

Part 4

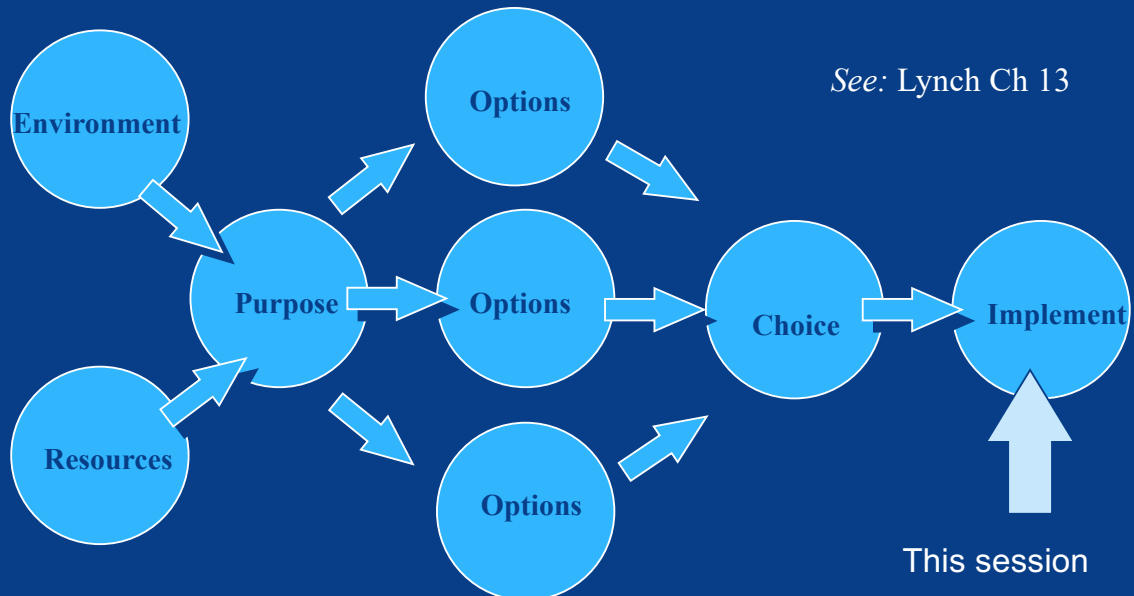
The implementation process

Chapter 13

Implementing and controlling the strategic plan

How do we implement strategy?

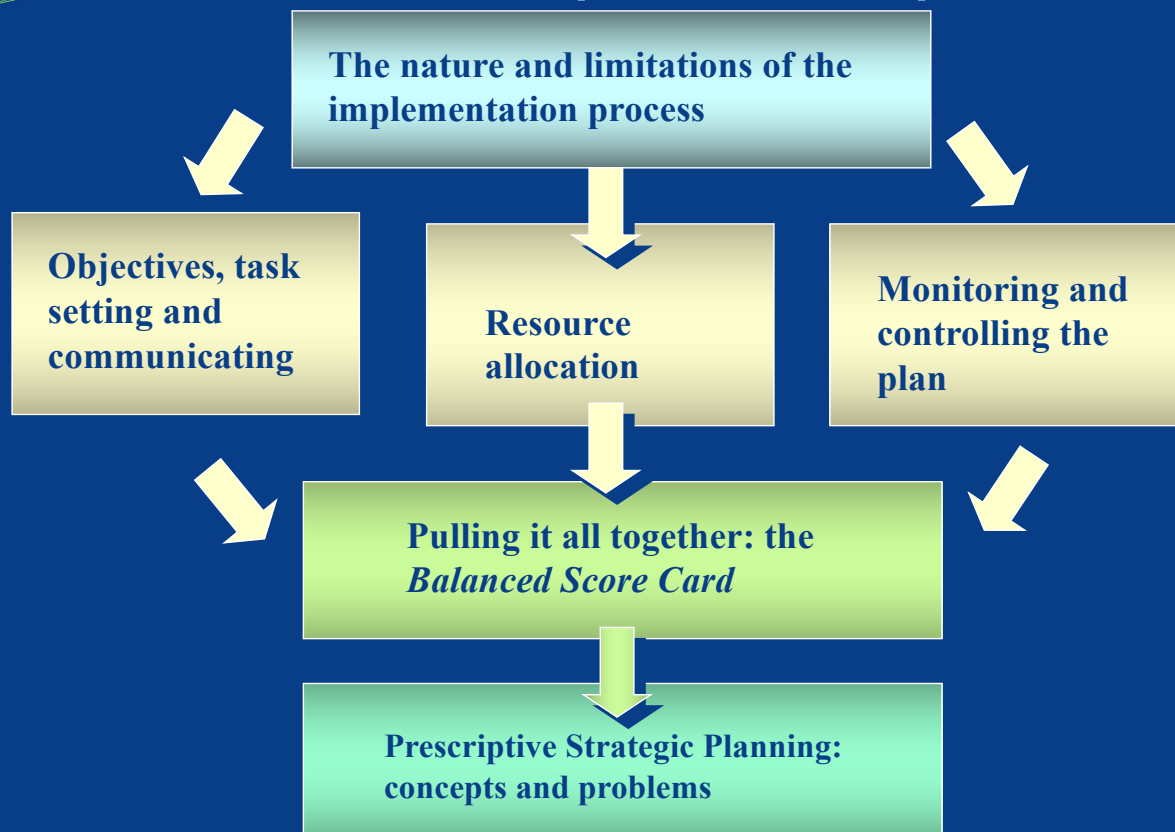
How do we implement strategy?



