Chapter 7

7.0 Implementation of Corporate Strategy

As mentioned earlier in chapter 1.2, the strategist must consider the managerial tasks (at least the key tasks) involved in strategy implementation before selecting/deciding in favour of a particular strategic alternative. Major failures in strategic management occur on account of this lapse or inadequacy. Besides mobilisation of financial resources there are often the requirements of readjusting the existing internal organisational arrangements highlighted by McKinsey's 7S framework[1] as shown in fig. 7.1. Existing skills, structure, system, staff policies, styles and organisational culture may have to be modified or changed to meet the requirements of future business (portfolio).

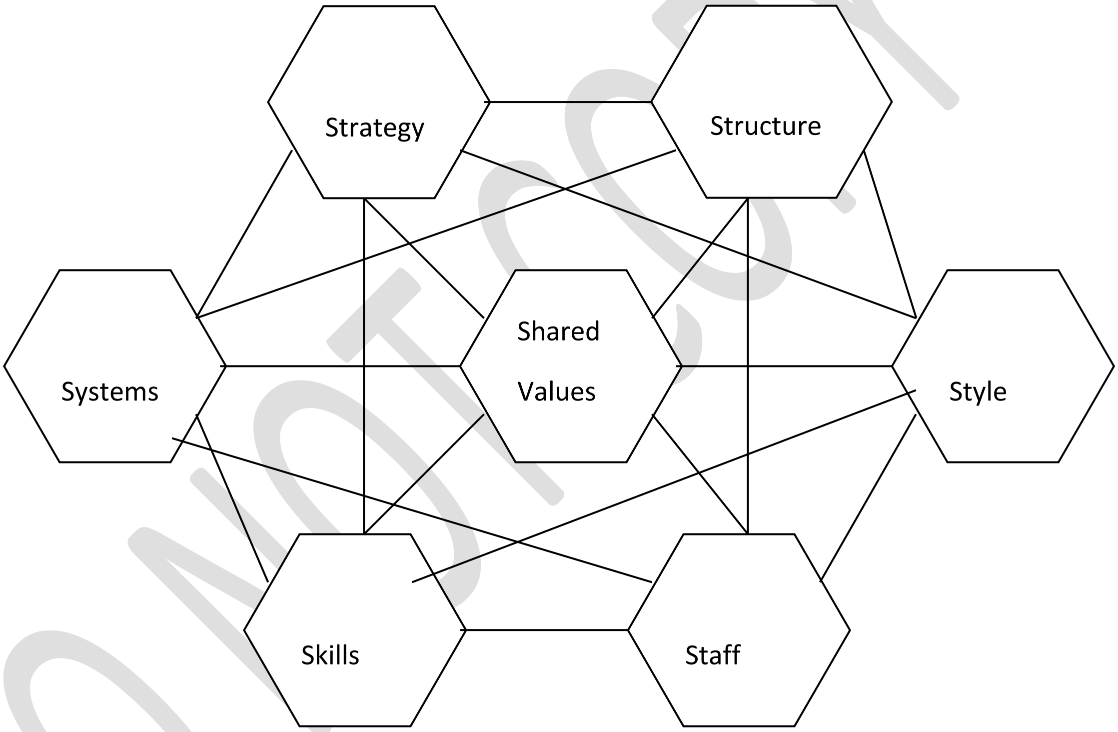


Fig. 7.1 McKinsey's 7S Framework

The complex interlinkages of the above type make the tasks of paradigm shifts a difficult one[72] Indeed, the task of implementation almost puts the limit to the aspiration level of strategists. The changes in all the organisation infrastructure and resources, in tandem, requires a very high order of administrative abilities. It requires tremendous confidence to face the organised resistance to change and the ability to speed up, defer and phase out, change programmes- as the situation demands. It also demands ability to develop lieutenants to assume various tasks and change implementation responsibilities. The strategist should be able to create euphoria for change and at the same time contain the building up of unrealistic expectations among the workmen staff and executives. He needs to posses a very high order of conceptual clarity (to diagnose the organisational problems), integrative thinking abilities, high stress threshold and sensitivity. Very high order of comprehension abilities are required to visualise implementation of the issues and tasks. These tasks, at times, deter even a very courageous functional or divisional head, to play the role of strategist. "Ungroomed strategists" assigned the responsibility of strategic management, as members of top management team, even the chief executives, are so scared or ignorant of these skill requirements that sometimes they refrain from even allowing a discussion on the future of the organisation, on the pretext of "paucity of time" or on the logic of "we shall cross the bridges as they come". When it comes to implementation of a perspective plan, they either try to assign it to some other persons, usually subordinate (as a scapegoat), or do it in an adhoc manner, vitiating the corporate strategy (by making compromises of all kinds), at tremendous loss or under utilisation of available resources of the organisation.

The consideration of strategy implementation tasks demand that: -requirements of various components of the physical and organisational infrastructure to be developed are worked out for different strategies under consideration, critical linkages and tasks are identified and evaluated, various "change" issues are identified and the task of managing them is assessed, alternative ways of doing them are explored, cost-benefit analysis of different strategies are carried out, and, an assessment of values to be attached for strategist's confidence in his ability to take care of resource development/ mobilisation (by himself or through others) is done.

