MNG302B
STRATEGY IMPLEMENTATION

DISCUSSION CLASS

SEMESTER 2 - 2012

Presented by:

Francois Crafford

Tel: 012-429 4545

Email: crafff@unisa.ac.za

UNISA | college of economic and management sciences

Programme

- **Administrative Matters – *my*Unisa orientation**
- **Overview of the strategic management process**
- **Topic 1: What is strategy implementation?**
- **Topic 2: The drivers of strategy implementation**
- **Topic 3: The structural drivers of strategy implementation**
- **Topic 4: The instruments of strategy implementation**
- **Topic 5: Strategic control and evaluation**
- **Examination preparation guidelines**

UNISA | college of economic and management sciences

Administrative matters

- **Sign the attendance register**
- **Complete discussion class feedback form**
- **Mobile phones**
- **Assignments:**
  - **Compulsory assignments**
  - **Self- assessment (*my*Unisa discussion forum)**

UNISA | college of economic and management sciences

Strategic management process

Comprises of three phases:

- **Strategic planning (MNG301A)**
- **Strategy implementation (MNG302B)**
- **Strategic control (MNG302B)**

UNISA | college of economic and management sciences

The challenge of strategy implementation

UNISA | college of economic and management sciences

- **The number one challenge facing managers in the 21st century is strategy implementation**

What does strategy implementation entail?

- **Strategy implementation is the process by which a chosen strategy is put into action (or a series of actions). It includes all activities and decisions necessary to execute the organisation's strategy in ways that best utilise its resources and capabilities.**

- **Strategy implementation involves everyone in the organisation and**
  - **deals with translating thoughts or strategic plans into action**
  - **focuses on efficiency**
  - **is an operational process**
  - **requires special motivational and leadership skills**
  - **requires coordination between many individuals**

UNISA | college of economic and management sciences

Strategy formulation versus strategy implementation

Formulation

- Positioning forces **before** the action
- Focuses on **effectiveness**
- An **intellectual** process
- Requires good **intuitive and analytical skills**
- Requires co-ordination among a **few individuals**

Implementation

- Managing forces **during** the action
- Focuses on **efficiency**
- An **operational** process
- Requires special **motivational and leadership skills**
- Requires co-ordination among **many individuals**

Refer to pp.261-262 of E&L

UNISA | college of economic and management sciences

Arguments why strategy implementation in an organisation might fail

- **Vision barrier** – small % of work force understand the vision and strategy

- **Management barrier** – management spend enough time of strategy, too often they are focused on solving short term problems

- **Resource barrier** – 60% do not link resource allocation plans or budgets to the strategy

- **People barrier** – only 25% of rewards linked to strategy. No alignment with daily task, strategy and rewards

Refer to pp.13-14 of the SG and pp.262-263 of E&L

UNISA | college of economic and management sciences

Strategic change and types of change

- Strategic change = all the efforts and actions that are taking place to move an organisation from its present state toward the desired future state to increase its competitive position and its profitability
- Strategic change is not normal change, but <u>proactive</u> change to achieve objectives
- Decisions have to be made <u>now</u> by leaders to create a <u>desired future</u>
- "The best way to predict the future is to create it".
  Peter Drucker

Refer to section 10.3.1 on pp.265 of E&L

Types of strategic change

- **Adaptation (incremental)–** only adapt to new situation, organisation can handle it
- **Reconstruction (sudden) –** a sudden alteration in the market conditions; reconstruct processes and policies
- **Evolution (incremental) –** fundamental changes over time. Lack of urgency may create strategic drift
- **Revolution (fast and disruptive) –** fundamental changes as a result of sudden and fast-changing conditions.
- **See figure 10.3, in E&L pp.267**

Refer to pp.267-268 of E&L

Issues to consider during change

- **Time** – how quickly the change is needed?

- **Scope –** is it dramatic revolutionary change or moderate change?

- **Diversity –** what is the level of homogeneity in the organisation?

- **Capacity** – does the organisation have the capacity in terms of the resources needed to change?

- **Readiness** – are the employees ready for the change? Refers to the level of resistance to change.

- **Capability** - do the organisation's employees and managers have the capabilities to implement the change?

Refer to E&L pp. 268

UNISA | college of economic and management sciences

Guidelines for overcoming resistance to change

Thompson (2001:867) cites the following ways of overcoming resistance to change:

- **Education and communication.** This helps people understand why change is necessary. The reasons for the change should be communicated in such a way that the importance of change is clearly understood by everybody in the organisation.

- **Participation and involvement.** When people are involved in the strategy formulation process, they will be more supportive of the strategic changes that are necessary to implement the new strategy.

- **Facilitation and support.** Build support networks throughout the organisation to overcome resistance to change.

- **Negotiation and agreement.** Link these to incentives and rewards; if there is a perception of loss due to the change, it makes sense to offer rewards/incentives. Employees cannot expect incentives and rewards every time change is inevitable.

UNISA | college of economic and management sciences

Guidelines for overcoming resistance to change (cont)

- **Manipulation and cooptation.** An attempt to influence or force people into accepting the necessity for change; cooptation involves "buying off" informal leaders by giving them personal rewards to accept and promote the change.

- **Giving clear direction.** Use authority to determine direction and impose the necessary means to implement the change. This could lead to coercion when the organisation experiences a crisis.

- **Explicit and implicit coercion.** This is not a positive way to manage resistance to change; it is a short-term measure that does not guarantee long-term commitment from employees.

Refer to E & L chapter 10, section 10.3.3.2 pp. 271-272.

