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International Business Strategy

Lecture Five

Strategy Implementation

Introduction to Lecture Five

In our lecture four we looked at strategy formulation, where we examined the process thereof. The process helped the firm to settle on the most viable strategy given the firm's internal resources and capabilities and the prevailing business environment. In this topic we will look at the action part after strategy selection. This is the part we look at organizing for success. We will look at the necessary ingredients for successful strategy implementation, including items such as culture, structure, people, resources allocation and communication, among others.

Learning Outcomes

1. Be able to connect the drivers of strategy implementation
2. Point out the relevance of 8's framework of strategy execution
3. Propose ways to overcome strategy implementation pitfalls

What is Strategy Implementation?

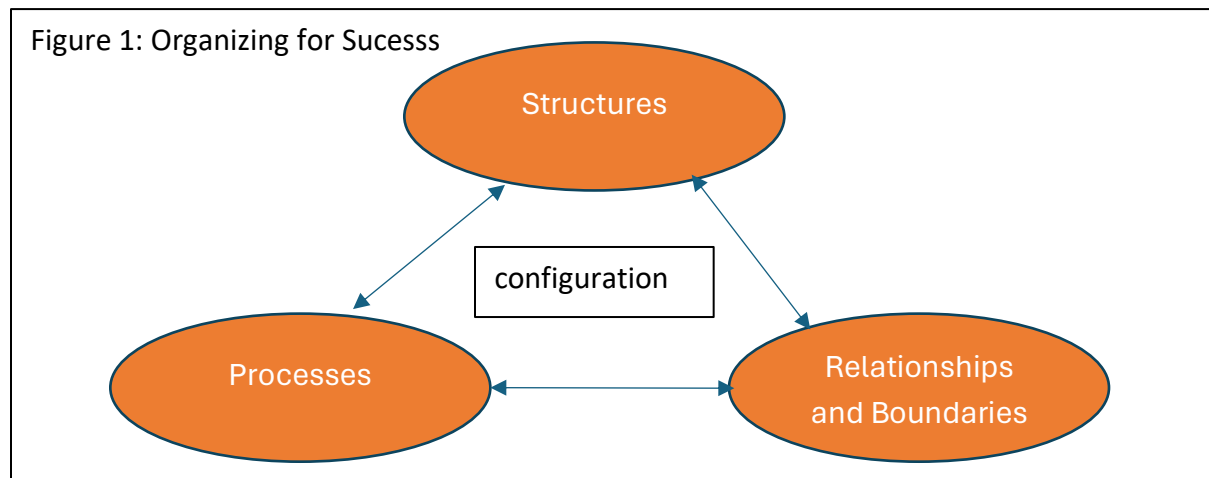
The term implementation and execution can be used interchangeably. Strategy implementation refers to the process through which a firm turns its goals or **plans** into **action**. This is the phase of strategic management that separates most organizations; indeed, development or formulation of strategies may not be as difficult as the execution phase. The success of a strategy is largely determined by this phase and how well it is handled. Let us therefore look at some key drivers of implementation as well as a framework to help in the process to avoid common pitfalls that most firms get trapped in.

Key Drivers in Strategy Implementation

Strategic management is not complete without successful execution. Therefore, implementation stage is equally important as formulation stage. The latter is even more critical as it is where the rubber meets the road- action packed. It is possible to have a wonderful strategy but failure in implementation will make the organization miss out on its vision or goals. As we mentioned in lecture one, strategy is the vehicle that takes the organization to its desired future/state which in lecture four we called vision. It therefore means that if implementation fails the vision and the goal will be missed for sure.

There are several models that are used in addressing strategy implementation. Johnson and Scholes (2003) proposed an organization's configuration consisting of *structures*, *processes* and *relationships and boundaries* as seen in **figure 1**. The structure represents roles, responsibilities and lines of reporting in an organization, and they can be a catalyst or hinderance of strategy execution. Processes, however, are the controls could be formal (rules, systems, and procedures) or informal (corporate culture and routines).

Where the processes match the strategy and other organizational elements they can help in strategy implementation. Finally, the relationship and boundaries relate to who does what and how people and units relate to one another. It relates to the extent to which the organization centralizes or decentralizes decision-making. The degree to which the organization must be flexible will determine the option they take regarding relationships and boundaries. In a volatile environment it would be advisable to adopt a flexible relationship and a virtual boundaries posture, these will allow an agile response to any change required in the market.