The strategy which scores highest on the cost benefit analysis and confidence value of the strategist should be selected. The details of implementation tasks are given in the next section on strategy implementation. For identifying the issue of change involved and managerial challenges involved in the same one may refer to discussion in chapter 9-12 on managing change and transformation for strategy implementation.

7.1 Dynamic View of Resources

It may not be out of place here to highlight one of the major pitfalls in the strategy implementation related to resource mobilisation. Although the strategist has to consider the availability of resources at the time of selecting the corporate strategy from various alternatives, he should be careful that a mechanistic view of resources is not taken, nor resource constraints should be assumed in a hurry (especially human resources). Resource base keeps changing as strategy is implemented and constraints also change, especially if one is good in using creative problem solving approach. Adequate time should be allowed to deliberate on the alternative combination of possible resources and on the issue of developing the resources.

7.2 Getting into Action: Implementation of the Corporate Strategy

AS mentioned earlier in chapter 2, to a non-strategist leadership the task of strategy formulation and implementation may look like two disjointed ones, but for a sound strategist these two are integral and intertwined ones. The opportunity identification is contingent upon and concurrent to the assessment of the organisation's capacity to acquire and develop the necessary skills, infrastructure and carry out other tasks of implementation efficiently. The entrepreneurial make up of being galvanised into action in the decision making process itself, is necessary for success of any strategy. The thinking and doing processes are to be intertwined not disjointed for the success of strategy. Lack of this immense ability leads to professional managers, as strategists, falling into the proverbial trap of too much of analysis leading to paralysis. The line experience gives this "action" advantage to the executives. Staff specialist without line experience tend to develop strategies with this handicap.

Strategy implementation involves a number of tasks, each highly complex and intertwined with some others. Communication of corporate strategy is obviously the first and perhaps the more difficult one. Then, there is another very important task of mobilisation and proper allocation of resources. That is not all, as mentioned in the previous section there are often the requirements of re-adjusting the existing internal organisational arrangements highlighted by McKinsey's 7S framework (see fig. 7.1). The existing skills, structure, system, staff, functional policies, styles and organisational culture may have to be modified or changed to meet the requirements of future business portfolio.

For appreciating the competencies required to play the role of strategist, it is, however, necessary to have an idea of major tasks involved in strategy implementation. Broadly they can be categorised into communication of corporate strategy, resource mobilisation and allocation, managing human resources, designing appropriate organisational structure, systems, functional policies and organisation culture, as discussed in the following paragraphs. This is folloed by managing associated chanes.

