UNIT 11: STRATEGY IMPLEMENTATION

UNIT STRUCTURE

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11.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- discuss the nature and concept of strategy implementation.
- describe the interrelationship between strategy formulation and implementation.
- learn the role of project management in strategy implementation.
- describe the various factors that affects resource allocation.

11.2 INTRODUCTION

In the earlier units we have discussed about the various strategies at corporate level and business level. In this unit we will go through the implementation phase of the strategies, *Implementation* is the process that turns *strategies* and plans into actions in order to accomplish *strategic* objectives and goals. In this unit we are going to discuss the strategy

implementation and its various aspects. Strategy implementation is the transformation of chosen strategy into organizational action so as to achieve strategic goals and objectives.

Let us now discuss the nature and barriers to strategy implementation, model of strategy implementation, project implementation, procedural implementation and resource allocation in the following sections.

11.3 CONCEPT OF STRATEGY IMPLEMENTATION

Strategy Implementation is described as a process or activity that ensures the strategic planning. It is a dynamic , iterative and complex process which comprises a series of decisions and activities by the mangers and employees –affected by a number of interrelated internal and external factors to turn strategic plans into reality in order to achieve strategic objectives.

Strategy implementation is a term used to describe the activities within an organization to manage the execution of a strategic plan. Strategy implementation is the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance.

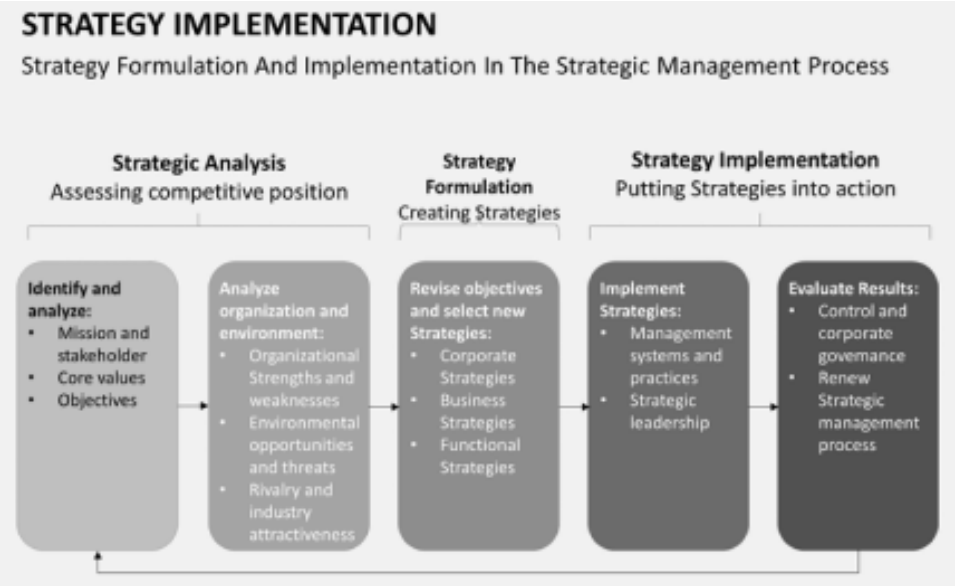


Fig : 11.1 Strategy Implementation Process

11.3.1 Nature of Strategy Implementation

Once the strategy is formulated the next practical stage is its implementation. All the efforts of strategy formulation bear the fruits in this phase.

