?
  - What is the timescale for the implementation of such plans?
  - How will progress be monitored and controlled?
- As defined in strategy literature, implementation attempts to carry out the chosen strategy: *prescriptive* approach

See: Lynch , Ch 13, Section 13.1

The nature and limitations of the implementation process - 2

- But prescriptive approach may over-simplify the reality of the planning process – see Mintzberg, Quinn, Grant and many others
- Empirical research of Pettigrew and Whipp: implementation is best seen as a *continuous* process, rather than one that simply occurs after the strategy has been formulated
- According to such strategists, prescriptive implementation ignores company politics, competitor reaction, technology change, etc.

Main elements of the implementation process



Objectives, task setting and communicating - 1

The five basic areas that need to be explored:

1. Who developed the strategies that are now being implemented? Perhaps managers themselves? Perhaps superiors? The answer will indicate the understanding and commitment that will be given to implementing the strategy
2. Who will implement the strategies? It is essential to identify the clear responsibility of those people tasked with implementation
3. What objectives and tasks will they need to accomplish? Implementation will have little meaning if the tasks are unclear

See: Lynch, Ch 13, Section 13.2

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Objectives, task setting and communicating - 2

The five basic areas that need to be explored - continued

4. How can objectives and tasks be handled in fast-changing and uncertain environments? The special circumstances surrounding such environments favour more flexibility in targets. But how is this to be handled and how controlled? Daily? Weekly? Etc.
5. How will the implementation process be communicated and co-ordinated? Precisely what mechanism will be used to communicate the chosen strategy and start the implementation? And who will co-ordinate the various people involved so that they all know what they are doing as individuals?

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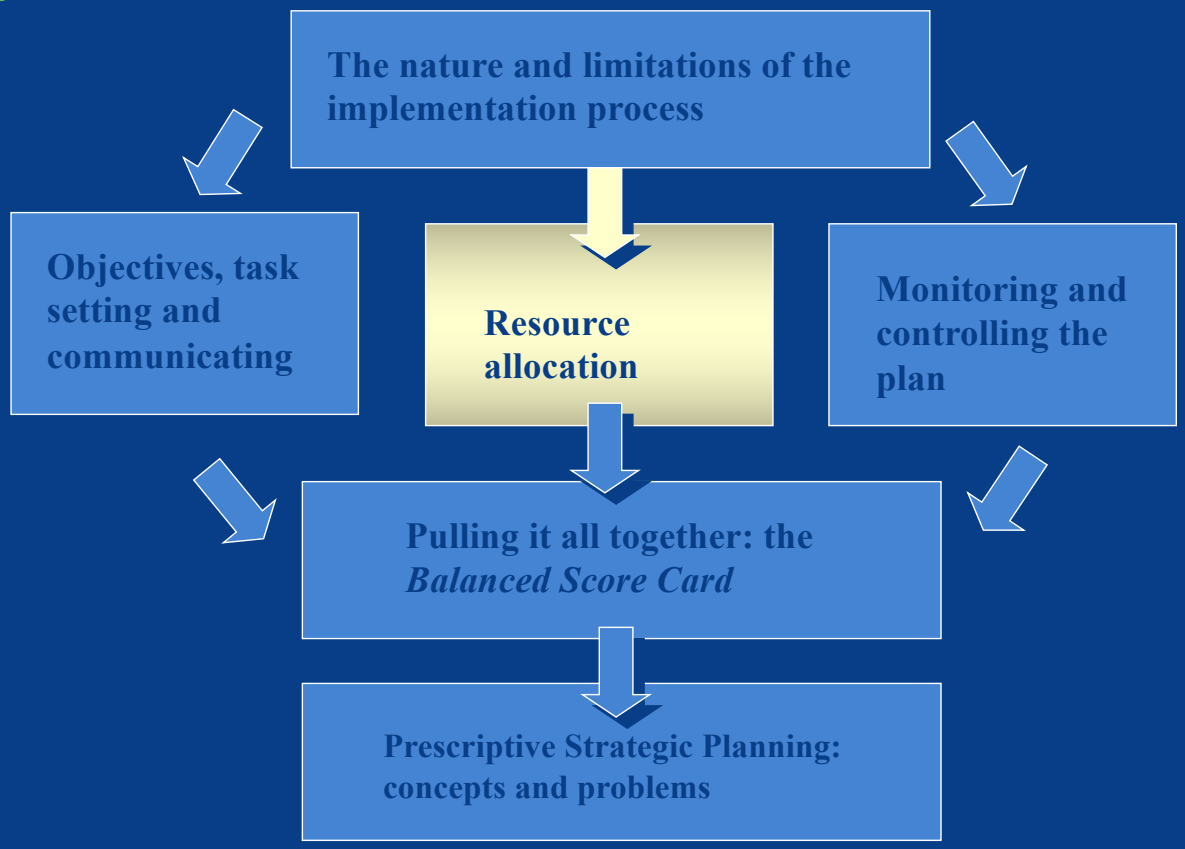
Main elements of the implementation process