This brings us to the issue of transformational leadership required for playing the role of strategist. The strategy implementation often require a total change, a paradigm shift It involves impressing upon the people to disengage from the past, part with the existing practices and systems and the way of working, to the new ones. It is not easy to tell people or convince them as to why the past policies and practices that made the organisation successful over the years in the past, would become ineffective if not irrelevant, in the future. To be effective, it demands a very high level of credibility of the strategist as a change agent without the confidence and the faith of people in him that he shall be able to realise the dream, the vision that he is advocating; the strategist cannot be successful.

7.2.1 Communication of Corporate Strategy

For implementing a corporate plan, one requires special skill, that of organisational communication[3]. The importance of it is often not realised. The implementation of strategy requires articulation of the vision to all the constituent members, a task that demands the highest order of skills in various modes of communication. It is not just the issue of clarity of language for telling someone to do something. It involves exciting people with a dream, (which is not a tangible thing), that has yet to be to be realised through the concerted effort of a large number (if not all) of the constituent members of the organisation. It has to be a communication that touches everyone emotionally. The size of communication task (communication to all the people), differences in perceived gains or losses, in the short and the long term if the vision is materialised, makes the task even more difficult. It is also necessary to remember that such communication has to be a controlled one, to contain the euphoria, expectation building and attendant disappointments, all at the same time. It requires vision and comprehension of all that may have to be said (but yet not very clear) and also the diplomatic skills to respond to the individual and organised queries, on the spot; ducking out the sensitive and potentially controversial issues, while keeping people, at least a critical mass, excited with the hope of" better things to come", when the new strategy is implemented.

The corporate communication skills for the strategist require some personal qualities. One of the important traits is the participation orientations. The surest way of ensuring failure of communication of the vision is a top down communication. People who have to change need a lot of clarifications to readjust themselves to new demands on skills and other competencies, to be able to make necessary comment to the new strategy for successful implementation. An autocratic style will mar this communication process. People will neither seek clarification, nor wholeheartedly commit to the new strategy, if they were not convinced about its logic or success. The case Parc Tauli Consortium Hospital (C) gives a vivid illustration of it[4].

The actual communication to the people of the organisation, is not only through well prepared speeches or nicely prepared documents on Corporate Plan released to them. People take other cues to understand the "real" corporate strategy of the company bearing commitment of the top management.

Three such important cues are: (i) the changes in resource allocation patterns, (ii) the changes in the organisation structure and systems and (iii) the changes in the functional policies, especially the human resource policies. If the new corporate strategy is not emphatically reflected in the form of above changes, it confuses people and they find it difficult to realign to be able to contribute to effective implementation. Worse still, they may not believe the new strategy, resist it and even stall the implementation process.

The top management ought to be alert in communication of corporate strategy. For the failure of strategy on account of ineffective implementation due to poor communication, the top management alone has the moral responsibility, not the lower level people and staff at large.

7.2.2 Managing Resource Allocation

Resource allocation is a critical and difficult step in the strategy implementation process and the success of the new corporate strategy depends to a large extent on how well the top management has been able to do it and/or get it done at lower levels, if the authority has been delegated. Resource allocation task should not be treated as a single and simple task of distributing the resources available at the disposal of top management among different businesses divisions. It also includes mobilisation, acquisition and even development of resources (in case of nonmonetary resources). Several types of care are required to be taken while allocating the resources.

Firstly, one must realise that the resource allocation, especially of monetary resources, is not to be done in a rigid and imbalanced manner. Strategy implementation is akin to a big project management task; which involves development and/or re-structuring of both the physical and the organisational infrastructure. The balancing is to be done not only among the components of physical infrastructure, but also with resources (e.g. organisational infrastructure), especially the acquisition and development of skills and competencies. The resource constraints often occur because of undue commitments made to one or more components of physical infrastructure.

Secondly, due care is required in the infrastructure and resource development programmes so that various components of physical infrastructure, human resources, financial and organisational resources are developed' in tandem, by transferring the monetary resource from one component 'of infrastructure to another, especially from physical to human/ organisational resource components.