UNISA | college of economic and management sciences

Learning outcomes activity

1. Explain what strategy implementation entails.

2. Explain the different types of strategic change and the issues involved.

3. Provide guidelines for overcoming resistance to change.

UNISA | college of economic and management sciences

Strategy implementation approaches

UNISA | college of economic and management sciences

Strategy implementation approaches

- **McKinsey 7-S framework**
- **Modified McKinsey 7-S framework**
- **Drivers of strategy implementation**
- **Instruments of strategy implementation**

UNISA | college of economic and management sciences
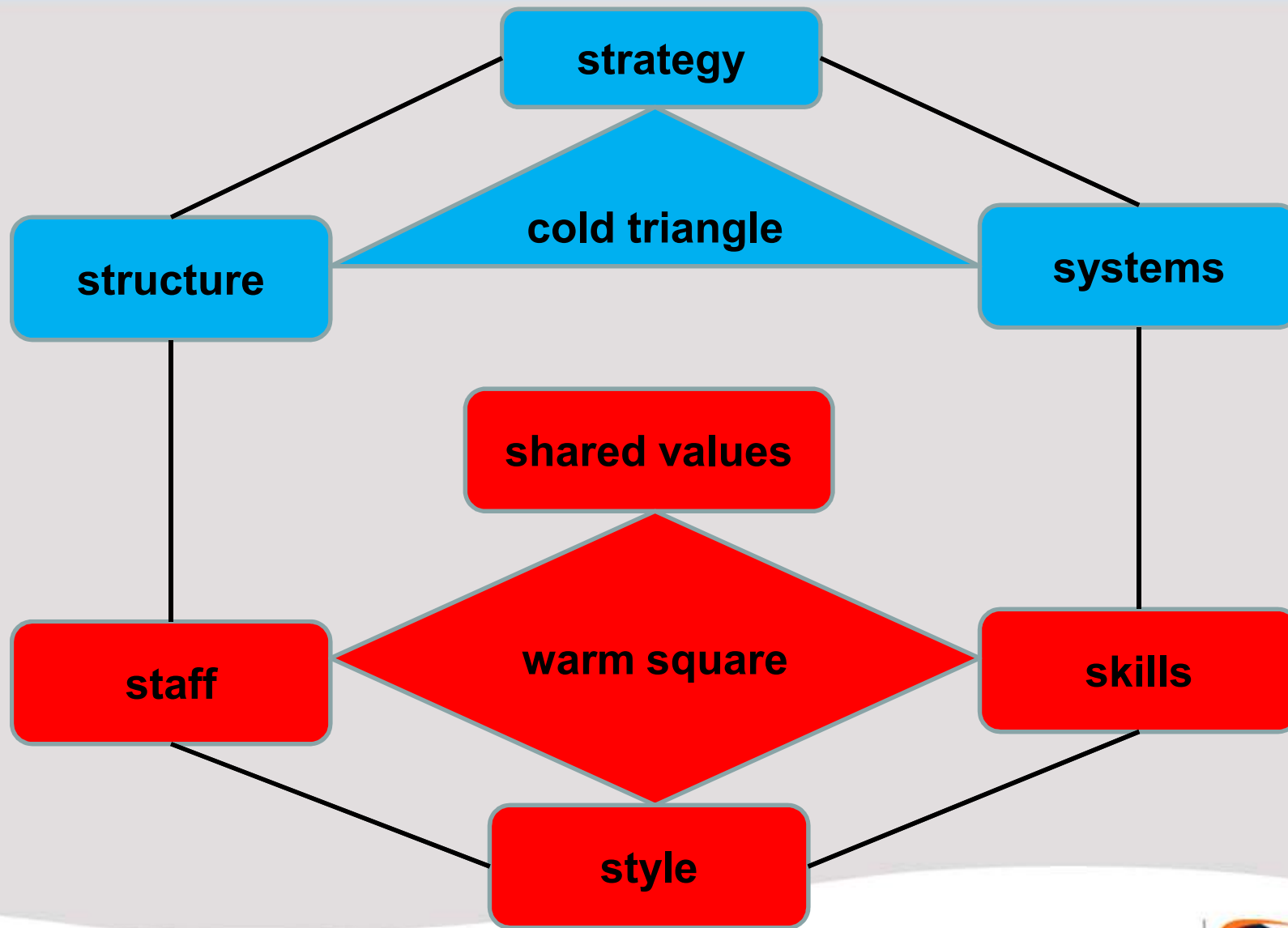
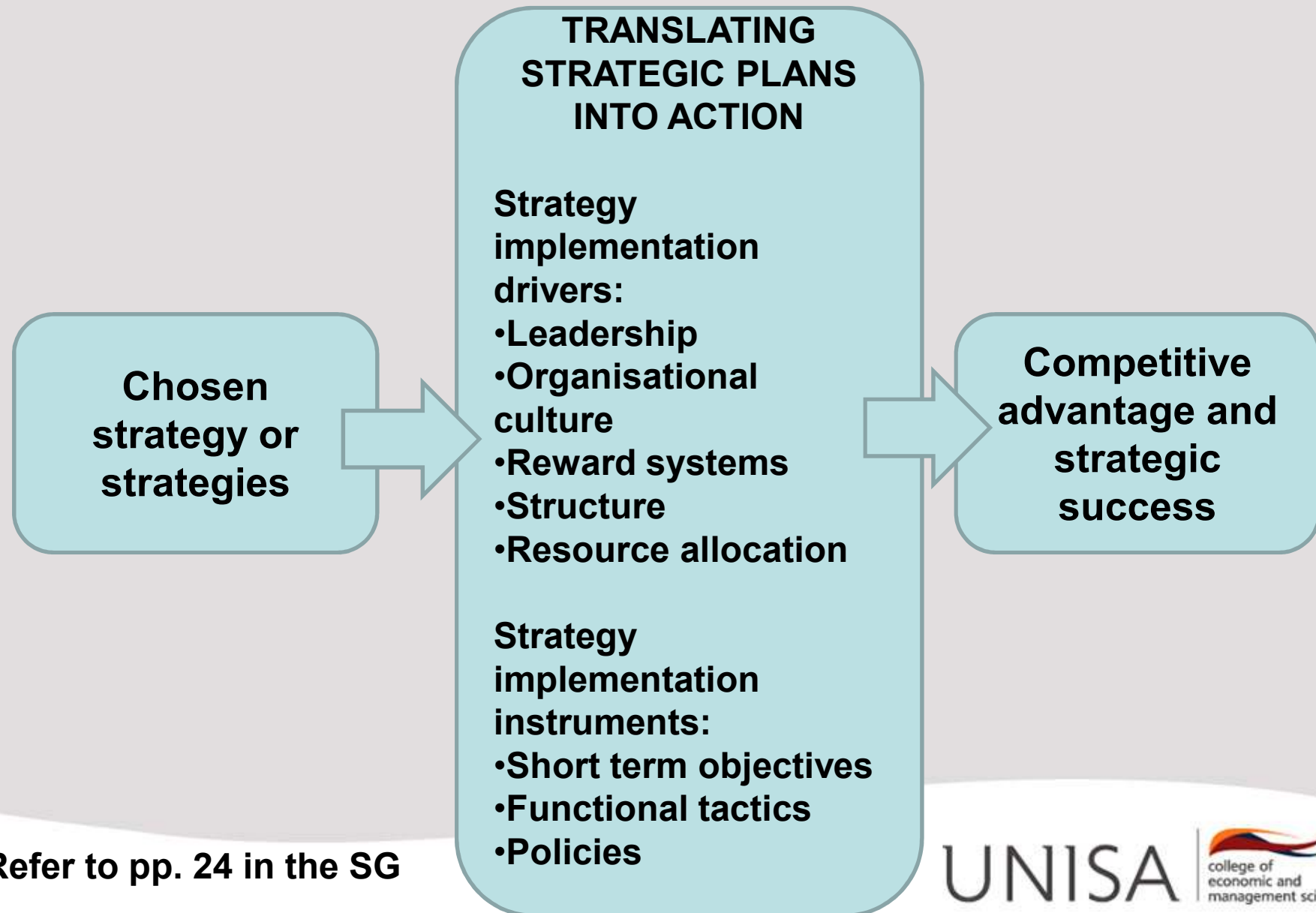# The McKinsey 7-S framework

