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Making Strategies Work

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Making Strategies Work

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Andrew MacLennan is a facilitator, educator, researcher and leading expert on strategy execution. He conducted the largest study ever undertaken in the field.

Andrew is an educator on numerous programmes at London Business School and Duke Corporate Education. He has lectured on various programmes at Edinburgh Business School, where he gained his PhD in strategy implementation. He also sits on the DBA Research Committee, overseeing doctoral research.

Andrew is Managing Director of Strategy Execution Ltd, which he founded in 1997. He has worked on engagements in banking, general insurance, life and pensions, FMCG, electronics, defence, engineering, mining, steelmaking, chemicals, construction, utilities, government and higher education. He is typically engaged on long-term programmes to bring about strategic change.

Andrew is author of *Strategy Execution: Translating Strategy into Action in Complex Organizations*, published by Routledge in 2010.

Andrew is a first-class honours graduate of Heriot-Watt University and a Fellow of the Strategic Planning Society.

The late Professor Alexander Roberts PhD MBA FCCA FCIS MCIBS

Alexander Roberts had wide business management and development experience including 15 years at executive director and senior management levels with major US- and Europe-based organisations. He was responsible for foreign operations, turnarounds, sales, finance and accounting, strategy and operations planning, IT and systems development.

He was involved in research, teaching and consulting in the areas of strategy formulation and implementation. His particular interests were accelerated leadership development and strategic focus, which consists of:

- Strategic planning – how to figure out the options available and choose an appropriate option;
- Making Strategies Work (MSW) – how to figure out the critical elements, structures and processes to deliver the chosen strategy and overcome implementation issues;
- Project management – how to ensure the necessary changes identified in MSW are activated;
- Strategic risk management – how to understand and manage the risk profile of the organisation.

He was joint author and researcher for the London Business School 'Building Global Excellence' report on multinational companies' efforts to achieve world-class capabilities and was visiting lecturer in strategic management processes at the Judge Institute, University of Cambridge.

He was also the joint author of the EBS texts *Project Management*, *Strategic Risk Management*, *Alliances and Partnerships* and *Mergers and Acquisitions*.

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List of Abbreviations

ABC	activity-based costing
API	Activity Performance Indicator
APR	annual percentage rate
BCG	Boston Consulting Group
BPR	Business Process Re-engineering
CA	Critical Activity
CCT	Compulsory Competitive Tendering
CEO	chief executive officer
CRM	Customer Relationship Management
CSF	Critical Success Factor
DBA	Doctor of Business Administration
FTE	full-time equivalent (staff)
HR	human resources
IT	information technology
JIT	just-in-time
KEI	Key Environmental Indicator
KPI	Key Performance Indicator
MBA	Master of Business Administration
MBO	Management by Objectives
MBWA	Management by Walking Around
MSW	Making Strategies Work
PEST	Political, Economic, Social and Technological analysis
PIMS	Profit Impact of Market Share
PRP	performance-related pay
RACIS	responsibility/accountability/consulted/informed/support
SBU	strategic business unit
SRM	Strategic Risk Management
SWOT	Strengths, Weaknesses, Opportunities and Threats
TSR	total shareholder return
TQM	Total Quality Management

Module 1

Introduction

Contents

Learning Objectives

By the end of this module you should be able to:

- understand why strategy implementation is a significant challenge;
- explain why there is a growing need to implement strategy more effectively;
- outline the origins of strategic management;
- understand the meaning of and define 'strategy';
- understand the meaning of and define 'strategy implementation';
- understand the distinction between strategic planning and strategy implementation;
- explain the problem of accurate success attribution;
- list the aims of this course;
- understand the basic challenges of and problems with management research;
- broadly understand the theoretical and empirical underpinnings of this course; and
- understand the structure of this course.

1.1 Introduction

Between the idea
And the reality …
Between the conception
And the creation …
Falls the Shadow.