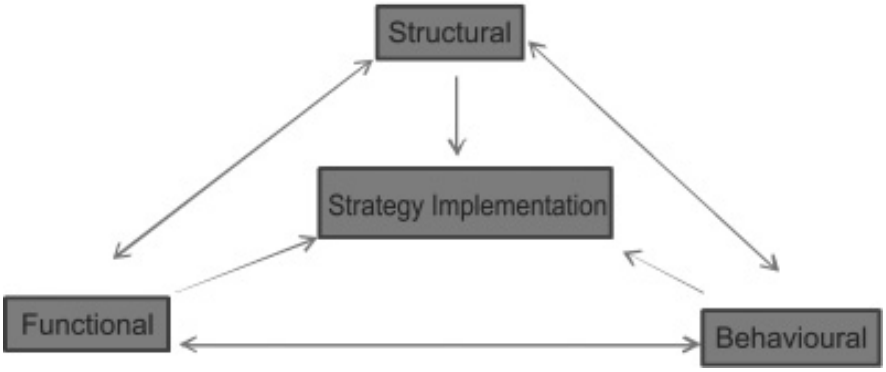


Fig : 11.2 Strategy Implementation Setting

The real test of strategy is in its implementation. Only implementation can determine the success or failure of a strategy. A perfect strategy or plan may fail if it is not properly implemented. It is rightly said that imperfect plan implemented effectively may deliver better results. But there is close connection between strategy formulation and its implementation.

Strategy formulation	Strategy implementation
Strategy formulation to strategy implementation is forward linkage	Whereas strategy implementation to strategy formulation is backward linkage.
It is an intellectual process	It requires more practical and field skills.
It involves organizing before action	It involves managing during the action
It emphasizes on effectiveness	It focuses on efficiency.

Strategy implementation depends on three sets of organizational factors, namely, the structure of the organization, various functional areas and operations and behavioural aspects. Strategic analysts distinguish three types of implementation; structural implementation,

functional or operational implementation and behavioural implementation.

Strategy implementation is concerned with the managerial exercise of putting a freshly chosen strategy into place. The characteristics listed below highlights the nature of strategy implementation:

- *Action Orientation:* Strategy implementation is essentially an action oriented process. It involves putting the strategy into actual use. While implementing strategy manager uses their skills, intellectuals and knowledge and techniques of management process.
- *Comprehensive:* Implementation is wide in scope as it involves everything that is included in the discipline of management.
- *Demands skills:* As implementation involves a wide range of activities, a strategists has to have knowledge, skills, attitudes and abilities of different kinds.
- *Involvement:* Strategy formulation involves top management on the contrary strategy implementation requires the involvement of middle level managers. For effective implementation of strategy the plan must be properly communicated to and understood by the middle level managers.
- *Integrated Process:* Implementation is not a process in isolation. It requires a holistic approach. Each task and activity performed is related to another, which creates interconnected network.

11.3.2 Barriers to Strategy Implementation

Research studies found that it is much difficult to implement strategy than to formulate it. Majority of the time a good strategy fails. Why it fails? There are many reasons behind it which can be treated as barriers in effective strategy implementation.

A good strategy without proper implementation is like a poor strategy or no strategy at all, however having a good strategic plan is half the battle won, and the other half is won through effective strategy

implementation. Effective implementation of strategies is important to the success of every entity. In many of the studies, it is stated that strategy implementation is much more difficult than strategy formulation. A study in the Indian context done with 145 mangers working in companies in and around Delhi attempted to uncover the reasons why strategy implementation in unsuccessful. This study listed 11 most frequently cited reasons of which the major ones are : inadequate management skills, poor comprehension of roles, inadequate leadership, ill defined tasks and lack of employee commitment. Hrebiniak's finding suggested that there are some general and overarching issues that impede strategy implementation. He stated that mangers are trained to plan and not to execute strategies, thus the top mangers are reluctant to interfere in the task of implementation .As formulation and implementation of strategies are interdependent , they are being done by two other groups of people in an organization. this makes the implementation phase takes a longer time than formulation thus putting more pressure on the mangers to show results. His findings pointed out the following major barriers :

- An inability to manage change
- Poor or vague strategy
- Not having proper guidelines
- Poor or inadequate information sharing
- Unclear responsibility and accountability
- Working against the organizational structure



CHECK YOUR PROGRESS

Q1: Define Strategy Implementation

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Q2: Write the nature of strategy implementation

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11.4 MODEL OF STRATEGY IMPLEMENTATION

The following figure presents a model of strategy implementation that attempts to capture the major themes in strategy implementation and the activities that make each theme (discussed in the following paragraph). The forward linkage from strategic plan guides the implementation process and connects it to the proceeding phase of strategy formulation. The feedback flowing in the reverse from the following step of strategy evaluation and control moves through the implementation phase and goes back to strategy formulation establishing the backward linkage.