Resource allocation -1

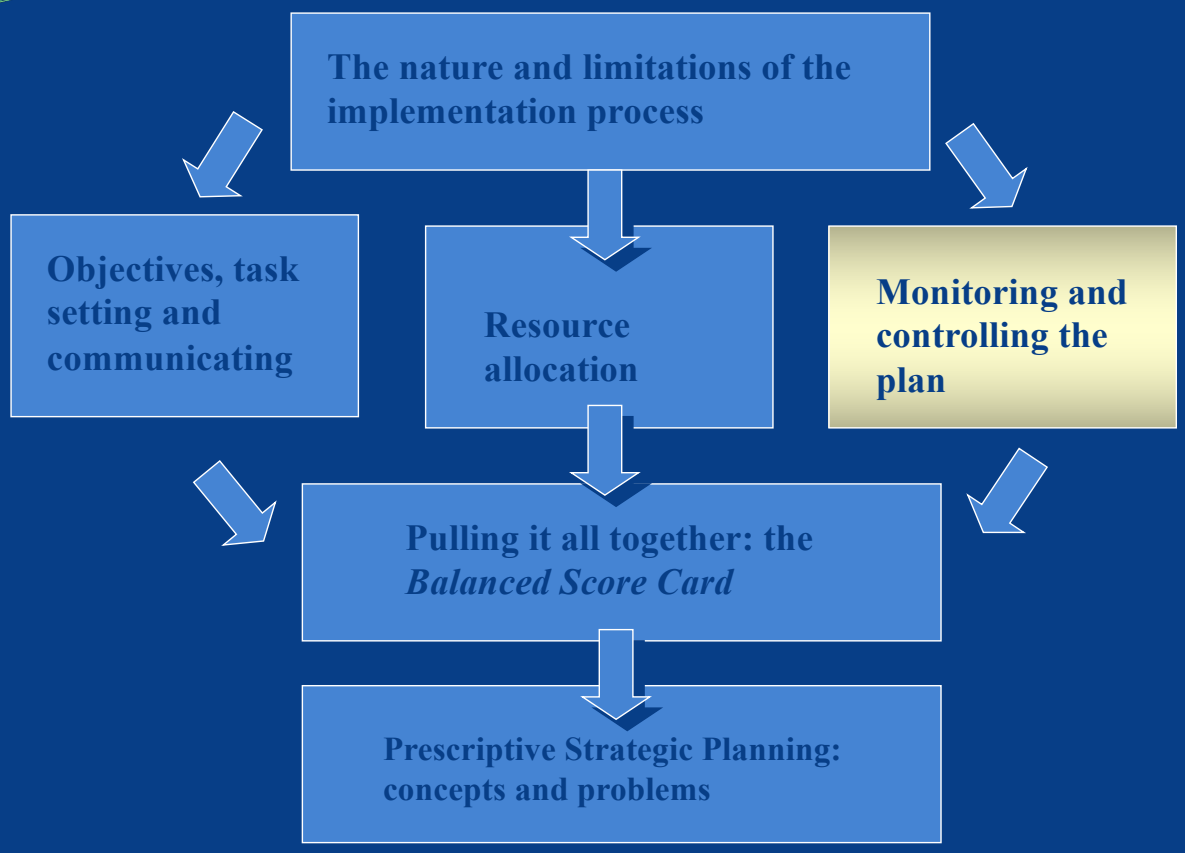
- Most strategies require the resources of finance, people and expertise for their implementation
- For most organisations, such resources are not infinite
- Resource allocation often involves difficult decisions about the resource-demands of different strategies: for example, do we undertake an acquisition or do we invest in an existing brand?