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

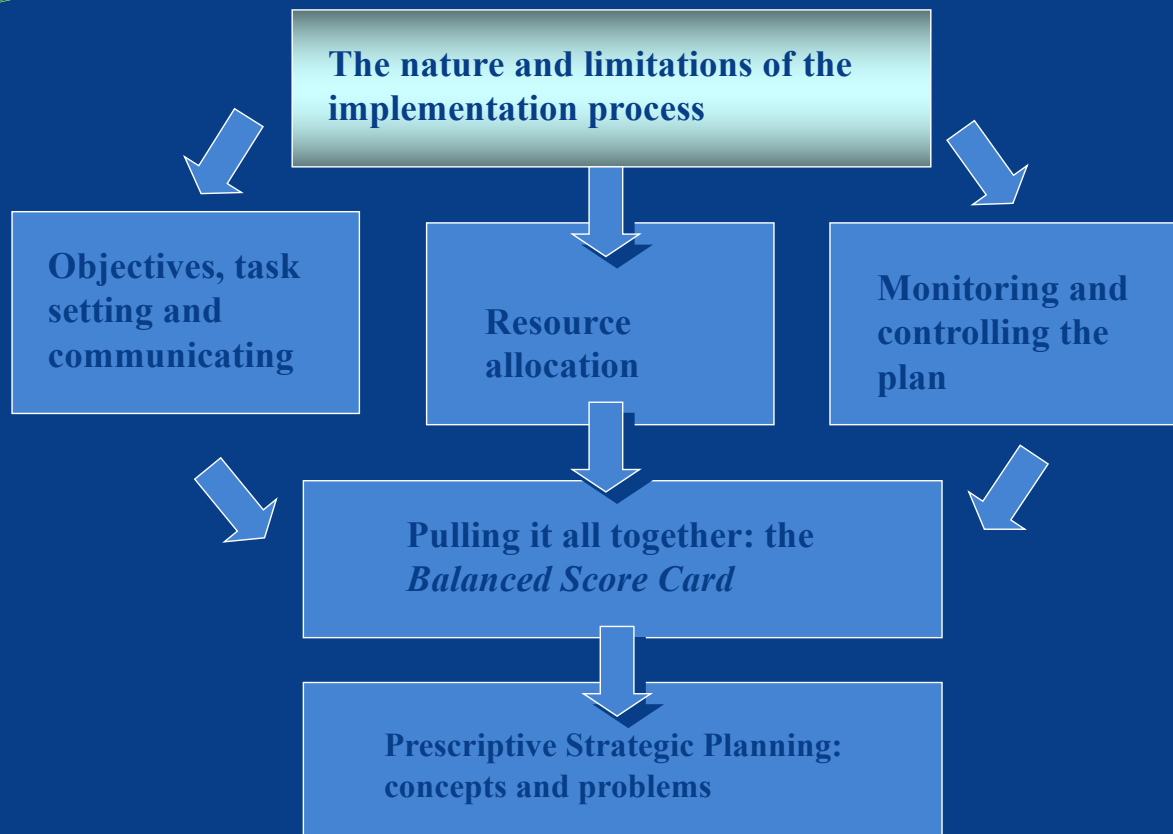
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Main elements of the implementation process