Fig : 11.3 A model of strategy implementation

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies. Such implementation leads to competitive advantage and a better performance. Organizational structure allocates special value developing tasks and roles to the employees. It also indicates how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees.

An organizational control system is also required. This control system equips managers with motivational incentives for employees as well as feedback on employees and organizational performance. Organizational culture refers to the specialized collection of values, attitudes, norms and beliefs shared by organizational members and groups.

Excellently formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc.

The major themes in strategy formulation are:

1. Activating Strategies: It serves to prepare the ground for managerial tasks and activities of strategy implementation.
2. Managing change: Managing change is one of the core activity in the strategy implementation. It deals with managing change in complex situation.
3. Achieving effectiveness: The last theme in strategy implementation is the outcome of the process. It covers functional and operational implementation.

11.5 PROJECT IMPLEMENTATION: PROJECT MANAGEMENT AND STRATEGY IMPLEMENTATION

To implement a project means to carry out activities proposed in the application form with the aim toachieve project objectives and deliver results and outputs. Its success depends on many internal andexternal factors. Some of the most important factors are ; well organised project team and effective monitoring of project progress and related expenditures.Overall management has to be taken over by the project manager, who is oftenemployed or engaged by the lead partner. The project management has to have an efficient managementsystem and always has to be flexible to current needs and changed situations, as the project is rarelyimplemented exactly according to the initial plan.

Strategic planning is the act of creating short- and long-term plans to guide an organization to continued and increasing success in the marketplace. Project managers oversee specific projects ultimately designed to make progress toward strategic planning objectives. Implementing projects — putting planned projects into action — is important to both strategic planning efforts and project managers in a number of ways. All managers can benefit from understanding the importance of project implementation to strategic planning and the project manager.

Project planning and implementation are two important aspects. Many managers put all of their energy and efforts into ambitious planning. But they do give enough thought to how goals actually will be achieved. Strategic planning efforts essentially take place in a laboratory devoid of the range of uncontrollable variables present in the real world. Certain things are beyond control and everything will not go as per what organization thought it will be. In this sense, even the best laid plans need correction and adjustment on-the-fly, making project managers' jobs that much more important. Implementing projects is important for project managers and the strategic planning process because it can reveal new issues and challenges that

planner may not have anticipated, ultimately resulting in more refined strategies, products and processes.

The fact is that the principles and techniques of project management have a high relevance to the tasks of strategy implementation and it is actually a techno-managerial function. The principles and techniques of project management (knowledge of project formulation, implementation and evaluation) can be applied to large scale as well as minor project within organization.

Project management and strategy implementation:

Project management consist of five sequential processes which are: initiating project, planning a project, executing, controlling and closing of the project.

The alignment of project management and business strategy helps organizations to focus on the right projects in order to achieve the desired objectives. Project management is the key enabler of strategy implementation within the organization.