T.S. Eliot

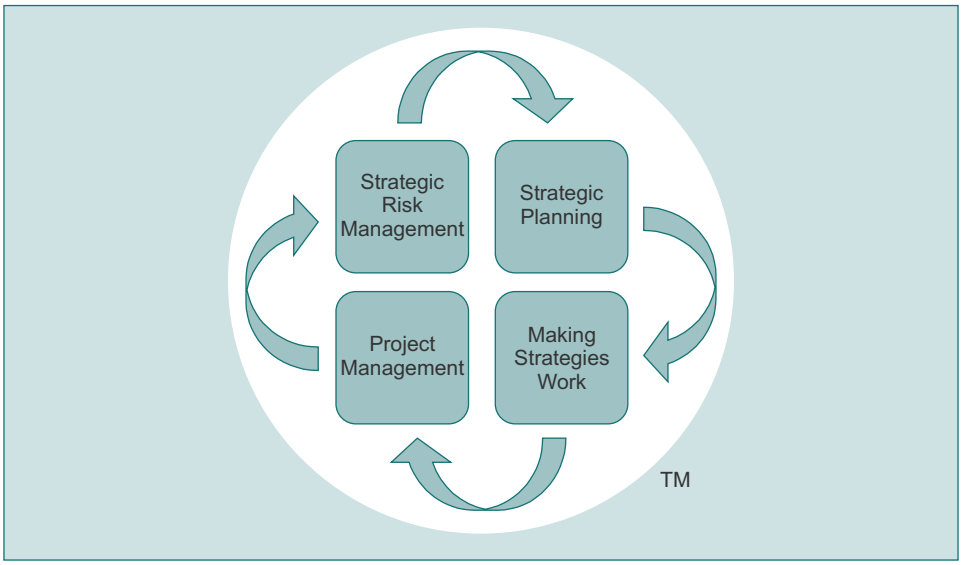
1.1.1 An Unusual Course

By focusing on strategy implementation (or, if you prefer, strategy execution, which means the same thing) *Making Strategies Work* is a rather unusual course. It covers an area of management thinking that is rarely addressed by writers, consultants or educators. A quick search using Google illustrates this well. At the time of writing, a search for the term 'strategic planning' returns 43 million hits. However, searches for the terms 'strategy implementation' and 'strategy execution' return only 622 000 and 489 000, respectively. Academic databases of scholarly research publications reveal an even starker contrast in the coverage of the two fields.

This imbalance seems odd, because many practitioners observe that their organisations have far greater trouble with strategy implementation than strategic planning, an impression supported by the research that has been conducted in the field. It also seems obvious that strategy implementation should be of great interest to managers: if strategic planning is to be of value, it must be converted into actions for this value to be realised.

Large organisations have a wide range of resources and functional specialists to call on in support of implementing their strategies. They can also call on consultants, business schools and others to assist them. Indeed, they employ some of the best business talent available. So what is the problem? Why is it that something in the region of 70 per cent of strategy implementation efforts fail to achieve all their intended objectives?

This course seeks to answer that question and provide insight, approaches and tools that will push up the chances of successful strategy implementation. It does this within a broader context. The Strategic Focus Wheel™ was developed to assist organisations to develop and implement their strategies and frames a number of the strategy-related courses at Edinburgh Business School.



The Strategic Focus Wheel™

Strategic planning concerns identifying the options available to an organisation and selecting the most appropriate. If strategic planning is done poorly then even the best implementation capability is unlikely to compensate for this. However, in our experience the tools of strategic planning tend to be well understood by many organisations. This is probably a function of the amount of time devoted to their development.

Making Strategies Work (MSW) is a process for connecting the high-level strategic plan to the day-to-day activities critical to its delivery and identifying the changes to be made in order to deliver the strategic objectives. MSW is the subject of this text.

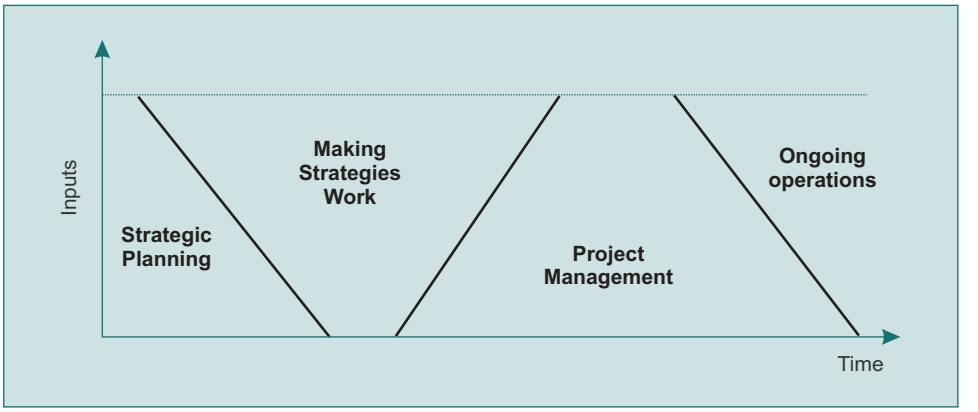
Project management is a tool for ensuring completeness and control over physical realisation of the chosen strategy.

Strategic risk management (SRM) identifies, monitors and manages the risk profile of the organisation in its dynamic setting of ever-changing internal and external environments. SRM covers three areas: the risk of strategic drift; risks associated with change projects required to reposition the organisation in pursuit of a new strategic thrust; and, finally, the risks inherent in the day-to-day operation of the organisation. Changes in this profile can signal the need for strategic change.

Although organisations are normally engaged in each of these activities at any one time, for any given strategic change initiative they ought usually to progress logically from strategic planning to MSW to project management. It seems to be essential that each of these processes should overlap somewhat. It is a fallacy that implementation 'starts' once planning has been 'completed', and it is vital that planners ensure a careful and considered handover to those charged with implementation. The same is true once the project level is reached. Many organisations fail to

see the link between strategy and operations partly because planning is undertaken in isolation of operations, and vice versa.

Upon project delivery, changes should be embedded in ongoing operations. Strategic risk management is a challenge that must be addressed throughout all these stages.



The sequential application of the Strategic Focus Wheel™ elements in organisations

The objective of the Strategic Focus Wheel™ is to focus the resources and energies of an organisation on achievement of its strategic goals and to determine when it is appropriate to change these goals.

Time Out

Why study *Making Strategies Work*?

Before continuing with the text, take a few minutes to think about how powerful a competitor you might be for the most senior management jobs if you could figure out, at corporate and/or functional levels:

- alternative strategic directions, and choose the most appropriate;
- the critical elements supporting the new strategic direction and how to organise around them;
- how to control and introduce the changes needed to achieve the new direction; and
- how the risk profile is changing, and when to take action in anticipation of, or in response to, the changing profile.