See: Lynch Ch 13, Section 13.3

Resource allocation - 2

- There are three main criteria for resource allocation:
  - Contribution of the proposed resources towards the fulfilment of the organisation's mission and objectives
  - The support of key strategies across the organisation
  - The level of risk associated with a specific proposal

Main elements of the implementation process



Monitoring and controlling the strategic plan - 1

Planning objectives need to be communicated and co-ordinated for four reasons:

- To ensure that everyone has understood
- To allow any confusion or ambiguity to be resolved
- To communicate the judgements, assumptions, contingencies and possible choices made during the strategy choice phase
- To ensure that the organisation is properly linked together for maximum effect

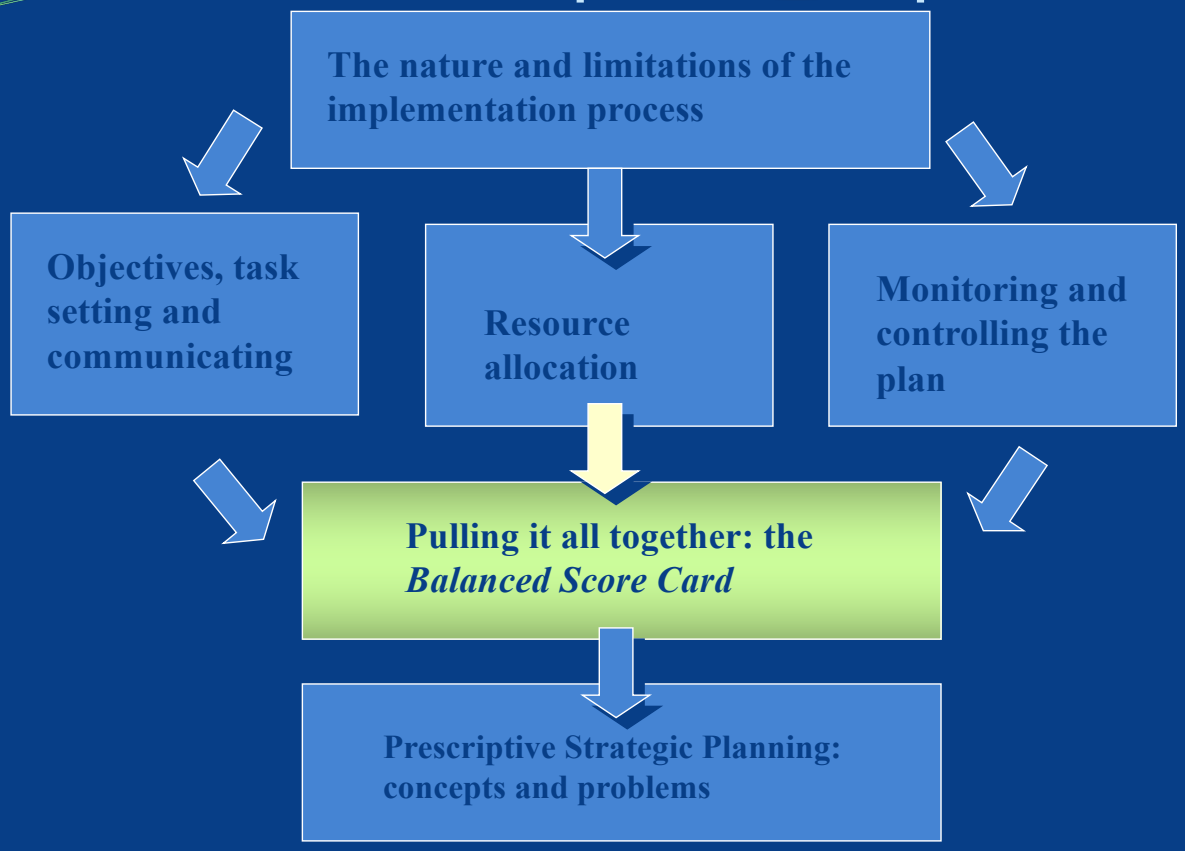
See: Lynch Ch 13, Section 13.4

Monitoring and controlling the strategic plan-2

Although controlling the strategic plan has a strong prescriptive element, it can also be emergent:

- Handling objectives in fast-changing environments: three guidelines:
  - Flexibility of objectives and tasks within an agreed vision
  - Empowerment of those closest to the environmental changes, so that they can respond quickly
  - Careful and close monitoring by the centre of those reacting to events: remember the collapse of Barings Bank because the controls were too lax!
- Importantly, controls *must* allow new opportunities to be taken in fast-moving markets