Modified McKinsey 7-S framework

- The "warm square" relates to the drivers of strategy implementation and contains elements that are people-centred (as opposed to the "cold triangle" which refers to those elements that are not people-related, such as structure).

There are four components in the "warm square":

- Staff – the people in the organisation

- Shared values – the values that the organisation believes in

- Skills - the organisation's core competencies and sources of competitive advantage

- Style – the leadership and management style of the organisation

Refer to pp. 22-23 in the study guide

UNISA | college of economic and management sciences

The drivers and instruments of strategy implementation

Chosen strategy or strategies

→

TRANSLATING STRATEGIC PLANS INTO ACTION

Strategy implementation drivers:
• Leadership
• Organisational culture
• Reward systems
• Structure
• Resource allocation

Strategy implementation instruments:
• Short term objectives
• Functional tactics
• Policies

→

Competitive advantage and strategic success

Refer to pp. 24 in the SG

UNISA | college of economic and management sciences
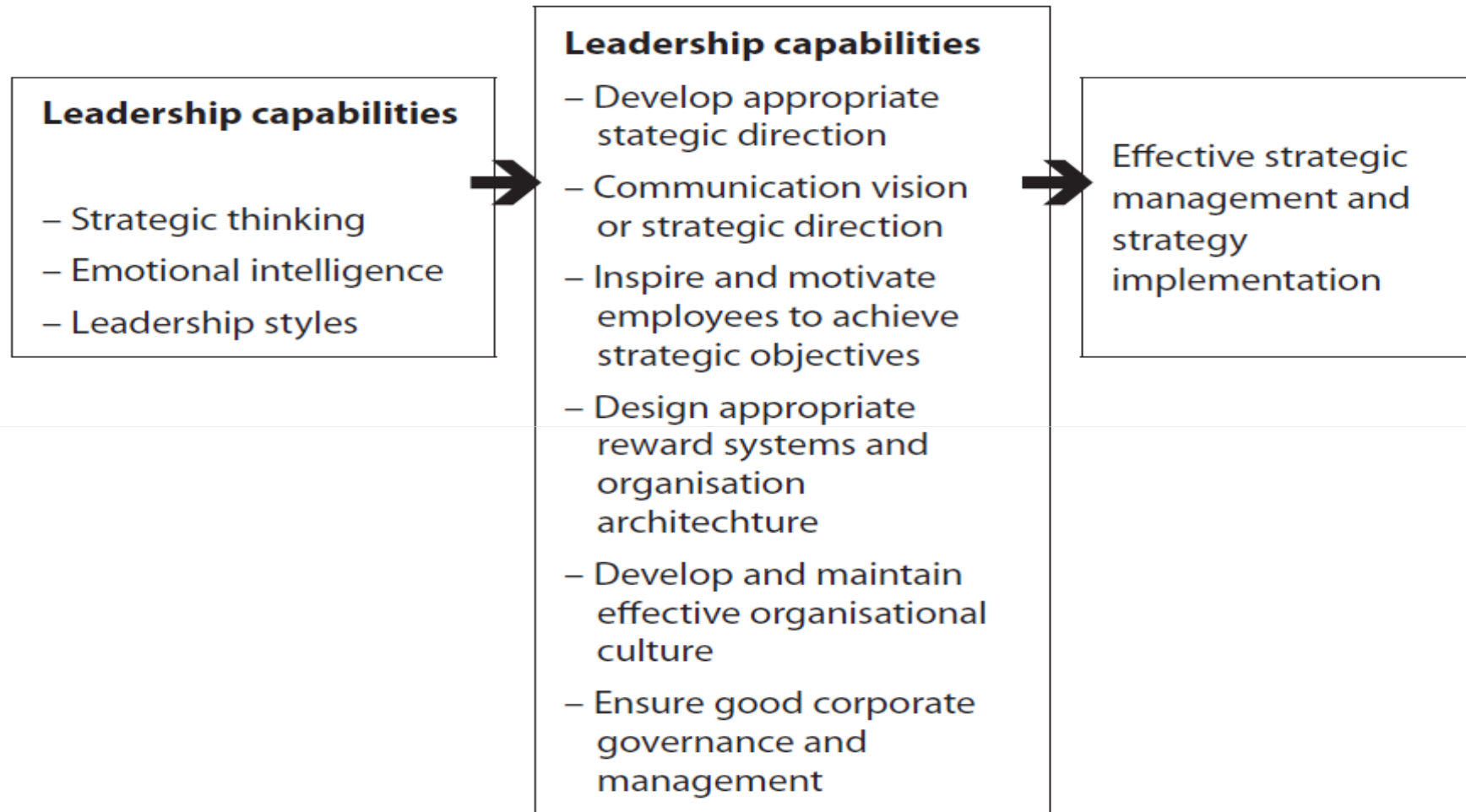
Learning outcomes activity