How powerful would an organisation be if it possessed these abilities?

The Strategic Focus Wheel™ is designed to assist individuals and organisations master these skills, and strategy implementation is an area often neglected by business schools, universities, consultants and educators in general.

To address the challenges set out, this text builds upon a great deal of existing theory and original research. It has also benefited from insights and constructive criticisms from the thousands of managers with whom the authors have been privileged to work. Related to this is one drawback to researching in the strategy implementation area: although senior managers are quite willing to state in public how the external environment changed unexpectedly, and how they are now responding to it, very few are prepared to let their names be associated with research outcomes that demonstrate that a major part of the limitations on the success of their organisations comes from an inability to control factors that *could* be under their control. This is understandable. What would be the expected tenure for a CEO who admitted to shareholders that the current lack of success was because of failure in areas under his/her control? For this reason, the identities of many organisations where research or consulting work took place have been disguised.

1.1.2 Organisational Fundamentals

An organisation is fundamentally rather simple. Upon formation, it must usually secure some funding. This funding allows the organisation to purchase assets and resources (including people's skills and time). These are used to undertake activities. These activities create interactions between the organisation and its environment. Over time, these interactions may – or may not – amount to achievement of the organisation's objectives. If they do, the organisation thrives. If they do not, the organisation's reason for existence is threatened. These fundamental observations underpin the distinction between strategic planning and strategy implementation.

Strategic planning deals with conceptual ideas and is fundamentally about deciding how organisations should interact with their environments in order to achieve their goals.

Strategy implementation (or strategy execution), on the other hand, deals with the translation of these conceptual ideas into concrete activities that should be the manifestations of intended environmental interactions. So strategy implementation is fundamentally about *manipulating* the organisation's interactions with its environment in order to achieve its objectives. Strategy implementation is, in short, about making strategies work.

1.2 The Strategy Implementation Age

1.2.1 The Problematic Link with Planning

The casual observer of the field of human endeavour known as 'management' could be forgiven for thinking that the time, money and effort poured into strategic planning are nothing but an indulgence on the part of senior executives – a bit of intellectual stimulus to keep amused those promoted sufficiently high to avoid having actually to *do* things! This observation could be justified to some extent. Even today, it is very rare to be able to see exactly *how* the everyday activities of an organisation are being shaped by earlier 'strategising'.

Indeed, for the majority of managers 'strategy' is synonymous with annual 'awaydays' where the top team goes off to some plush hotel to discuss big ideas and fancy wording for long reports that – after possibly being used (notionally) to justify budget plans – will be stuck in drawers or on shelves, where they will gather dust until the following year when they are rehashed for the same purposes.

Asked to explain their strategies, these executives are likely to describe vague and generic objectives such as to 'grow income', 'improve efficiency' or 'develop a high-performance culture'. Asked how they will implement these strategies, these executives are likely either to mumble about the initiatives of the day or to change the subject.

1.2.2 The Environmental Pressures

However, despite these continuing problems, it seems that strategy implementation is steadily moving up the business agenda. This ascendancy has likely been fuelled by significant pressure in the general business environment.

We have to look back only a few decades to sense how relatively comfortable the environment used to be for organisations. In an economic sense, markets were highly imperfect for numerous reasons, many of which are now disappearing.

1.2.2.1 Regulation

In most countries, many industries were either highly regulated or entirely government controlled, and therefore monopolistic or oligopolistic. Examples include telecommunications, gas supply, banking, broadcasting, water supply, airports, airlines, railways, road building, mail delivery and health care. Whether the organisations in these industries were profit-seeking or not, lack of competition meant that those in charge of them had enormous scope to manage performance as they wished, with limited regard for organisational stakeholders. If these organisations were being run poorly, the market could not be relied upon to weed out the underperformers. Indeed, in many cases there were no other performers with which to compare industry players.

In the UK, for example, it was the poor service that consumers experienced with organisations such as British Rail and the National Health Service that led the Thatcher government to begin radical privatisation of public services in the 1980s. Alongside privatisation came the introduction of Compulsory Competitive Tendering (CCT) in the public sector (forcing government agencies to invite bids for work from the private sector), which caused the transference of much activity from the uncompetitive, monopolistic world of government bodies to the Darwinian arena of private enterprise, where only the fittest survive.

Commercial organisations also saw the removal of many regulations that had long protected their positions. Banking, for example, was deregulated in the 1980s, allowing building societies to offer banking products and many other newcomers to seek banking licences and compete directly with the established players. Financial deregulation was perhaps too comprehensive, being blamed in part for the 2007–8 'credit crunch' and various financial product mis-selling scandals. However, even

with the introduction of new regulation aimed at preventing such problems, governments have generally tried to foster ongoing competition.

In areas where oligopolistic industry structures remain, powerful legislation in the US, European Union and elsewhere is restricting the misuse of dominant market power by established players, and increasing competition. Antitrust actions against technology giants such as Microsoft and Google are perhaps the best-known examples of this in action. In effect, government intervention usually now increases rivalry rather than disallows it.

1.2.2.2 Globalisation and the Era of Management Theory

Over the last few decades, the true impact of the media and of global communications has become apparent. Organisations are able to learn about other countries and markets in more depth than previously, and the emergence of global brands has cemented the notion of 'globalisation'. Names such as Coca-Cola, Nike, Starbucks, McDonald's, Apple, Amazon, Facebook and Twitter have become recognisable to vast proportions of the world's population as the global expansion of these firms and thousands of others has become feasible.