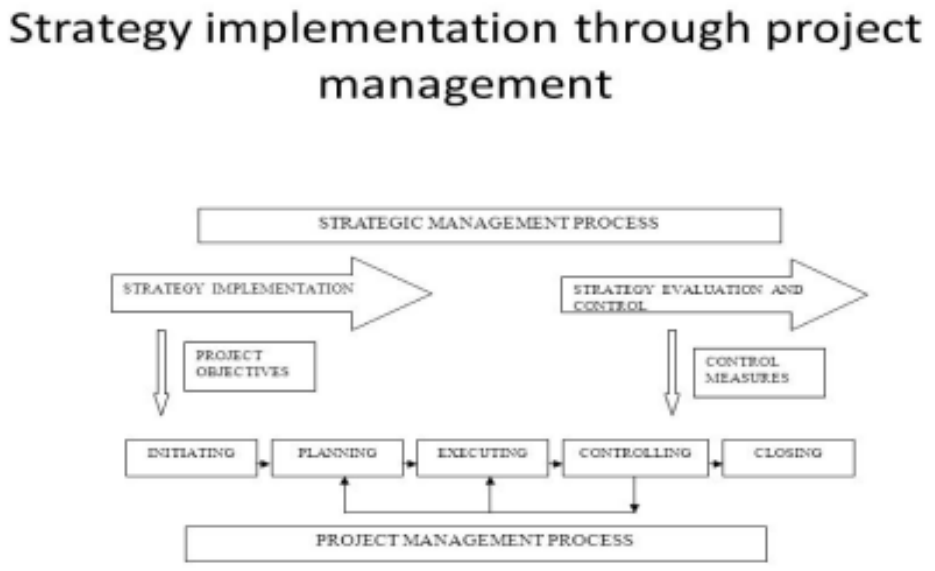


Fig : 11.4 Strategy implementation though project management

Ref: Strategic Management Azhar Kazmi p 324

When a firm links its project management process with strategy implementation, it helps in creating a project oriented organization. But it requires high level of coordination. Bigger project like creating a new company, setting up a new factory or entering into foreign market requires interacting with the regulatory authorities of the government. Many procedural formalities needs to be carried out in these cases.



CHECK YOUR PROGRESS

Q3: What is Strategic Planning?

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Q4: What are the major themes in strategy formulation?

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11.6 PROCEDURAL IMPLEMENTATION: REGULATORY MECHANISM IN INDIA

Though it's your own company, you have contributed your fund, in spite of that you have to abide by rules and regulations. Regulation cannot be avoided by any firm irrespective of its area or scale of operations. Regulation is a fact of life for business and industries. Though government has adopted policy of liberalization and globalization, there are still many control in the form of rules and regulations. The purpose of deregulating was to loosen the control. Old regulations are replaced with newer ones. E.g. rules and regulations regarding environmental preservation and protection imposed world wide. The concern for environmental protection led to the Kyoto Protocol, requiring the energy industry to be regulated and controlled for

emission of carbon dioxide. Firm need to deal with increased cost of emission control. It gave birth to new industries of trading carbon credit.

Regulatory Mechanism in India:

No firm can plan its strategies without giving due consideration to the procedural framework prevailing in the country where its willing to operate. Plans, programmes and project have to be prepared and need to be approved by the government at the local, state and central levels. The procedural framework consists of a number of legislative enactments and administrative orders. Commerce and industry in India is governed by Constitution of India, the Directive Principles, Central, State and General Laws.

Act	Purpose
Securities Contracts (Regulation) Act, 1956	To prevent undesirable transactions in securities by regulating the business
The Foreign Exchange Management Act (FEMA),1999	To facilitate external trade and payments and top romote the orderly development and maintenance of the foreign exchange market.
The Foreign Trade (Development and Regulation) Act, 1992	To provide for development and regulation of foreign trade by facilitating imports into and augmenting exports from India and for matters connected herewith
The Industries Act, 1951	To empower the Government to take necessary steps for the development of industries; to regulate the pattern and direction of industrial development; and to control the activities, performance and results of industrial undertakings in the public interest