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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*

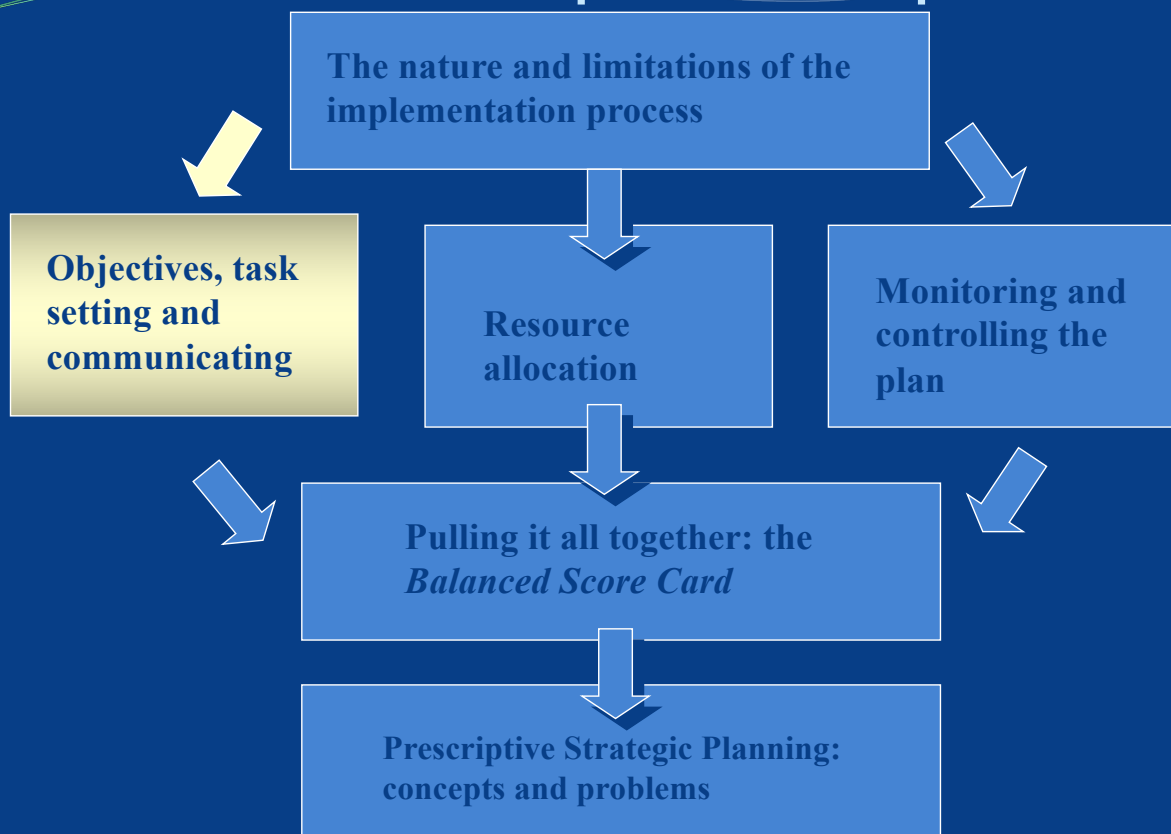
See: Lynch , Ch 13,
Section 13.1

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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