1. Discuss the components of the modified McKinsey 7S framework

2. Describe the drivers of strategy implementation

3. Describe the instruments of strategy implementation

Leadership as a driver of strategy implementation

UNISA | college of economic and management sciences

The role of leadership in strategy implementation

FIGURE 2.1   The role of leadership in strategy implementation

Source: Adapted from Louw and Venter (2007:355)

The role of leadership in strategy implementation (cont)

- **Very important for successful implementation**

- **Strategic leadership is the ability to anticipate, envision, maintain flexibility, and to empower others to create strategic change necessary". (Hitt, et al. 2005:386)**

- **King II report emphasised that it is the responsibility of the board of directors to formulate a strategic direction for an organisation and monitor management's implementation of the chosen strategy**

- **Leaders vs. managers – Table 2.1 on page 38 in SG**

- **Various responsibilities are strategic in nature.**

- **Misalignment within strategic leadership is a "silent killer" of strategy implementation effort**

(MNG302B Study Guide, 2010:28)

UNISA | college of economic and management sciences

What makes an effective leader - emotional intelligence?

- **Self-awareness -** refers to the extent to which an individual is aware of his or her emotions, strengths and weaknesses.
- **Self-regulation -** refers to the extent that people are in control of their emotions
- **Motivation -** one trait common to almost all effective leaders is motivation
- **Empathy -** refers to the extent that a leader can thoughtfully consider employees' feelings in the process of making decision.
- **Social skills -** leading people in a desired direction, capable of managing teams and build relationship throughout the entire organisation

Refer to pp. 32 of the SG, and pp. 284-285 of E&L

UNISA | college of economic and management sciences

Key responsibilities of a strategic leader

Leaders are not only a driving force behind the strategy implementation initiative, but they also need to perform certain tasks and take responsibility for the performance of activities such as the following:

- Developing an appropriate vision or strategic direction for the organisation in which as many stakeholders as possible have participated
- Communicating the vision and strategic direction to all the employees and other stakeholders of the organisation

UNISA | college of economic and management sciences

Key responsibilities of a strategic leader (cont)

- **Inspiring and motivating employees to achieve the strategic goals of the organisation**

- **Designing appropriate reward systems and organisational structures together with top management**

- **Developing and maintaining an effective organisational culture**

- **Ensuring together with managers that the organisation continually incorporates good corporate governance principles into its strategies and operations**

Refer to E & L chapter 11, section 11.2.4 pp 284 and SG section 1.4, study unit 2.1.

UNISA | college of economic and management sciences

Corporate governance and leadership in the light of the King II Report

- **The King II Report emphasises the role of leadership in corporate governance. Corporate governance is essentially about leadership, and leadership comprises four dimensions: efficiency, probity (honesty and decency), responsibility, and transparency and accountability.**

- **Efficiency is seen as necessary to compete effectively in a global economy. Probity assures investors that the organisation will behave honestly and with integrity towards its shareholders and others. Addressing legitimate social concerns provides evidence of responsible leadership. Most importantly, leaders must be transparent and accountable.**

Refer to E & L chapter 11, section 11.2.7 pp. 291 and SG section 1.6, study unit 2.1.)