Thirdly, the short term resource allocation (like budgetary allocations for maintenance, minor innovations, annual advertisement and manpower allocation for running the next year’s operations etc.) and the long term resource allocation exercises (i.e., funding of long term fixed assets for capacity expansion, major R & D projects etc.) should be separated out[6]. For capital expenditure the decisions should not be taken on incremental basis, but the cost benefit analysis over 5-10 years period should be done. Every investment proposal should be evaluated on zero base.

Fourthly, one must differentiate the relative priority between the existing and the new businesses. One has very high familiarity with existing business, and if it is doing well also profit wise (being in growth phase) or cash wise, it is likely to look more attractive than investment in new product business which is yet a get out of R & D stage. If due care is not taken, then management may land up investing in matured businesses (cash cows), rather than in the (present) question marks, which may become star businesses in the future.

Fifthly, if the proposals for capital expenditure are invited from lower levels (say divisional level) and return on investment (ROI) is being used as a measure of evaluation of divisional performance, the proposal having lower ROI may be funded while those with high ROI may not be forthcoming consideration. For example, a division having 20% ROI may not put forth investment proposals with 16% ROI for the consideration of top management, while another division having lower (10%) ROI performance may forward a proposal having 12% ROI and also get its acceptance for investment, as 16% ROI proposal is not even submitted for consideration. If divisional performance is measured on ROI basis, it is better to give a rate for cost of capital to be used and the investment proposals be examined using RI (residual income) criteria for investment approval purpose[7].

Even for revenue budgets, one should be careful that past inefficiencies are not allowed to be exploited while seeking sanction of operating expense budgets (which get integrally associated to capital investment proposals) at the time of sanctioning of the latter. For example, the sanction may be sought to increase staff strength (and thus staff budget) in view of the proposed increase in the activity levels. Subsequently, the activity may not increase, but expenses will increase after the budget is approved. Next year, the same thing is repeated. After a few years, when activity is actually be doubled, the staff expenses budget may be doubled from the immediately preceding year, which may be four times (instead of twice) of what would have been actually required, if the expense budgets were not allowed to increase on the pretext of proposed increase in the activity levels, in the earlier years.

In the cases of decentralised setup, one should also be careful about the exercise of "inflating" in the preparation of the capital and operating budgets and in case of slow progress Research and Development budgets[8]. This can be done by "deflecting"[9], rather than rejecting the proposals to squeeze out the fat, which may be deliberately entered in the estimates of expenses proposed.

It may be mentioned here that the exercise of "deflecting" the proposal can really push people to come out with proposal for undertaking the same level of activities with significantly reduced levels of costs and investments, if they were really committed to it and genuinely interested in their proposals. Normally the ready acceptance or rejection approach does not push people to think innovatively. They work on the basis of one solution, one preconceived way of doing the things, with one type of resources only, which may be costly.