Alongside these market-facing changes, competitive businesses have started to share – often without intention – many more ideas and technologies than previously. The much wider and more frequent movement of employees between companies and concurrent globalisation of suppliers means that washing machine manufacturers headquartered in Finland are likely to use similar business techniques to those of manufacturers in Australia. The explosive growth of management theory and management education has facilitated this sharing of information and has increased firm homogeneity, which now transcends industry boundaries too. The ease with which firms can develop advantages and then keep them from rapid replication is diminishing.

1.2.2.3 New Technologies and New Channels

There is no doubt that both new technologies and new channels (for promotion, enquiry, purchase and delivery) have reduced barriers to entry in many industries and increased the speed of replication in others. Amazon.com leapt to centre stage in global retailing with a speed that would have been unthinkable using traditional distribution channels. The steady decline of video film rental firm Blockbuster's market share was counterbalanced perfectly by that captured by Internet-streaming firms such as Netflix and Amazon's LoveFilm. Equally, the development of technologies such as smartphones has allowed entirely new players to enter previously oligopolistic industries and take leading positions in some cases. Think, for example, of TripAdvisor's impact on hotel and restaurant guides or the threat that smartphones and their navigation applications create for manufacturers of standalone satellite navigation (satnav) devices.

1.2.2.4 The Power of the Consumer

Consumers themselves have begun to exert untold pressure on businesses and public services alike. Customers of firms in established industries are more aware

and more discerning. People are used to sales promotions, alluring retail environments, expert sales pitches, advanced product features, generous credit arrangements, home delivery and so on. Such businesses have to try very hard to keep ahead of customer expectations and know-how. Even in complex or newer industries, consumers are quickly given the upper hand thanks to online reviews of both products and sellers, product ratings in the media, buyer groups, money-back price guarantees, TV programmes that shame organisations delivering a poor service, price comparison websites, consumer associations that advise on how to make purchase decisions and so on. In short, buyer power has gone up, and with it competitive rivalry.

Time Out

Want to make money from nothing?

Some industries are now so competitive that well-informed consumers can make money simply by adapting their purchase methods.

In the UK, various 'cashback' websites, such as TopCashback and Quidco, have firmly established themselves as intermediaries between retailers and consumers. These websites are paid 'click-thru' commission by retailers when consumers make purchases, and pass much of this revenue back to their registered users. Buyers are rewarded, often rather handsomely, for literally a few extra clicks when shopping online.

Many of these consumers will also make use of 'cashback' credit cards when making their purchases. Some card issuers repay cardholders up to 1 per cent of all transaction values.

These, and similar offerings, highlight the sheer intensity of competition in these industries.

1.2.3 The Need for Effective Implementation

1.2.3.1 Investor Pressures

In the 'good old days', when things went wrong, managers in industries protected from competition simply passed on their regrets to consumers and comforted themselves with the knowledge that the competition (if there was any) was no better. In more competitive industries, executives typically pleaded with investors for more time, citing unexpected external pressures as the reason for performance blips. Generally speaking, chief executive officers (CEOs) had to make spectacularly bad decisions (there were quite a few!) before their ability was called into question.

Things are much less forgiving now. With the pressures described above, there are now very few uncontested markets, and supply almost always exceeds demand. Now, when companies make mistakes, the financial implications are much more obvious. It is now unacceptable to hope that a firm will only be 'as incompetent as its competitors'. Investors demand constant and decent returns and, unless they themselves recognise the industry-wide (and often worldwide) pressures that are

depressing returns, are quick to point the finger of blame at those who have been elected to manage firms.

Executives now need much greater confidence that their intentions can be realised. Their organisations must continue to innovate to survive, despite the risks associated with organisational change. It is hard to strike a balance.

1.2.3.2 CEO Tenure and Strategy Implementation

In 1999, the influential magazine *Fortune* carried out a review into why CEOs fail and are replaced. This is an important issue, because there was some evidence that the average duration of CEO tenure, particularly in the US, had reduced significantly during the previous few decades. In 2014, the same magazine reported a Conference Board study finding that CEO tenure fell further, from 10 years in 2000 to 8.1 years in 2012 (though it has since crept up a little) (Adams, 2014). *Fortune*'s researchers concluded that strategy was not the problem:

> It's rarely for lack of smarts or vision. Most unsuccessful CEOs stumble because of one simple, fatal shortcoming (Charan and Colvin, 1999: 69).

Rather, strategy implementation appeared to be the main problem for CEOs:

> In the majority of cases – we estimate 70% – the real problem isn't the high-concept boners the boffins love to talk about. It's bad execution. … It's clear, as well, that getting execution right will only become more crucial (Charan and Colvin, 1999: 70).

Fortune concluded about most CEOs who failed:

> They're smart people who worried deeply about a lot of things. They just weren't worrying enough about the right things: execution, decisiveness, follow-through, delivering on commitments (Charan and Colvin, 1999: 78).

In 2000, *Fortune* identified that 40 CEOs from the Fortune 500 were removed from office (i.e. were fired or asked to resign, rather than resigned voluntarily or retired), and in 2013 this had risen to 53 CEOs from S&P 500 companies, so the implementation challenge is clearly an ongoing one.