UNISA | college of economic and management sciences

Learning outcomes activity

1. Discuss the reasons why leadership is an important driver of strategy implementation.

2. Discuss the attributes of emotional intelligence.

3. Discuss the key responsibilities of a strategic leader.

4. Discuss corporate governance and leadership in light of the King Reports.

UNISA | college of economic and management sciences

Organisational culture as a driver of strategy implementation

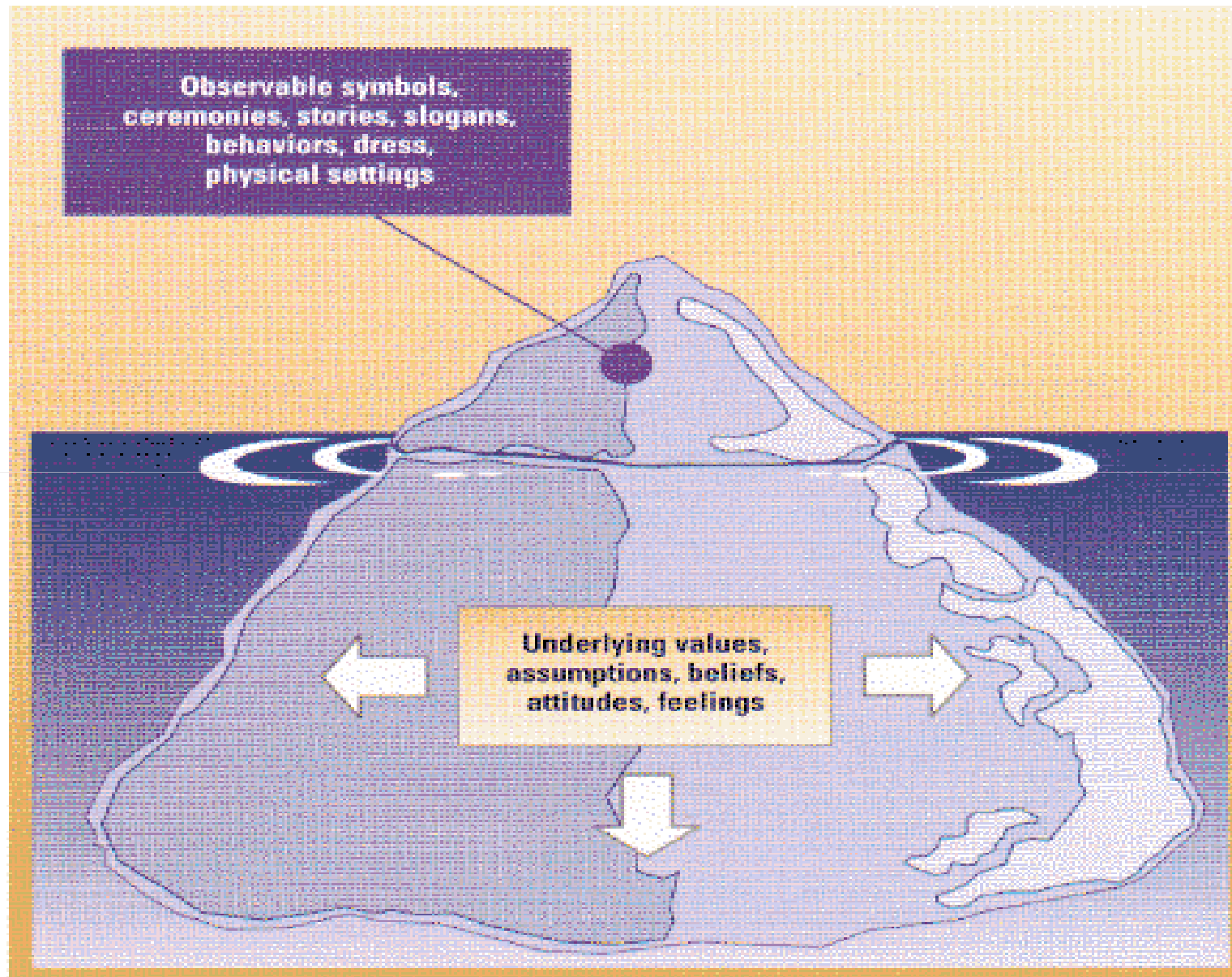UNISA | college of economic and management sciences

Organisational culture

- **Organisational culture is a driver of strategy implementation**
- **What is culture?**
- **Why is it important (from a strategy implementation perspective)?**

Refer to pp. 52 of the SG and pp. 292 of E&L

LEVELS OF ORGANIZATIONAL CULTURE

Observable symbols, ceremonies, stories, slogans, behaviors, dress, physical settings

Underlying values, assumptions, beliefs, attitudes, feelings

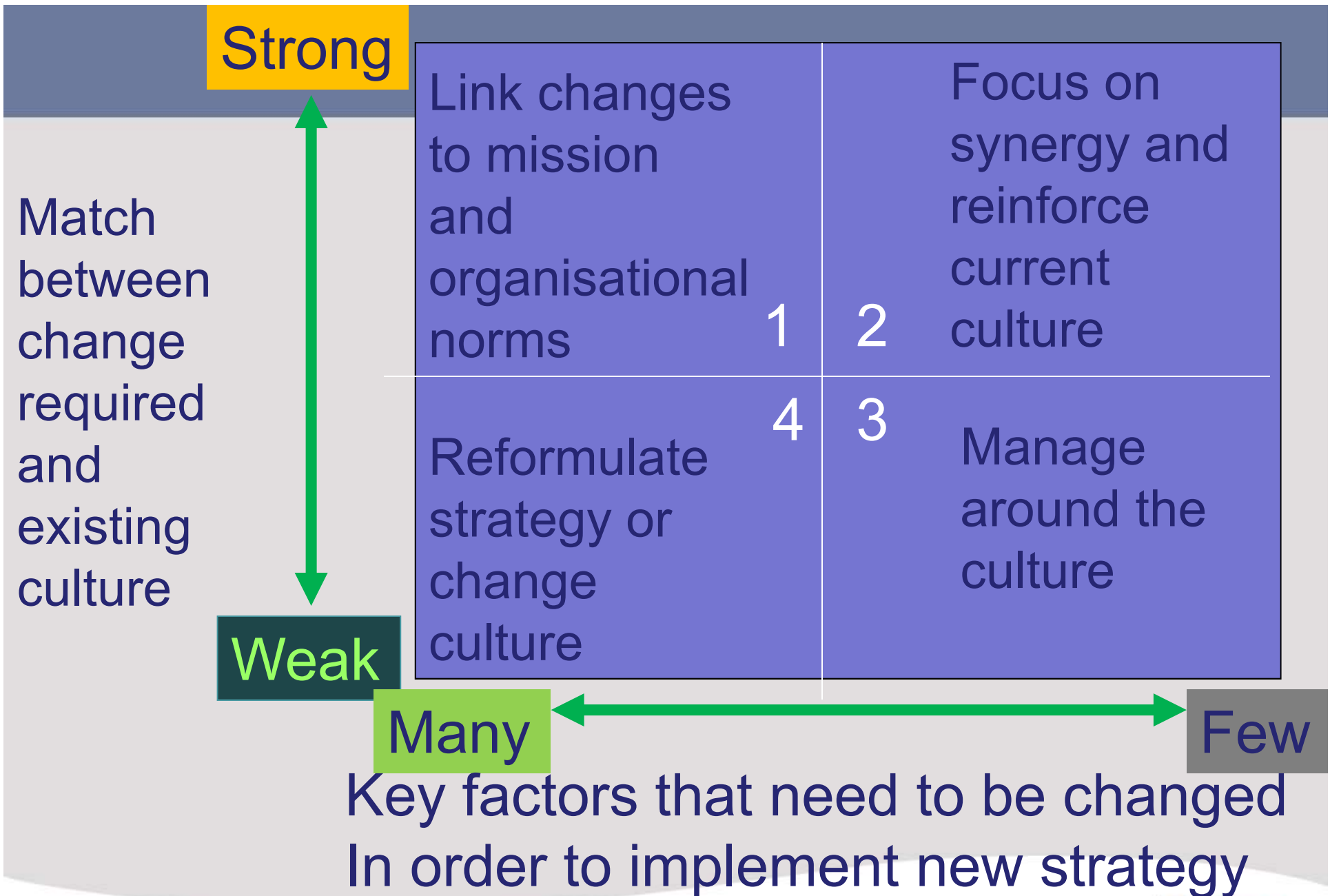# The importance of organisational culture in strategy implementation.