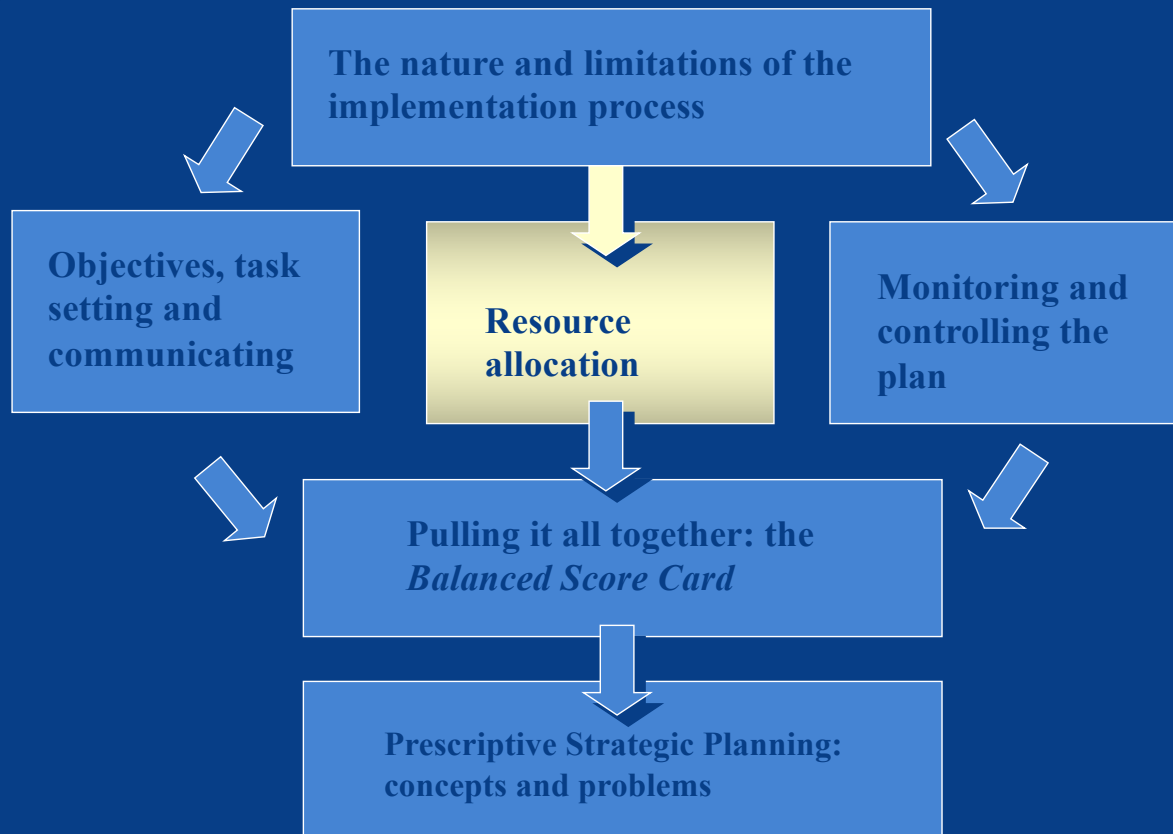
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Objectives, task setting and communicating - 2

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?

Main elements of the implementation process



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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?