Sources: Johnson and Scholes (2003)

Johnson and Scholes (2003) concluded that structuring for success is about an organization's configuration and that inappropriate configuration can impede an organization's strategies. It is therefore important for managers to strike a balance between the three elements in their organization.

The other framework that this topic will adopt is the one proposed by Higgins (2005). He asserted that successful managers are those who spend equal time in strategy execution as they spent in formulation. Successful strategy implementation is mostly achieved where there is alignment between strategy and organizational factors. Higgins (2005) seem to agree with Johnson and Scholes (2003) in emphasizing the importance of aligning the following factors:

- Structures
- Systems and processes
- Leadership style
- Staff
- Resources
- Shared Values

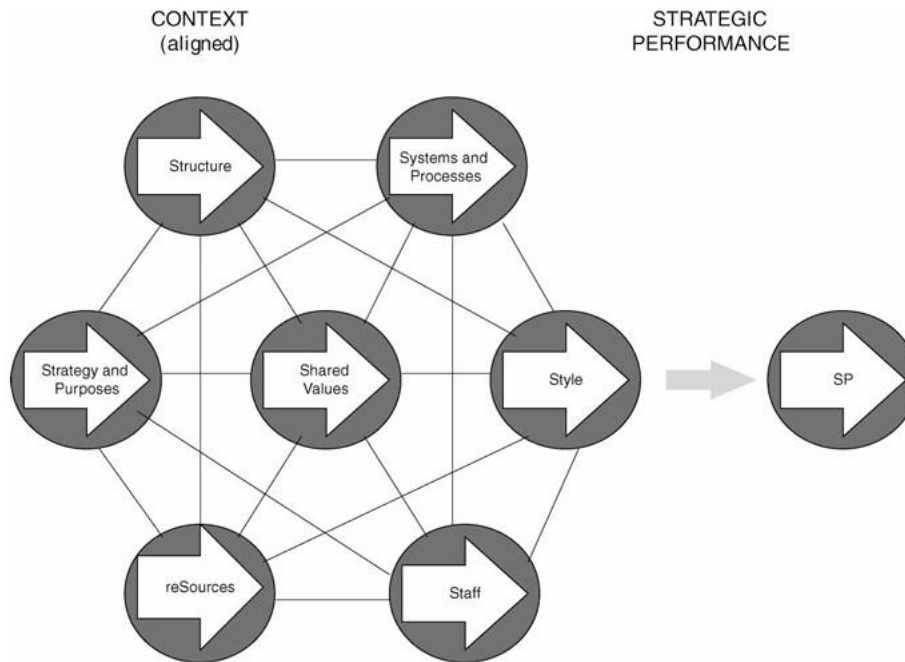
These factors are well integrated in Higgins 8's model of strategy execution shown in **Figure 2**, which is an improvement of McKinsey seven S model. Higgins (2005) argues that all arrows must point in the same direction for alignment to be present. In the next section we discuss the model in detail.

The 8's Model of strategy Execution

Strategy and Purpose. This encompasses the strategic intent, the mission, the vision and goals of the organization. These are the items we addressed deeply in our previous chapter that answered the questions of why the organization exists, where it wants to go and how (strategy) it will get there. Any time there is a change in the strategic purpose of the firm the strategy will definitely change.

Structure. This entails five elements where the first four are clearly shown in an organizational chart while the last one is spelt out in firm's policies and procedures. These elements are; 1) job; 2) Authority to do the job; 3) how the job is grouped (departments or divisions); 4) Span of control; and 5) Coordination mechanism. The focus in this S is on how to organize your structure, is it by products, functions, or regions and how authority will be distributed (centralization versus decentralization).

Figure 2: Higgins 8'S of Strategy Execution



Source: Higgins. J (2005)

The choice must support the strategy at hand. Often, when the organization changes its strategy, the organization structure may have to follow suit to achieve the needed alignment.

Systems and processes. These represent the things that allow an organization to function on a day-to-day basis. They include budgeting systems, manufacturing systems, information systems, reward systems, quality control systems, performance measurement systems among others. These systems and processes must always support the current strategy the firm is pursuing, any misalignment will make it difficult to achieve the goals and vision a firm has.

Style. This speaks of the management or leadership style that is dominant in the organization. It is the consistent pattern of behaviors exhibited by the firm's leadership when relating with subordinates. Different strategies require different management styles or posture, striking the match is magical in achieving success in as far as strategy execution is concerned.