- The culture of an organisation relates to its people and their behaviour, as well as to the operation of the structure. It is encapsulated in beliefs, customs and values, and manifested in a number of symbolic ways (Thompson & Martin 2005:333).

- Organisational culture is so fundamental that it affects behaviour unconsciously (in practices that are taken for granted). Managers do things in particular ways because this is implicitly expected behaviour.

- Organisational culture can be either an ally or a stumbling block to strategy implementation.

Refer to E & L chapter 11, section 11.3 pp 292-294 and SG section1.5, study unit 2.2.

UNISA | college of economic and management sciences

The importance of organisational culture in strategy implementation. (cont)

- Thompson and Strickland (2003) emphasise that a strong culture, if it is aligned with the chosen strategy or strategies, is an important strategic asset. The underlying assumptions, values and internalised beliefs that make up an organisation's culture can motivate people to exceptional levels of performance (culture is thus a valuable driver and could simplify strategy implementation efforts if it is well aligned.)

- Reshaping culture is a complex and time-consuming task, yet to implement strategy successfully, management must create a tight fit between strategy and culture. An effective strategic leader will understand this and mould the culture of an organisation.

Refer to E & L chapter 11, section 11.3 pp 292-294 and SG section1.5, study unit 2.2.

UNISA college of economic and management sciences

Strong

Weak

Match between change required and existing culture

	Link changes to mission and organisational norms	1	2	Focus on synergy and reinforce current culture
4	3	Manage around the culture
Reformulate strategy or change culture		

Many ⟷ **Few**

Key factors that need to be changed
In order to implement new strategy

(Ehlers & Lazenby, 2010:297)

UNISA | college of economic and management sciences

Learning outcomes activity

1. Explain what organisational culture encompasses.
2. Explain the importance of organisational culture in strategy implementation.

UNISA | college of economic and management sciences

Organisational design as a structural driver of strategy implementation

The role that structure plays in strategy implementation

- It is the framework within which the strategic process must operate to achieve organisational goals (and therefore the backbone of an organisation). Structuring should not be carried out in isolation.

- Structure plays a role in identifying the tasks necessary for strategy implementation, groups them together and ensures coordination of these tasks across the organisation.

- Some of the main functions of organisation structure are that it provides a formal allocation of work rules, channels for effective collaboration, boundaries of authority, lines of communication as well as a means of allocating power and responsibility, and that it prescribes levels of formality and complexity.

UNISA | college of economic and management sciences

1. Discuss the role that organisational structure plays in implementing strategy

UNISA | college of economic and management sciences

Resource allocation as a structural driver of strategy implementation

UNISA | college of economic and management sciences

Resource allocation

- **RBV - "basket" of resources + capabilities to use resources = performance**
- **Role of resource allocation**
- **Types of resources – tangible and intangible resources**
  - **Human resources**
  - **Financial resources**
  - **Technological resources**
  - **Information resources**
  - **Physical resources**
- **Change in strategy = change in resource plan**

UNISA | college of economic and management sciences

The role of resource allocation in strategy implementation

- Sets of resources and capabilities determine how effectively and efficiently an organisation performs (RBV). An organisation is more likely to succeed if it possesses the best resources that are the most appropriate for its strategy.

- One of the potential barriers to strategy implementation is the allocation of resources.

- This implies that the way in which the strategic manager allocates resources can either enhance the successful implementation of strategies or hinder it. Thus, the optimal utilisation of resources in terms of strategy becomes crucial in attaining the objectives of the organisation.

Refer to E & L chapter 12, section 12.3.1 pp. 320 and SG section 1.1, study unit 3.2.

UNISA | college of economic and management sciences

- **To achieve successful strategy implementation, scarce resources must be allocated in such a way that they support the organisation's long-term goals, chosen strategy, structure and short-term objectives (thus the resource plan/budget must be linked to the strategy).**

Refer to E & L chapter 12, section 12.3.1 pp. 320 and SG section 1.1, study unit 3.2.

UNISA | college of economic and management sciences

Role of HR in strategy implementation

- Talent is a scares resource and the demand for talented and highly skilled knowledge workers outstrip the supply.

- Pretend that every single person you meet has a sign around his or her neck that says: "Make me feel important."

Mary Kay Ash

Learning outcomes activity

1. Identify the different resources of an organisation.
2. Discuss the role of resource allocation in strategy implementation.

UNISA | college of economic and management sciences

Short term goals as an instrument of strategy implementation

Short-term goals

- **Helps with strategy implementation:**
  - **Operationalises long-term objectives**
  - **Agreement about conflict that may arise**
  - **Identifies measurable outcomes of action plans**
- **Different from long-term goals (breadth, specificity)**
- **Qualities of well formulated short-term objectives (measurable, linked to long-term goals)**

Refer to pp. 102 of the SG, and pp. 338 of E&L

UNISA | college of economic and management sciences

The role of short term goals in strategy implementation

- Since long-term goals are not detailed and are aimed at the long term, they should be translated into more doable tasks and activities.

- The focus should be on goals for the shorter term, and they should be as detailed as possible to ensure that everyone will know exactly they need to contribute to the achievement of the organisation's mission, vision and objectives.

- The use of short-term objectives is a valuable strategy implementation instrument that helps to establish departmental, divisional and organisational priorities.

- It also assists in monitoring progress made towards the achievement of long-term goals, and can also be used as checkpoints for operational and strategic control.

UNISA | college of economic and management sciences

"To become Africa's leading cellular network with the best customer service and

Refer to pp. 102-116 of the SG, and pp. 338-344 of E&L

UNISA | college of economic and management sciences

To have 12 million cellular phone users in South Africa by 2016.