7.2.3 Managing Resource Constraints: The Role of Creative Problem Solving

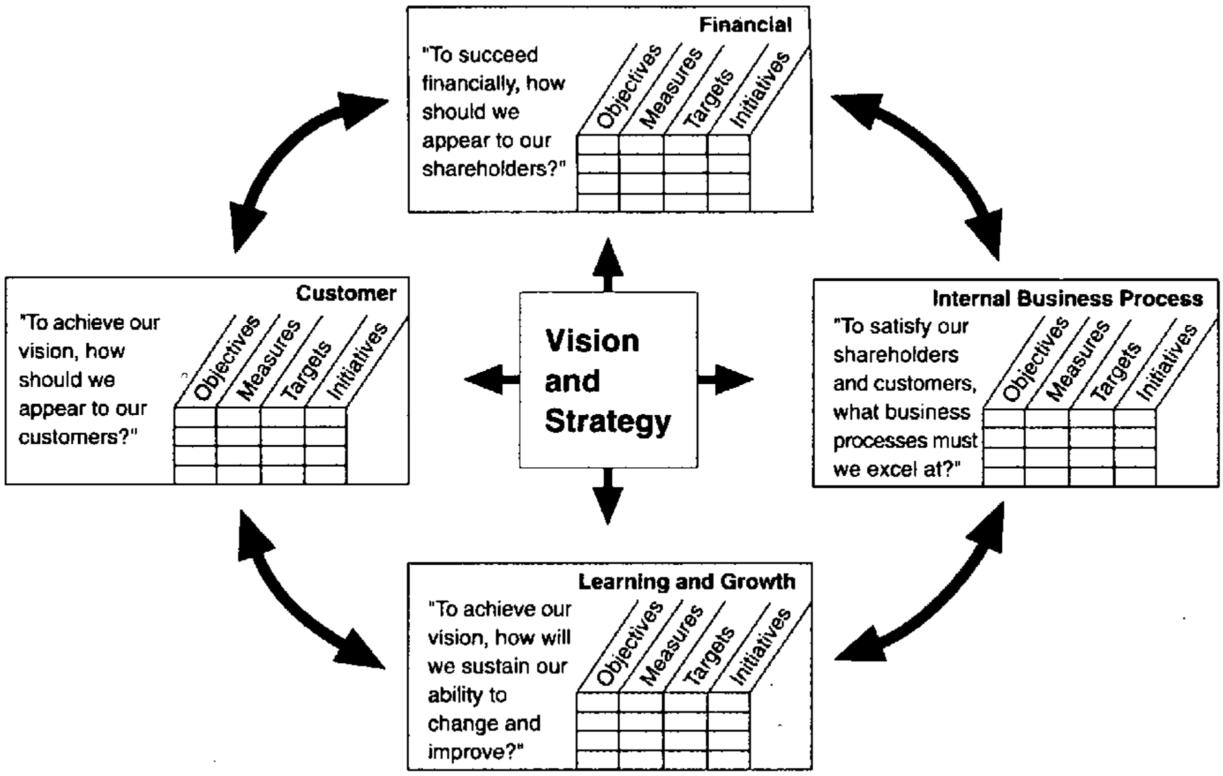
This brings us to the issue of creativity in the issue of managing resource mobilisation. Typically the management of an organisation feels serious resource constraints. It may be noted that we are considering all types of resources, physical, financial, technological, human and organization resources. Often a feeling of resource constraints develops because of several reasons. Firstly, it occurs due to mechanistic way of assessing the requirements (not considering alternative ways of doing an activity). Secondly, difficulties arise in identifying resources (due to pre-conceived definitions of resources). Thirdly, often there is failure in appreciating the task of resource development. Finally, it may occur on account of failure to understand the interplay between the three. For example, if the skills can be augmented, the same persons would be of different value and it may reduce financial resource requirement. We shall discuss more about human resource management in the next section. Suffice to say here that one should be careful against getting bogged down with resource constraints in strategy formulation and implementation and use free thinking, creativity problem solving techniques as much as possible, to derive maximum benefits from strategic management.

7.3 Balanced Score Card for Strategy Implementation

Balance Score Card (BLC), introduced by Kaplan[10] is a useful tool for strategy implementation. Though intended more for designing management control system, it has several useful points for successful strategy implementation. The limitation of even the "feed forward system" of traditional management control system[11] was that it was focussing more on mid-course correction of current strategy being pursued. There has been dramatic change in the business scenario world over. Of late ***innovation and speed of change have become important,*** so much so that organisations have to do a critical review of old ways of delivery of products and services, and have a fresh look at the customers changing and emerging needs frequently to shift strategic gears fast. Secondly, the development of ***intangible assets*** (human and organisational resources) ***have assumed as much, if not more, importance than the tangible assets*** for control purpose. These developments have to be incorporated for strategy control in a dynamic manner.