This challenge is further reinforced by the limited success of change efforts.[1] As John Kotter (1979: 107), a respected writer on managing change, said:

> Few organizational change efforts tend to be complete failures, but few tend to be entirely successful either. Most efforts encounter problems; they often take longer than expected and desired, they sometimes kill morale, and they often cost a great deal in terms of managerial time or emotional upheaval.

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[1] See, for example, Belmonte and Murray (1993), Dreilinger (1994), Hardy and Redivo (1994) and Kotter (1995).

Another Harvard Professor, Nitin Nohria (1994: 159) observes even greater problems when change efforts are based on the doctrine of one of the many 'management fashions' (an issue to which we return later):

> … in the majority of cases, research shows, the management fads of the last 15 years rarely produced the promised results.

1.2.3.3 Examples of Strategy Implementation Focus

It seems that room for error has reduced, and investors are beginning to look for executives who can execute rather than those who have impressive-sounding strategies. There is some evidence that an effective implementer can win the confidence of city analysts even without changing a firm's strategy. In 2002, Royal & Sun Alliance's CEO Bob Mendelsohn was ousted by institutional investors after several months of trying to turn around the company's ailing fortunes. Describing the proposals of acting CEO Bob Gunn, one newspaper made an interesting observation:

> Bob Mendelsohn outlined a similar recovery programme in 2001 … He was unable to execute it and was ousted … Yet, by and large, the City rallied behind acting CEO Bob Gunn as it sensed he should be able to deliver (Bailhache, 2002).

In 2005, a similar set of events led to then CEO of Hewlett-Packard Carly Fiorina resigning under pressure from the company's board. The company failed to perform adequately following its merger with Compaq. Mark Hurd replaced Fiorina. He did not craft a new strategy for the business but instead focused attention on strategy implementation. Market share, revenue, profit and the company stock price surged during his tenure. The *New York Times* reflected on his performance some years later, saying he had 'pulled off one of the great rescue missions in American corporate history' (Stewart, 2011).

1.2.4 The Continuing Aversion to Implementation

Leading management consulting firm McKinsey, in its quarterly magazine, which is widely read by senior managers, published an article titled *Brilliant strategy, but can you execute?*[2] Helping to push strategy implementation into mainstream business thinking, it noted:

[2] This article is cited to illustrate the increasing interest in strategy implementation in mainstream business publications rather than to reference a useful source of additional reading material. There are a number of potential problems with the study summarised in the article that limit the extent to which its conclusions can be relied upon. Hindsight highlights the need for caution: the article claims that 'The transformational strategy of Enron fits well with its skills in risk management, deal making, and finance' and that 'Enron supports its visionary, first-mover strategies by poaching talent from investment banks, commercial banks, consulting firms, and top-tier business schools. Those managers know how to solve problems in creative ways.' Enron went on to be bankrupted by one of the greatest corporate accounting scandals in history.

> The best strategy for any company is a strategy it can implement. … Often, however, discussions on strategy ignore the execution factor because managers fail to see it as part of the bigger picture (Aspesi and Vardhan, 1999: 89).

All of these observations in the business media reflect the findings of the research we have carried out, and our experiences with all types of organisation. It seems fair to ask why implementation is so often seen as a secondary issue for executives.

The reason, it would seem, is that many leaders still see execution as a tactical issue for middle managers and junior staff to address. Managing execution is often not seen as exciting or as a route to leadership roles. Many CEOs seem to hold the view that implementers make great 'seconds in command'. There continues to be the perception that strategy development needs real brains, whereas implementation requires brute force, hard work and determination. In one of the aforementioned *Fortune* articles, it was noted that:

> The problem is that our age's fascination with strategy and vision feeds the mistaken belief that developing exactly the right strategy will enable a company to rocket past competitors. In reality, that's less than half the battle (Charan and Colvin, 1999: 78).

Strategy implementation is at least as great an intellectual challenge as strategic planning. It requires linking ideas with actions and necessitates ironing out the inevitable gaps between expectations and reality. There can be few things more frustrating than seeing ideas fail because they have not been executed with sufficient skill. Equally, there can be few things as exciting and satisfying as seeing good ideas work in practice.

We have seen many executives make their lives – and those of their staff – much harder than they need to be, by:

- overcomplicating strategic decision making and other organisational activities that affect implementation of strategy;
- failing to make strategy and the way in which it is to be implemented clear to their staff; and
- separating planning and execution, and not involving the right people in each.

Finally, it is worth noting that effective strategy implementation does not just improve organisational performance; it also safeguards employees' livelihoods by ensuring that organisations survive and prosper. Executives who work with their teams to implement properly have reason to be proud of their accomplishments.

1.3 The Nature and History of Strategy Implementation

1.3.1 The Origins of Strategic Management

The concept of corporate strategy was first developed in the 1960s,[3] since which time the field of strategic management has continued to develop at a rapid pace. The early prescriptions detailing methods of strategy formulation have been supplemented by the notions of emergent strategy (Mintzberg, 1978) and 'logical incrementalism' (Quinn, 1980). Michael Porter's (1980) work turned attention to competitive advantage, and the resource-based view of the firm has resurfaced (Prahalad and Hamel, 1990). The growth of academic interest in strategy has been complemented by interest and activity from practitioners. Many large organisations attempt some form of strategic planning. In Bain & Company's *Management Tools 2003 & Trends 2013* survey, strategic planning was (jointly) the most widely used management tool globally. Executives also reported fairly high levels of satisfaction with it (Rigby and Bilodeau, 2013).