UNISA | college of economic and management sciences

The long-term goal is translated into short-term goals

Finance
To obtain financing of R 15 million by the end of 2011

Human Resources
Employ ten additional expert radio engineers by November 2011

Marketing
To develop two advertising campaigns in the next six months

Production
To roll out 10 new base stations in each quarter of the year

Functional tactics are action plans that help achieve the short-term objectives

Finance

-Obtain one short-term loan
-Sell debentures

Human Resources
-Headhunt candidates from competition
-Advertise abroad

Marketing
Buy one contract, get second one free for family member for 1st year promotion

Production
Outbid competition for contractors responsible for building towers

Policies guide thinking, decisions and action of managers and employees

Finance

-Debt equity ratio may not exceed 60%

Human Resources
-All engineers must have at least 3 years industry experience
-Candidates from previously disadvantaged backgrounds receive preference

Marketing
- Certified copy of ID to accompany applications

Production
-All contractors must adhere to ISO standards
-All tower locations must be approved by relevant City councils
-Preference will be given to BEE contractors

Learning outcomes activity

1. Explain what a short-term goal is.

2. Comment on the role of short term goals in strategy implementation.

3. Explain how long-term goals are translated into short-term goals.

UNISA | college of economic and management sciences

Functional tactics as an instrument of strategy implementation

UNISA | college of economic and management sciences

Functional tactics and policies

- **Functional tactics**
  - **Different from corporate and business strategies (time horizon, specificity, developers)**
  - Specific guidance in functional areas
- **Policies**
  - **Standard operating procedure**
  - **Policies that empower**

UNISA | college of economic and management sciences

The role of functional tactics in strategy implementation

- **Functional tactics are the key routine activities that need to be performed in each functional area in order to achieve the objectives of the organisation.**

- **The functional areas in the organisation include marketing, human resources, research and development, finance, public relations and operations.**

- **Functional tactics are essential to implement the chosen strategy – they give specific, short-term guidance to operational managers.**

- **Functional tactics differ from grand or business strategies in terms of time horizon, specificity and participation.**

UNISA | college of economic and management sciences

How functional tactics differ from corporate or business strategies

Dimension	Functional tactics	Corporate or business strategies
Time horizon	Identify the tasks that must be performed now or in the near future in the various functional areas	Grand strategies focus on the organisations position in the next few years
Specificity	Identify specific activities that need to be performed in each functional area (high level of specificity)	Provides general direction (low level of specificity)
Participation	Developed within the operational area, involving operational managers.	Develop by top management

UNISA | college of economic and management sciences

Learning outcomes activity

1. Explain what a functional tactic is.

2. Comment on the role of functional tactics in strategy implementation.

3. Explain how functional tactics differ from corporate and business strategies.

Policies as an instrument
of strategy implementation

UNISA | college of economic and management sciences

Role of policies in strategy implementation

- Policies are specific guidelines, methods, procedures, rules, forms and administrative practices that direct the actions of the managers and employees in the organisation. In order to be a valuable strategy implementation instrument, policies should support the chosen strategies.
- Policies inform employees/managers what is expected of them in strategy implementation.
- Policies :
  - need to support a chosen strategy, and a change in strategy may require a change in policy
  - guide the day-to-day activities and procedures that ensure successful strategy implementation
  - provide a basis for control and promote coordination and consistency across organisational units in strategy implementation

UNISA | college of economic and management sciences

Learning outcomes activity

1. Explain what a policy is.
2. Explain the role of policies in strategy implementation.

UNISA | college of economic and management sciences

Topic 5: Unit 5.1

Strategic control as a component of the strategic management process

What does strategic control entail?

- Strategic control is the phase in the strategic management process that concentrates on evaluating the chosen strategy in order to verify whether the results produced by the strategy are those intended.

- Strategies focus on the long-term future of the organisation, and time elapses between the formulation and implementation of a strategy and the achievement of the intended results.

- Strategic control is the phase during which managers ensure that the implementation activities are performed effectively and efficiently, and identify deviations from the strategic plan in order to take corrective action.

Refer to E & L chapter 13, section 13.2.1 pp. 358-359 and SG section 1.1, study unit 5.1

UNISA | college of economic and management sciences

What does strategic control entail? (cont)

- It has two focal points: to review the content of the strategy and to evaluate and control the implementation process.

- Strategic control identifies and interprets critical events or changes (triggers) in the external environment that require a response from the organisation.

- Strategic control should initiate managerial questioning of performance, assumptions and expectations in order to determine to what extent the organisation is achieving its short-term objectives.

Refer to E & L chapter 13, section 13.2.1 pp. 358-359 and SG section 1.1, study unit 5.1

UNISA college of economic and management sciences

Types of strategic control

- **Premise control:** Designed to check systematically and continuously whether the premises or assumptions on which strategy is based, are still valid.

- **Surveillance control:** Designed to monitor a broad range of events inside and outside the organisation that are likely to affect the course of the strategy.

- **Special alert control:** The thorough, rapid reconsideration of the organisation's strategy in view of a sudden, unexpected event.

- **Implementation control:** Designed to assess whether the overall strategy could be changed in the light incremental action taken to implement the strategy. Two types of implementation control can be used, namely, strategic thrusts and milestone reviews. If actions are not implemented properly or do not achieve the planned results, strategy may be altered.

Refer to pp. 120-124 of the SG, and pp. 359 of E&L

UNISA | college of economic and management sciences

Criteria used to evaluate strategies during the control phase

- During strategy selection, organisations make a choice between the different strategies that will help the organisation to go to the next level of competitiveness. During strategy formulation, top management teams would typically ask several questions pertaining to these criteria. During strategy evaluation and control, managers can again use these criteria to test whether the strategy is still on track, whether it is achieving the expected outcomes and whether it is being or has been successful.

- The three criteria are:
  - Appropriateness. Is the strategy in line with the mission?
  - Feasibility. Can it be carried out?
  - Desirability. What are the stakeholder preferences? Has the strategy produced adequate results in the short term?