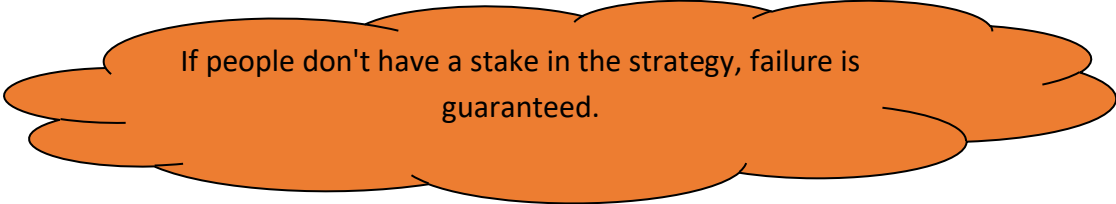
Staff. When a firm has determined its course via strategy and purpose, it must then determine the caliber of people/employees who fit the task to take it to its desired destination. Here, the number, culture, and skills must be considered.

ReSources. In our previous lecture we talked about a firm's resources and the extent to which they need to be assessed as they could be a strength or weakness. Where the resource is unique it becomes the basis of a sustainable competitive advantage. A resource could be tangible, intangible, financial or non-financial, and the human resource mentioned in six above. Different strategic postures will require different resources, and the match is critical for success.

Shared Values. The corporate culture that is upheld in a firm is a critical consideration. The held for granted assumptions and values that glue the team together can be a catalyst or hindrance to strategy implementation. An alignment must therefore be sought whenever there is a change in strategy.

Strategic Performance (SP). This is arrived at by combining or the other factors (s). When assessing a firm's performance, financial performance is generally used, although a more expanded approach like a balanced scorecard is recommended. The score card includes customer issues, internal efficiency measures, financial measures, and innovation (Kelly, 2009).

Huggins (2005) concluded that different strategies require different sets of the 8's and where there is no good match, performance will suffer. Where there is failure in strategy execution the model can point out the area that needs to be addressed.



If people don't have a stake in the strategy, failure is guaranteed.

Why is Strategy Implementation Difficult?

There are a variety of reasons why organizations find it difficult to execute a strategy they have chosen. Building from the 8's of Huggins it is possible to come up with the following;

- **Lack of buy in by employees**- remember strategy implementation most of the time will mean change, normally people are hesitant to change. Remember if people don't have a stake in strategy, failure is guaranteed.
- **Lack of clear communication**- successful implementation requires that employee know where the organization is headed and why, when the management fails to have this communicated effectively to the people chances are the execution will fail.
- **Lack of resources**- Strategy implementation require resources financial and personnel, and when these are not availed there will be hiccups in the process
- **Short-sightedness**- when people in the organization focus too much on the daily operations, they can lose sight of the long-term goals or vision.
- **Lack of accountability**- where there are goals or actions that have not been mapped out to an owner or a unit, it is possible that it will not be done since it will be a priority of no one
- **Lack of employee empowerment**- As we did talk about agility, employees at all levels need to be empowered to make decisions, this will break down the bureaucracy that normally hinders successful implementation.
- If the strategic **plan is not distinctive**, according to Kraaijenbrink (2021) it must be clear how it is different from what the organization is doing today. It is therefore important for the strategist to point out clearly the departure points of the new strategy from the old ways.
- **Lack of coherence**- Where different parts or units of the organization don't seem to be dancing to the same tune in trying to implement the strategy this can be a huge problem. Thus, the different plans that all build up to the whole strategy must flow and speak to each other.
- **Lack of feedback**- It is important that managers and employees know the progress they are making toward the desired future state of the firm that the new strategy promised. Where this is not forthcoming, it will be difficult to identify challenges early and deal with them before it is too late.

Topic Recap

In this topic we started by defining what strategy implementation is and looked at why it is important. We identified the key drivers of this phase and looked at the Huggins' framework of strategy execution that has 8 elements that must be aligned with the strategy if execution is to be successful. We finished by looking at the possible pitfalls to successful implementation and how they could be overcome. In our next topic we will look at Foreign direct investment, as one of the vehicles that firms can use to enter foreign markets.

Topic Review Questions

1. What is strategy implementation and why is it important stage in strategic management?
2. What drives strategy implementation?
3. At your personal level, what makes you not achieve your goals?
4. How do your answers to number 3 (above) relate to an organizational

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