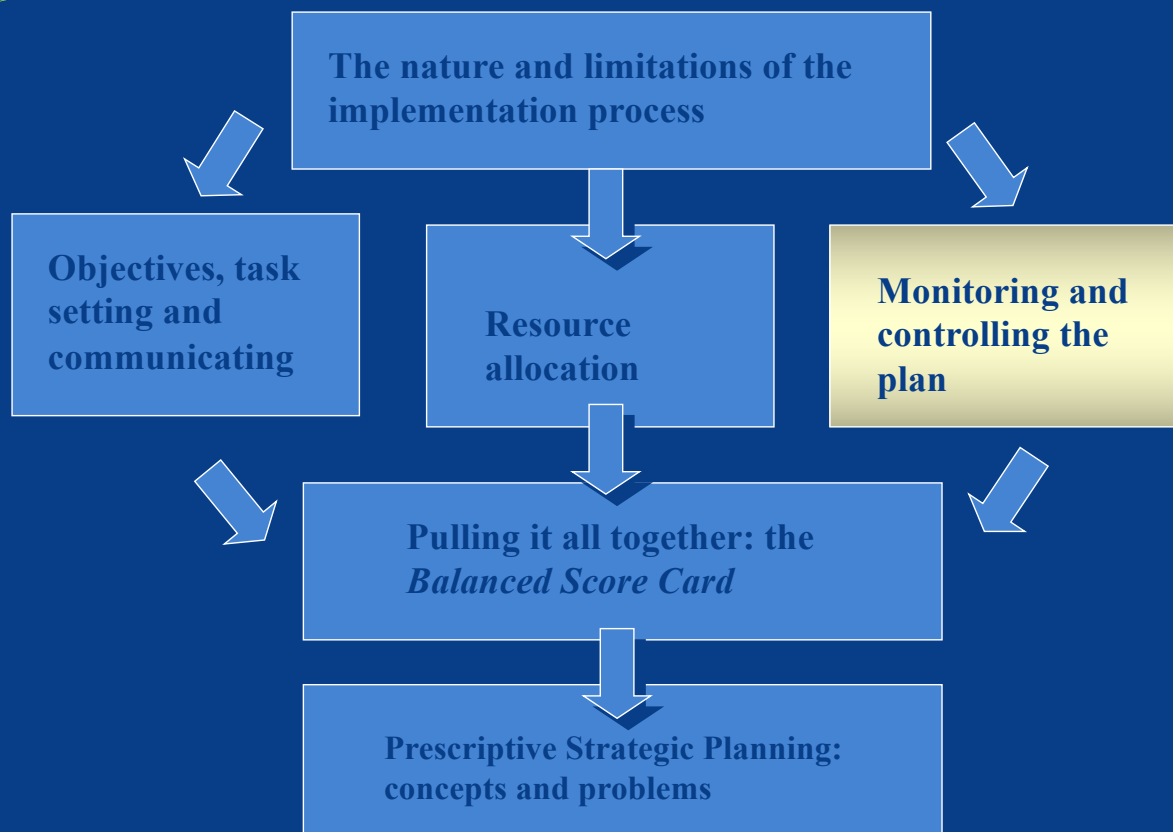
See: Lynch Ch 13, Section 13.3

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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

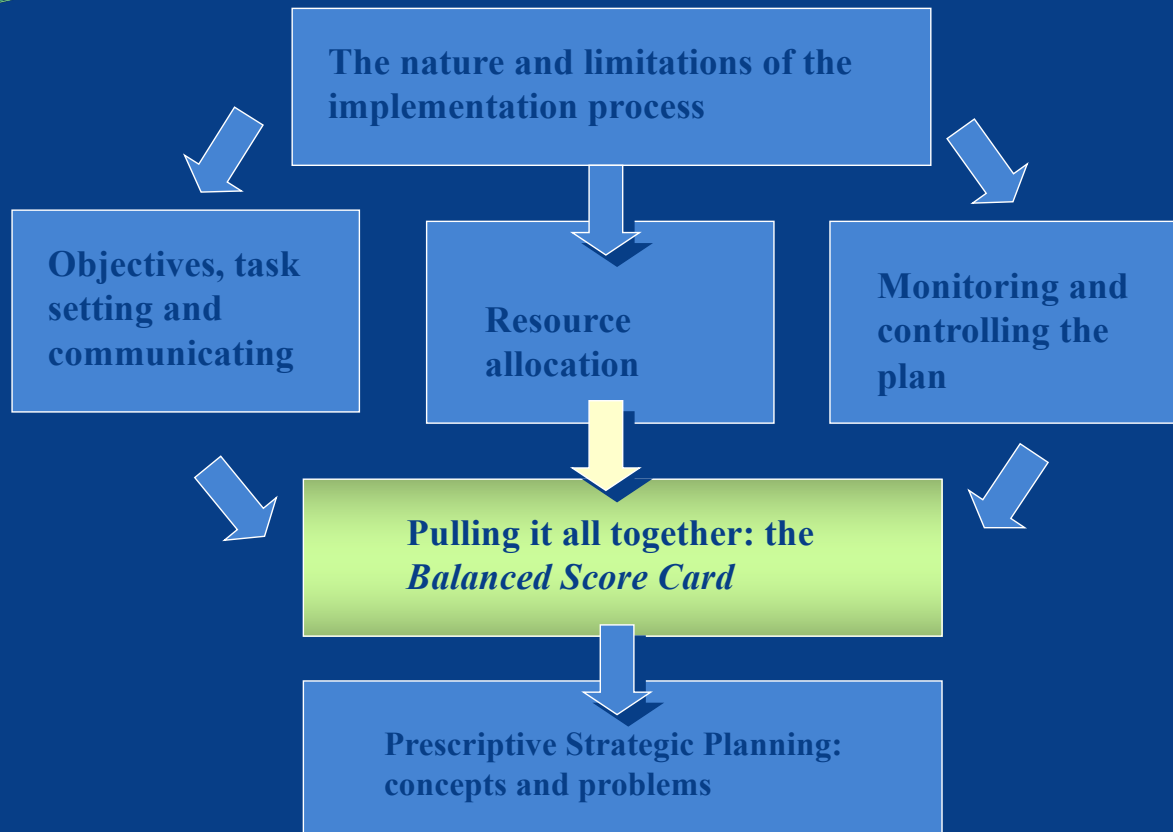
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Monitoring and controlling the strategic plan-2