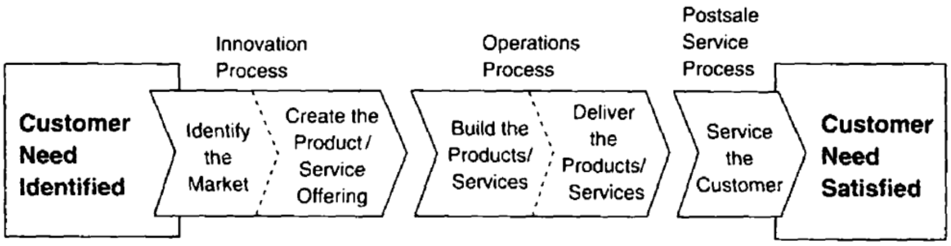
Balanced Score Card overcomes these limitations by having performance measurement of business from not only financial perspective, but three other perspectives; namely customer perspective, internal business process perspective and learning and growth perspective. Excessive focus on financial performance tends to ignore many critical considerations, which need to be impressed for long term, sustained, superior performance.

Secondly, it links objectives, measures, targets and initiatives of financial perspectives to those of customer perspectives and then links them to those of internal business perspective and finally to those of learning and growth perspectives. It thus, integrates ***development*** and ***reorientation of human resources and internal business required in various functional*** areas in a ***cause effect relationship*** to ***corporate strategy and financial performance***.



Thirdly, by incorporating measures of outcome and performance drivers in customer perspective, the BLC forces inclusion of customer needs, identification of market and its segmentation, ***in a proactive and regular manner (instead of once a while or occasional manner) for innovation and timely realigning and development*** of tangible and intangible assets for the purpose.

Fourthly, by incorporating New Product Design and Development, in the measures of internal business process related outcome and performance drivers, BLC overcomes a serious deficiency in strategic management of not emphasising the ***innovation process as integral part of regular monitoring and review.***



Fifthly, it introduces the concept of leading indicators of performance, which help in preparation for the future, alongside lagging (financial) indicators (which typically give information about past). Leading indicators show how much/ well implementation tasks have/ are being performed.

Sixthly, it gives the concept of performance drivers, a critical analysis of which is required to be done to ensure necessary preparations for taking care of all that is required to be done for success of a business.

Seventhly, it clarifies that performance drivers are specific to different strategic business units. Therefore the four perspectives will help in taking action for reorienting the organisational processes to meet the requirements of each business exclusively, rather than being ignoring some or applying same measures across all businesses uniformly.

Eighthly, it provides a double loop feedback for corrective action in the strategy implementation and formulation though leading indicators of outcome measures and drivers of performance.

Ninthly, it emphasises the need to monitor not only the acquisition/ development of tangible assets but also ***intangible assets,*** a task which is often not appreciated and is mainly responsible for failure of strategy.

Finally, the preparation of BLC also overcomes one serious lacunae in corporate strategy formulation, the top down approach, which often happens, wittingly or unwittingly. BLC exercise, if undertaken in right earnestness, forces active participation of various levels of executives, in different functional areas in detailing how the corporate objectives will be translated in action plans at various levels and how progress on action will be monitored through leading indicators. It helps not only in development of a coherent plan for strategy implementation but also provides opportunity to timely identify where the actions are not taking place in the desired way, and any correction required, through double feedback loop.

The absence of such ***committed detailing of implementation tasks*** and ***lack of monitoring of leading indicators of performance*** at the top and successive levels, results in ***loss of wonderful opportunities for the organisation***. It is one of the ***key weaknesses of governing structures in Indian organisations,*** particularly those in public sector.

Review Questions

1. "All the resources are dynamic". Discuss the significance of the statement for strategy implementation process.
2. Compare and contrast different techniques used for resource allocation.
3. Given the uncertainties of outcomes, how the resources should be allocated for research and development activities?
4. "Strategy development is always constrained by resources". Comment.
5. For some strategists, resources do not constrain strategy development. Discuss the key attributes of such strategists.
6. "Corporate strategy communication is a different ball game than business communication" Discuss various methods of handling it.
7. In what way balanced score card can help in strategy implementation?

References

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