1.3.2 Defining Strategy

Time Out

Think about it

Before reading on, try to write down a definition of 'strategy'. Consider what you mean by the word when you use it, and what others mean when they use it. How clear is the concept to the employees in organisations in which you have worked?

The exact nature of the strategy concept is a matter of some debate in itself, but at a generic-enough level there is relatively little room for disagreement about definition. Strategy is often distinguished from missions thus: the mission is what we are trying to achieve; strategy is how we achieve it. However, definitions of strategy that relate to specific entities (such as corporations or business units) vary considerably, and this has clouded the meaning of the term. A selection of definitions from leading authors demonstrates this confusion but also helps to convey the meaning of strategy:

> … the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals (Chandler, 1962: 15–16).

> … the pattern of objectives, purposes or goals and major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be (Andrews, 1971: 15).

[3] For example, see Chandler (1962), Learned *et al.* (1965) and Ansoff (1965).

> … the fundamental pattern of present and planned resource deployments and environmental interactions that indicates how the organization will achieve its objectives (Hofer and Schendel, 1978: 25).

> … the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole (Quinn, 1980: 7).

> Strategy is the *direction* and *scope* of an organisation over the *long term*, which achieves *advantage* for the organisation through its configuration of *resources* and *competences* with the aim of fulfilling *stakeholder* expectations (Johnson, Whittington and Scholes, 2008: 3).

The commonalities and differences between these definitions are displayed in Table 1.1.

Table 1.1 Analysis of various strategy definitions

	Author					
Element	**Chandler (1962)**	**Andrews (1971)**	**Hofer and Schendel (1978)**	**Quinn (1980)**	**Thompson and Strickland (1980)**	**Johnson, Whittington and Scholes (2008)**
Basic/fundamental framework/pattern of decisions/moves	✓	✓	✓	✓	✓	
Defining the business		✓				
Long-term perspective	✓					✓
Determination of mission/objectives/goals	✓	✓				
Determination of major policies/plans to achieve goals	✓	✓	✓		✓	
Determination of courses of activities	✓					
Determination of direction						✓
Determination of scope						✓
Planned deployment/ allocation of resources/ competences	✓		✓			✓
Planned interactions with environment/market/ stakeholders			✓			✓
Integration of goals, policies and actions				✓		

There are a number of themes that are common to these definitions of strategy:

- determination of long-term objectives/goals/mission/purpose; and
- policies for achieving these objectives, including:
  - allocation of resources,
  - managing the interaction with, and direction within, the environment, and
  - limitation of market/product scope of business activity.

1.3.3 The Distinction with Strategic Planning

Clarifying the definition of strategy is helpful to support a meaningful distinction between its formulation and implementation.

In simple terms, all business organisations operate within complex, changing environments. They rely on these environments for survival and prosperity. The reason for the existence of any organisation is its intent to realise specific goals in relation to its environment (the organisation's mission). All business organisations interact with their environments in a number of ways (i.e. whenever something happens between the organisation or its members and the rest of society that changes either, including for example: a financial transaction, engaging suppliers, recruiting staff, paying taxes or the transfer of information), under the holistic purpose of achieving a mission, which may be explicit or implicit. This underpins the nature of strategy.

For the purposes of this distinction between formulation and implementation, we can define *planned* strategy as **the pattern of interactions that an organisation plans to have with its environment in order to achieve its mission**.

For completeness, we can define *emergent* strategy as **the pattern of interactions that an organisation has been and is having with its environment**.

Time Out

Think about it

You have chosen to study a course on 'strategy implementation'. What do you think the term means?

Before reading on, try writing down a definition of 'strategy implementation'.

What do you think colleagues in organisations in which you have worked would think the term means?

1.3.4 Defining Strategy Implementation

Curiously, it took many years for **strategy implementation** or **strategy execution** to be defined clearly in the management literature, despite there being several books claiming to explore the topic. Tony Eccles (1994: 8–9) makes an insightful observation:

> … [a] striking thing is the large number of texts by reputable authors in which they shy away from all definitions. You can look in vain for a definition of the key words in a book's title.

Paul Stonich makes a useful distinction between strategy formulation and implementation:

> Strategy formulation is deciding *where* your company is today and where your company should be tomorrow (Stonich, 1981: vii).
>
> Implementation is deciding *how* to get your company from where it is today to where it should be tomorrow (Stonich, 1981: xvii).

Tony Eccles suggested that:

> … strategy implementation is the action that moves the organization along its choice of route towards its goal – the fulfilment of its mission, the achievement of its vision (Eccles, 1994: 10).
>
> … strategy implementation is *the realization of intentions* (Eccles, 1994: 14).

For the purposes of this text, and building upon the earlier definition of strategic planning in Section 1.3.3, we can define strategy implementation as **the process of indirectly manipulating the pattern of interactions that an organisation has with its environment, in order to achieve its mission**.

The caveat in this definition that manipulations are indirect is of particular importance. As Porter (1994: 425–6) puts it:

> Strategy, in modern language, is a solution to the agency problem that arises because senior management cannot participate in or monitor all decisions and directly ensure the consistency of the myriad of individual actions and choices that make up a firm's ongoing activities.