Refer to E & L chapter 13, section 13.4 and SG section 1.5, study unit 5.

UNISA college of economic and management sciences

Learning outcomes activity

1. Explain what strategic control entails.

2. Differentiate between the different types of strategic control.

3. Comment on the criteria used to evaluate strategies during the control phase.

UNISA | college of economic and management sciences

Balanced Scorecard

- **Creates framework for setting of:**
  - **Long-term (strategic) goals**
  - **Measures**
  - **Targets (Short-term objectives)**
  - **Initiatives (Functional tactics)**
- **Links strategy formulation and implementation**
- **"...where the rubber meets the sky" – Kaplan and Norton (in HBR's: Must reads on strategy)**

UNISA | college of economic and management sciences

Balanced scorecard
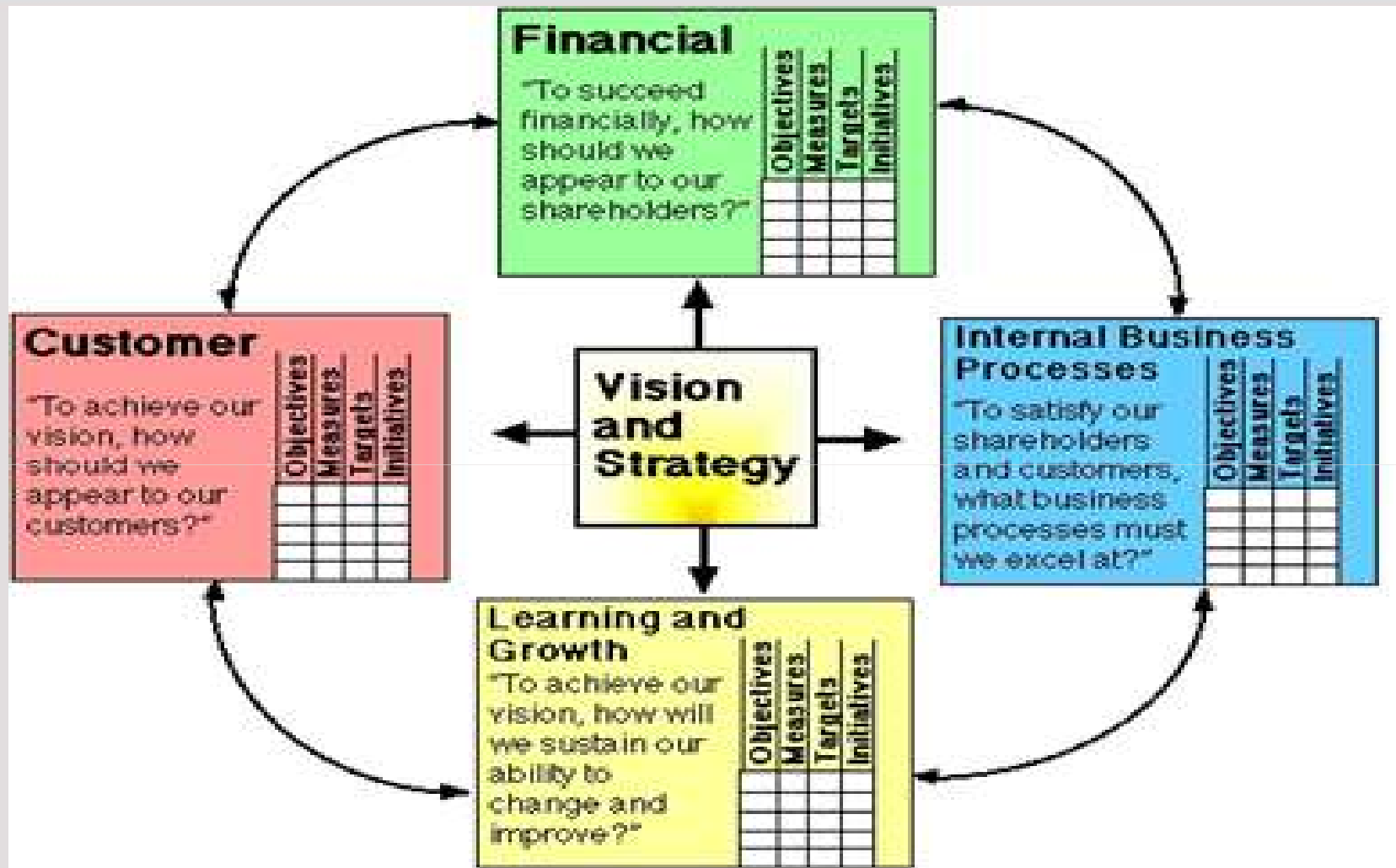
The four dimension of the balanced scorecard

- **The balanced scorecard sets objectives, measures and targets and initiatives for four organisational areas based on the vision or strategy.**

- **It incorporates cause and effect relationships and thereby clarifies actions which should be taken in each perspective in order to coordinate the strategy among the various areas.**

- **The cause and effect relationship across the various perspectives of the balanced scorecard ensures that all strategy implementation activities, regardless of focus are closely aligned.**

Refer to E & L chapter 13, section 13.3.1 pp. 363-364 and SG section 1.1, study unit 5.2

UNISA | college of economic and management sciences

Learning outcomes activity

1. **Diagrammatically depict and explain the four dimension of the balanced scorecard.**

Examination preparation guidelines

- Master **all** of the learning outcomes
- Activities in the study guide
- Study guide, tutorial letters and prescribed book
- Self-assessment assignments
- Previous exam papers
- Start preparing today!
- Use diagram of strategic management process for context
- Do section B first

UNISA | college of economic and management sciences

MNG302B examination paper

- Format
- 70 marks in total
- Section A comprises 4 paragraph type questions for 20 marks
- Section B comprises of essay-type questions for 50 marks
- Complete **two** of the three questions in section B. Questions in section B are worth 25 marks
- 2 hour paper
- Closed book examination

UNISA | college of economic and management sciences