The Indian Contract Act, 1872	Governing legislation for contracts, which lays down the general principles relating to formation, performance and enforceability of contracts and the rules relating to certain special types of contracts like Indemnity and Guarantee; Bailment and Pledge; as well as Agency
The Sale of Goods Act, 1930	To protect the interest of buyers and sellers
Indian Patents Act, 2005	To grant significant economic exclusiveness to manufacturers of patented products with some in-built mechanisms to check extreme causes of competition restriction
The Company Act, 1956	To regulate setting up and operation of companies in India: it regulates the formation, financing, functioning and winding up of companies
Competition Act, 2002	To ensure a healthy and fair competition in the market economy and to protect the interests of consumers: aims to prohibit the anti-competitive business practices, abuse of dominance by an enterprise as well as regulate various business combinations such as mergers and acquisitions

The Trade Marks Act, 1999	To amend and consolidate the law relating to trademarks, to provide for registration and better protection of trade marks for goods and services and for the prevention of the use of fraudulent marks
The Information Technology Act, 2000	To provide legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication, commonly referred to as "electronic commerce", which involve the use of alternatives to paper-based methods of communication and storage of information; to facilitate electronic filing of documents with Government agencies
The Consumer Protection Act, 1986 (amended 1993, 2002) COPRA	To protect consumer rights and providing a simple quasi-judicial dispute resolution system for resolving complaints with respect to unfair trade practices
The Industrial Disputes Act, 1947	To facilitate investigation and settlement of all industrial disputes related to industrial employees and employers
The Factories Act, 1948	Umbrella legislation to regulate the working conditions in factories.

The Indian Trade Unions Act, 1926	To facilitate the registration of trade unions, their rights, liabilities and responsibilities as well as ensure that their funds are utilized properly: it gives legal and corporate status to registered trade unions and also seeks to protect them from civil or criminal prosecution so that these could carry on their legitimate activities for the benefit of the working-class
The Bureau of Indian Standards Act, 1986	To set standards (quality, safety etc) for various kinds of products to protect consumer safety

Government policies, laws, rules and regulations and procedures are constantly under change, especially under the dynamic conditions as India is adapting to international environment.

Labour Legislation Requirements:

An essential part of procedural implementation in any project or in a going concern is that of labour legislation. For a company labour act as one of the major resource for the purpose of strategy implementation. It is the responsibility of the government to protect the interest of the labour force. More than 150 laws are prevailing in India which relates to labour. They are mainly classified as:

- Labour laws related to the weaker sections such as women and children.
- Labour laws related to specific industries
- Labour laws related to specific maters such as wages, social security, bonus etc
- Labour laws related to trade unions

Over and above there are many rules and regulations relating to :

1. Licensing procedures
2. Securities and Exchange Board of India requirements
3. MRTP requirements
4. Foreign Collborations procedures.
5. Import and Export Requirements.
6. Patenting and Trade Marks requirements.
7. Environmental Protection and Pollution Control requirement and so on..

11.7 RESOURCE ALLOCATION

Strategic plan can be put effectively into action with project implementation. They wait for procedural implementation green signal to go ahead. But nothing is possible without availability of adequate and timely availability of resources. Resource allocation deals with procurement, allotment and optimum use. Resource allocation is both one time and a continuous process. Every project requires adequate amount of resources. Strategy implementation deals with resource allocation as well. Financial and physical resources are allocated through budgeting.

A. Strategic Budgeting:

The main instrument for resource allocation is a budget. It is used as a planning, coordination and control tool by the management. There are three approaches to resource allocation through budgeting. The first type is a top down approach where resources are distributed through a process of segregation down to the operating levels. Top management decides the amount of resource allocation. This approach is used in an entrepreneurial mode of strategy implementation. The second approach is bottom-up approach where resources are allocated after a process of aggregation from the operating level. It is used in participative mode of strategy implementation. A third approach is mix of these two approaches and involves an iterative form of strategic decision making between different levels of management. This approach has been termed as strategic budgeting.