1.3.5 Strategy Implementation Theory

In the early literature on strategic management, implementation was established as a part of the challenge facing organisations. However, the discussions of implementation were restricted mainly to choice of organisation structure and the issue of resource allocation. Relatively little attention was paid, for example, to human issues. Over the years, researchers and authors claiming to study strategic management tended to focus more and more on strategic planning, hoping that its all-encompassing perspective would reveal fundamental and comprehensive ways to frame management challenges.

It was only in the late 1970s that a few management thinkers began to make active contributions to the thinking on strategy implementation. However, they remain small in number right up to the present day, and only around 25 books dedicated to the subject have been published. Furthermore, although all the books

make interesting contributions to thinking, only a few are explicitly related to the limited body of theory on the subject, and only small parts of this theoretical base are empirically grounded. As a result, much of the material contained in these texts must be seen as explorative and should be treated with caution.

This does not mean that there is little guidance on how to implement strategy. On the contrary, there is a great deal of advice available. However, it is spread throughout dozens of different disciplines and areas of study. It is possible to draw useful ideas about implementation from fields as diverse as strategic planning, change management, organisation theory, human resources, marketing, organisation behaviour, psychology, industrial economics and systems thinking. Unfortunately, very little of the material that can be useful is neatly labelled as being of value to those seeking to understand strategy implementation, so a significant challenge is presented.

This diverse literature has created a problem for researchers, business school educators and managers alike. The boundaries of the subject are very hard to define and inevitably stray into established topic areas.

Management researchers rarely make their names by integrating lots of diverse streams of thought, but rather tend to mine relatively narrow areas of management thinking to research unaddressed issues, publish original contributions and gain peer recognition for doing so.

Management educators are usually restricted to working within established departments and lecturing in specific subject areas.

Managers themselves often develop technical expertise in one functional area or another, be it marketing, human resources, finance or technology. The quickest route to the top of an organisation is rarely taken by meandering through multiple functions and line roles.

Management consultants might be expected to overcome some of these restrictions and develop useful ideas on strategy implementation, but it appears that, by and large, they have not. Perhaps this is because of similar tendencies towards functional specialisms. More cynically, perhaps it is because strategy implementation is an unattractive alternative to the lucrative – but relatively risk-free and responsibility-free – arena of strategy development.

1.3.6 Problems with Success Attribution

It is important to consider further *why* practitioners seem to have such difficulty with implementation. Its multidisciplinary nature is doubtless a problem, but most organisations contain teams of people with diverse skills and expertise who can nonetheless come together successfully to accomplish tasks. Why is strategy implementation different?

It seems likely that one problem is **success attribution**. This is a fundamental problem in most organisations.

Time Out

All down to me

We recently attended a management seminar delivered by the CEO of a FTSE 100 UK company. During his presentation, he displayed a graph showing the profits of his company and how they had increased since he became CEO. The profit increases were indeed impressive, and the CEO proudly explained how this success was a result of his leadership and approach to strategy.

There can be little doubt that the CEO had contributed positively to the organisation for which he worked. He had demonstrated entrepreneurial flair, with the company launching several new businesses at considerable risk, all of which had flourished. He had taken difficult decisions, which appeared to have paid off. He was widely respected by colleagues, competitors and city analysts.

However, it was also obvious that his contribution was one of *many* things that caused the success. To start with, the organisation was operating in an industry that had generated superior returns for decades. These returns were to an extent protected, because the industry's barriers to entry were very high. The period to which the CEO referred had been one of strong economic growth and favourable market conditions. Almost all competitor organisations had fared as well as the company in question. Internally, the CEO had been supported by a very strong management team (most of whom were appointed before he appeared). Customer sophistication in the sector was typically very limited, as was switching between alternative suppliers. Pricing was stable, and supply-side costs were moving downwards.

In short, it would have taken some skill to fail in this sector, and success was attributable to many factors. The CEO may well have been due significant credit, but, if he was, he failed to explain in satisfactory detail *how* he created the success, thereby specifying his contribution and disentangling it from that of others. It is possible that he was just lucky.

1.3.6.1 The Challenge of Activity

Organisations are highly complex entities and typically undertake so many activities that the impact of any single activity on overall performance appears to be unquantifiable. Almost all these activities have consequences that may or may not affect the achievement of objectives. Most activities that impact on objectives do so indirectly, and there may be quite a long time lag between an activity and its impact on objective achievement.

1.3.6.2 Example: Greeting Card Shop

Imagine that the owner of a small greeting card shop decides to invest in a new brand identity. She asks a graphic designer to create a new logo and promotional materials for her shop. Once they are ready, she has the shop front repainted and the new logo fixed in place. The shop owner is delighted when, over the next few

weeks, trade picks up and she sells 15 per cent more cards than in the previous few weeks. She thanks the graphic designer for the excellent work and pays his bill.

Was the shop owner correct to assume that the redesign work was what attracted more customers into the shop? It is very hard to say without some careful research. Consider some alternative explanations for the sales increase.

- A new range of cards for birthdays was particularly successful because of a new TV art series (which the shop owner did not see), which showed the cards as examples of tasteful design.
- A diversion in a pedestrian area increased the number of people passing the shop ('footfall') by 50 per cent.
- On one day when the owner had a day off, a large coach full of elderly tourists broke down right outside the shop. Many of them came in to shelter from the cold and bought cards.
- An advert for the shop, placed in a large local office building a year ago, was recently uncovered on the notice board when a large poster was removed.