Main elements of the implementation process



The Balanced Scorecard - 1

- Probably the best-known device for strategic plan control is Kaplan and Norton's ***Balanced Scorecard***
- "The Balanced Scorecard is not a way of formulating strategy. It is a way of checking what you have to do throughout the organisation to make your strategy work."
- Four main principles:
  - *Translating the vision* through clarifying and gaining consensus
  - *Communicating and linking* by setting goals and rewards
  - *Business planning* to align objectives, resources and milestones
  - *Feedback and learning* to review subsequent performance against the plan

© Balanced Scorecard: copyright Kaplan and Norton 1996

The Balanced Scorecard - 2

- *Balanced Scorecard – Summary of Strategic Perspectives*

Strategy perspective	Example	Example of scorecard measure – called a Key Performance Indicator (KPI)
Financial perspective	Shareholders' views of performance	• Return on capital • Economic value added • Sales growth • Cost reduction
Customer perspective	Customer satisfaction	• Customer satisfaction • Customer retention • Acquisition of new customers
Internal perspective	Assess quality of people and processes	• Manufacturing cost • Job turnover • Product quality • Stock turnover and inventory management
Future perspective	Examine how an organisation learns and grows	• New product development record • R&D core competencies • Employee retention • Employee profitability

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The Balanced Scorecard - 3

- *Balanced Scorecard – Summary of Strategic Perspectives*

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Scorecard measure: Key Performance Indicator (KPI)

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The Balanced Scorecard - 4

- *Balanced Scorecard – Developing a single KPI*
  - Step 1: Take the strategy objective
  - Step 2: Decide how the objective is going to be measured
  - Step 3: Translate the measure into a numerical target
  - Step 4: Generate some initiatives to meet the target
- Comments on each step:
  - Step 1: valuable because links choice with implementation
  - Step 2: may oversimplify, even distort, underlying strategy
  - Step 3: requires considerable judgement in practice to find a useful set of numbers
  - Step 4: involves practical judgement over feasibility of each initiative, along with consideration of costs as well as benefits of achieving target – who makes the 'judgement'?

The Balanced Scorecard - 5

- Some Balanced Scorecard critical comments:
  - Based on assumption that business purpose is to 'improve shareholder value' – stakeholder theorists will disagree
  - Typically around 20 KPI's are used in practice: each needing to be specified, measured, targeted and the initiatives outlined – complex
  - Lays strong emphasis on what is measurable, not necessarily what is important strategically, nor on the actions and commitment needed
  - Excessive measurement may be a bureaucratic nightmare

See: Lynch Ch 13, Section 13.5

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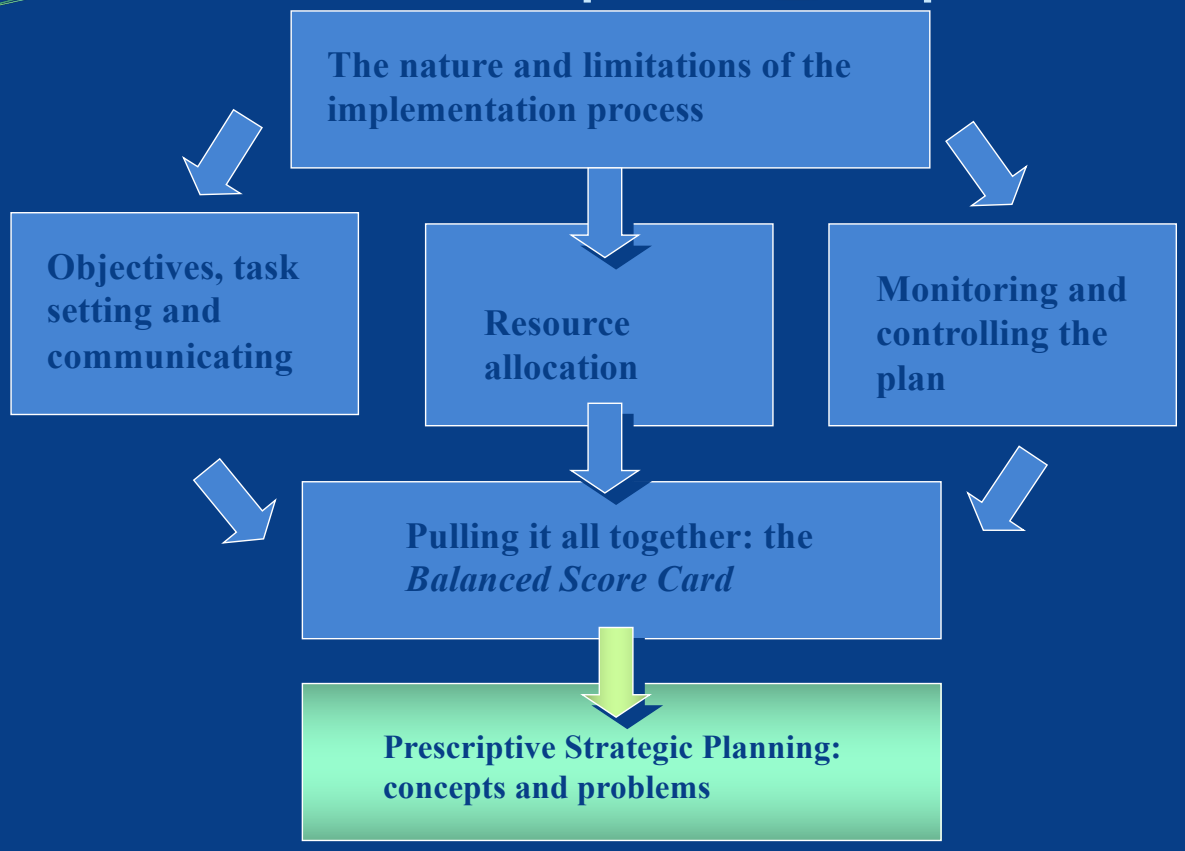