Budgeting is the means through which resources 'are allocated to various organisational units. However, the traditional budgeting which focuses just on the past resource allocation as the basis is not useful for resource allocation in any way because of the conditions, both external as well internal, change making the past practices of resource allocation meaningless. Therefore, when budgeting is used as a tool for resource allocation, it has to be oriented to the objectives of the organisation and the way each unit of the organisation will contribute to the achievement of these objectives. From this point of view, following types of budgeting are more relevant:

1. Capital budgeting
2. Performance budgeting
3. Zero-base budgeting
4. Strategic budgeting.

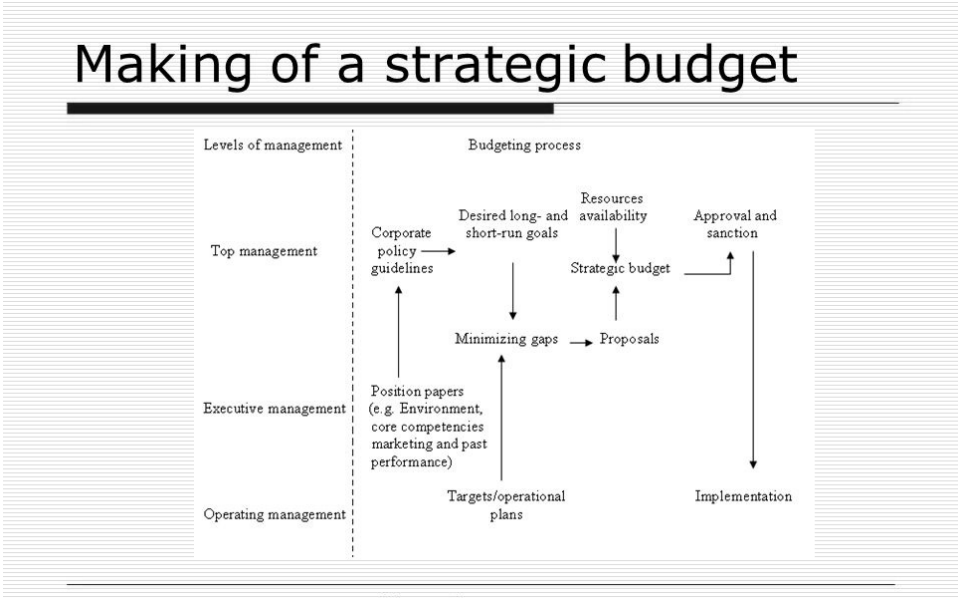


Fig 11.5 : Making of a strategy budget

Ref: Azhar Kazmi, Strategic Management and Business Policy P. 335

A. Factors affecting Resource Allocation:

The resource allocation cannot be done on uniform basis. There are many factors which affect the resource allocation, which are:

1. Objectives of the Organization: Setting up of objectives is complex process. Objectives can be either explicit or implicit. The importance

of a particular goal / tasks or objectives is judged by the employees on the basis amount of resources allocation made by the firm. Operative objectives tend to affect the pattern of resource allocation.

2. Preference of Strategists: The resource allocation is majorly affected by the attitude of the strategists. Their preferences determine the amount of resource allocation.
3. Internal Politics: Resource allocation is always considered as possession power. Those department or businesses which are powerful may get extra resource allocation.
4. Internal policies: Resources area a symbol of power. Internal policies based on negotiations and bargaining affects resources allocation.
5. External influences :The demands of stakeholders also affect resource allocation. They can be owners, suppliers, customers, employees, bankers and community. Legal requirements may require additional resources allocation. For example pollution control,safety and labour welfare requirement.

B. Difficulties in Resource Allocation:

Resource allocation is a central management activity that allows for strategy execution. Strategists have the power to decide which divisions, departments, or SBUs are to receive how much money, which facilities, and which executives. The primary tool for making resource allocations is the budget process. Functional strategies are derived from business strategy and provide directions to key functional areas within the business in terms of what must be done to implement strategy.

In economics, resource allocation is the assignment of available resources to various uses. The resources can be allocated by various means, such as markets or central planning. In project management, resource allocation or resource management is the scheduling of activities and the resources required by those activities while taking into consideration both the resource availability and the project time.