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



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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

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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

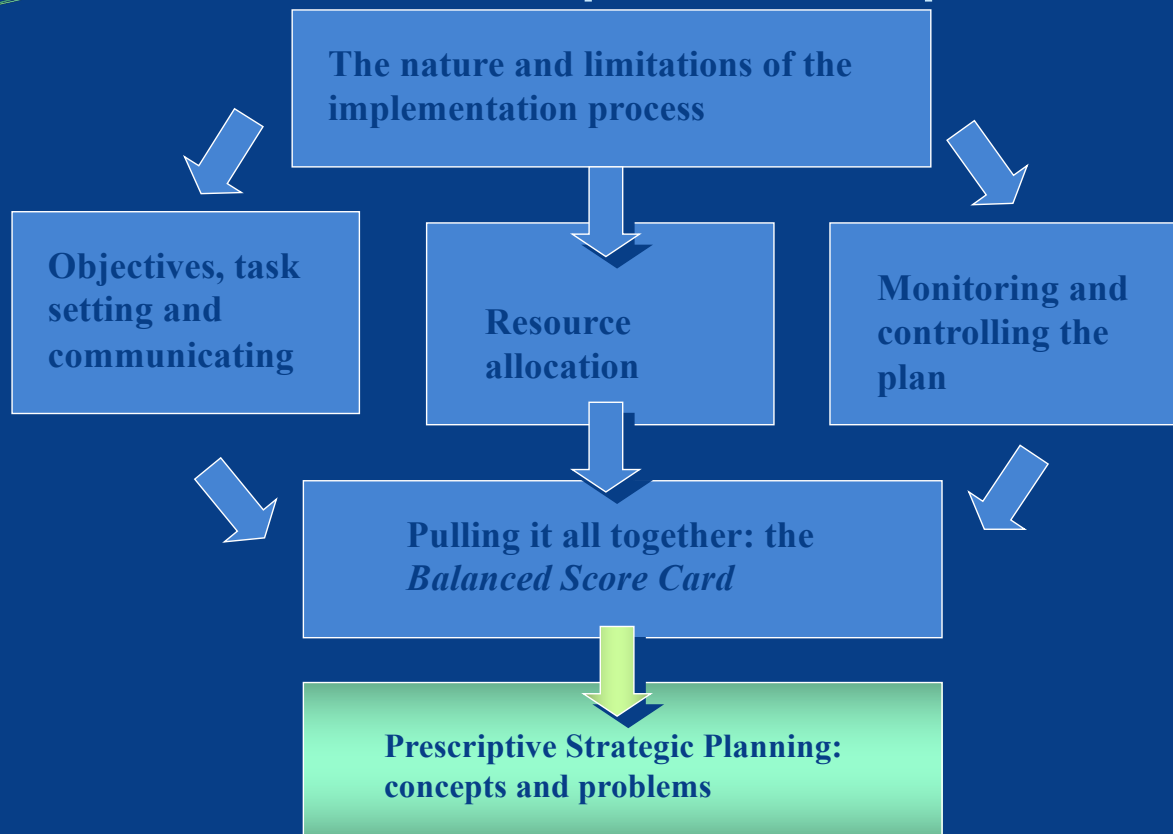
- *Balanced Scorecard – Developing a single KPI*
 - Step 1: Take the strategy objective
 - Step 2: Decide how the objective is going to be measured
 - Step 3: Translate the measure into a numerical target
 - Step 4: Generate some initiatives to meet the target
- Comments on each step:
 - Step 1: valuable 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

Main elements of the implementation process



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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

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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

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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