Prescriptive strategic planning: concepts and problems -1

Does an organisation need a 'strategic plan'?

- Environment assumed to be predictable
- but numerous instances where this has proved to be unreliable, even incorrect
- Amongst some strategy theorists, strategic plans have therefore become unpopular in recent years

Strategy planning procedure:

- assumes that major strategic decisions finish with a final, definitive document
- whereas decisions in practice are complex, multi-layered and subject to management judgement
- But many leaders *like* a specific, agreed plan in spite of the theories

Prescriptive strategic planning: concepts and problems - 2

The 'Top-down' processes in strategy planning:

- Involve a lengthy and detailed strategic planning cycle usually every year with meetings, debates, challenges and final agreement for the coming year (or years)
- Assume that such procedures from group HQ to individual groups are best way to allocate funds and gain management commitment
- Whereas research evidence suggests that some managers find this process demotivating and unwieldy

Prescriptive strategic planning: concepts and problems - 3

Organisational culture and process has a major impact on strategic planning:

- Some company cultures support and benefit from prescriptive planning: perhaps because their size and complexity values a formalised, even bureaucratic, approach
- But some companies are more free-wheeling, opportunistic, e.g. reputedly the Virgin Group
- Equally, some managers are more entrepreneurial and dislike the restriction of a strategic plan
- Others accept that this is the only way to allocate resources and control outcomes

Prescriptive strategic planning: concepts and problems - 4

More general criticisms of the rigidity of a 'strategic plan' include:

- Need for more dialogue in the development of strategy
- Innovation needs a greater flow of ideas and is ill-served by rigid reporting and information flows
- More adaptable organisation is essential where the environment is changing rapidly: *emergent* approaches are essential in these circumstances but not covered in most strategy texts
- In practice, most organisations need to be aware of the criticisms while developing their strategic plans

See: Lynch Ch 13, Section 13.6

How do we implement strategy?

Some additional overheads

Planning strategies and styles -1

Reasons for the variation in the styles of strategic planning include:

- *Environment*: context within which organisation operates
- *Product range*: levels of service, types of product, product profitability will all influence planning style
- *Leadership and management style*: both the choice of those leading the organisation and the organisational culture will influence planning style

Planning strategies and styles - 2

Campbell and Gould identified three main styles as being most common:

- *Strategic planning*: the centre is involved in formulating the plans of the various businesses.

  Possible example: Canon
- *Financial control*: the centre exercises short-term financial control but otherwise the businesses are highly decentralised and able to operate as they wish

  Possible example: Hanson
- *Strategic control*: between the two above. Some involvement in planning and some monitoring of operations

  Possible example: Nestle

Information monitoring and control - 1

Important because information can be used to:

- assess resource allocation process
- monitor progress on implementation
- evaluate performance of individual managers

Main elements of control system:

- Information must be in time to take action
- Need to distinguish between financial and strategic monitoring
- Need careful thought and experimentation

Information monitoring and control - 2

Methods of improving strategic controls:

- Concentrate on the key performance indicators and key factors for success
- Distinguish between corporate, business and operating levels of information: monitor only what is relevant
- Avoid over-reliance on quantitative data
- As controls become established, consider relaxing them
- Create realistic expectations of what the control system can do as it is being introduced