After resource mobilisation, resource allocation activity is undertaken. This involves allocation of different resources financial and human among various organisational units and subunits. In order to understand the rationality of

resource allocation, it is essential to understand commitment principle because resource allocation is a kind of commitment.

1. The first problem of resource allocation arises with the major question of what to produce and in what quantities. This involves allocation of scarce resources in relation to the composition of total output in the economy
2. Scarcity of Resources: The main difficulty in resource allocation is its availability. The resources like finance, material, manpower and finance are available in scarce. Even the finance is available the cost of finance is the major constraint. Physical resources like land machinery and equipment needs to be imported. Though there are less burden or restrictions from the government but import may increase the cost of the company. Though India has demographic dividend but the problem is available labour is either not skilled or appropriate to suit the requirement of the industry.
3. Internal Restrictions: When firm wants to allocate resources for new businesses it becomes very difficult issue as the firm has to also allocate resources to the existing SBUs or department. The usual budgeting practices creates problem for new units.
4. Competitors: Many firm copy its competitors when it comes to resource allocation. They never pay attention to the internal capabilities. This is a imitation tactic adopted by the firm. This does not really make a sense. This affects the capability to develop competitive advantage.



11.8 LET US SUM UP

In this unit we have discussed the following:

- Strategy implementation is a term used to describe the activities within an organization to manage the execution of a strategic plan. Strategy implementation is the manner in which an organization should develop, utilize, and amalgamate organizational structure,

control systems, and culture to follow strategies that lead to competitive advantage and a better performance.

- The characteristics listed below highlights the nature of strategy implementation: Action Orientation, Comprehensive, Demands skills, Involvement and Integrated Process
- Hrebiniak's findings pointed out the following major barriers : An inability to manage change, Poor or vague strategy, Not having proper guidelines, Poor or inadequate information sharing, Unclear responsibility and accountability, and working against the organizational structure
- The model of strategy implementation attempts to capture the major themes in strategy implementation. The major themes in strategy formulation are: Activating Strategies, Managing change and Achieving effectiveness
- Project planning and implementation are two important aspects.
- Many project management consist of five sequential processes which are: initiating project, planning a project, executing, controlling and closing of the project.
- We discussed the procedural implementation and regulatory mechanism in India.
- An essential part of procedural implementation in any project is that of labour legislation.
- The main instrument for resource allocation is a budget. it is used as a planning, coordination and control tool by the management.



11.9 FURTHER READING

1. Cherunilam Francis (2015), Business Policy and Strategic Management, Himalaya Publication House , New Delhi
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3. Kazmi A (2008),Strategic Management and Business Policy, McGraw Hill Education; 3 edition

4. L. G Hrebiniak (2006), 'Obstacles to Strategy Implementation,' Organizational Dynamics, 35, no.1:12-31
5. Tandon A (2010); Business Policy and Strategic Management; Anmol Publications Pvt.Ltd.
6. Rao Subba P(2014);Business Policy and Strategic Management: Text and Cases; Himalaya Publication House , New Delhi



11.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No.1: Strategy implementation is a term used to describe the activities within an organization to manage the execution of a strategic plan.

Ans to Q No.2: The characteristics listed below highlights the nature of strategy implementation is: Action Orientation, Comprehensive, Demands skills, Involvement and Integrated Process.

Ans to Q No.3: Strategic planning is the act of creating short- and long-term plans to guide an organization to continued and increasing success in the marketplace.

Ans to Q No.4: The major themes in strategy formulation are: Activating Strategies, Managing change and Achieving effectiveness



11.11 MODEL QUESTIONS

1. Define Strategy Implementation
2. Discuss the barriers to Strategy Implementation
3. Write the interdependence between strategy formulation and strategy implementation
4. Write the nature of strategy Implementation
5. What are the barriers to strategy implementation
6. Explain the model of strategy implementation

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