Obviously, attributing success to the design work without doing some rather detailed analysis is unwise. Many different factors could have caused the sales uplift.

1.3.6.3 Example: IT Function

Now imagine a large multinational corporation's IT function. The IT director has asked the operations director to look at a potential reorganisation of the IT support teams, moving them from being organised according to their technical expertise (e.g. Java programmers, web designers, database analysts) into 'consulting' teams, each serving a division of the business. He explains that IT needs to be more customer focused and better aligned with the strategic imperative of the organisation.

The IT director is, presumably, suggesting that reorganising his support teams will increase the company's profits and shareholder returns. Otherwise, there would be no reason to expend time and money on this complex task. The question, of course, is *how* would this change cause that outcome?

If profits were to increase a year after this change was made, would it be reasonable for the IT director to claim that his reorganisation created the increase? It may very well be that it would make some impact, but the challenge to demonstrate this is hugely complicated.

1.3.6.4 Implications for Managers

In summary, whereas managers across organisations may be charged with determining, managing and controlling hundreds or thousands of activities, the process of connecting them with objectives and their achievement is very difficult. We need to be very careful about claims made either before or after the successful achievement of organisational objectives.

These problems with success attribution make strategy implementation very challenging, because of the following issues.

- It is imperative not only that the **desired future state** is clear but also that it can be articulated in such a way as to enable planning of those activities that (as it is intended) should enable their achievement. This is actually very difficult to do. Very few organisations boast clear objectives articulated in such a way that they may be understood by large populations of staff.
- Business **environments change** constantly. This is an obvious point, but its implication is critical. Even where managers have correctly constructed notions about what activities should best be performed to produce desired outcomes, these working assumptions can become invalid. The environment creates barriers to the achievement of objectives, and can make intended plans redundant. (Of course, it is also environmental change that creates opportunities, but exploiting them faster and better than competitors is non-trivial!)
- Organisations are rarely simple in their construction, and as they become larger even simple organisations become difficult to manage. The sheer number of activities required to meet objectives is usually so high that **owners and managers must rely upon others** to undertake activities that they cannot reasonably attend to themselves. This delegation extends to planning, management, measurement, feedback and control tasks. Of course, with greater reliance on 'agents', as they are known, the attribution of success becomes very difficult across multiple activities. The fact that agents may or may not share owner/manager objectives further complicates this issue. This is known as the **principal–agent problem**. Owners/managers are principals who must recruit and motivate agents to undertake activities on their behalf. Getting agents to act as principals wish is a perennial challenge for all organisations. The theory is that the incentives and thereby goals of agents should be aligned with the goals of the organisation.
- Effective success attribution relies upon effective **feedback**. The quality of feedback is contingent upon measuring the right variables, measuring them effectively, good communication of the data collected to the right decision makers and the ability to interpret the data accurately. Most organisations have developed complex measurement, reporting and communications systems. However, most organisations also recognise these tasks as among the most challenging there are. These issues are discussed in more detail in Module 2 and Module 3.
- Assuming that all of the above challenges can be overcome, managers are then faced with the challenge of actually **making decisions**. Most managers find this very difficult. Some find it easy. Even fewer can be confident that they make good decisions. They all face the constraint of **bounded rationality**, which is discussed in Section 4.2.4.

1.3.6.5 Implications for Strategy Implementation Thinking

It will come as no surprise, given the foregoing discussion, that there does not seem to be a 'magic bullet' when it comes to implementing strategy. There are no simple answers or easy recipes upon which managers can rely.

1.4 The Aims of This Course

1.4.1 A Practical Guide

This course is written for an educational programme in an academic setting. However, it forms part of a programme that is specifically intended to be of very high practical value to managers. It is expected that competent students should readily transfer the knowledge and skills gained through this course to the organisational setting.

We have sought to combine academic rigour with practical experience to produce a valuable course that takes practitioners' thinking well beyond where it would be with experience alone, but avoids the pitfall of irrelevance so often encountered in academic works.

1.4.2 A Focus on Thinking, not Fashions

'Management fashions' have an alluring quality that often makes them very popular – for a while. It is perhaps the implication that complex management challenges can be distilled into short, sharp programmes of change delivered according to a simple template that is so attractive to overwhelmed managers. For authors, it is very tempting to stack books full of popular management ideas that keep texts 'up to date'. It could appear negligent of us not to include a large section on the Balanced Scorecard or to explain Six Sigma in great detail.

However, a glance back through management history confirms that most – if not all – management fashions fall out of favour before long, only to be replaced by something new. The speed with which this cycle passes is increasing as publishers, consulting firms and conference organisers squeeze every last drop from each idea as it passes by.

Unfortunately, very few of the popular fashions are new ideas, and even fewer live up to the promises made about them. Many of them suffer from significant problems, and often organisations create more problems than they solve when attempting to implement them. That said, some popular management ideas are of some value and are worthy of consideration. We deal explicitly with these issues in Module 2.

The focus of this course is less on packaged 'solutions' and more on the clear-headed *thinking* that is necessary to tackle management challenges. Our research, consulting and management experience suggests that a clear understanding of key concepts, an appreciation of what theory exists (and its reliability) and some simple (but not simplistic) tools to enable application are what is needed to implement strategy effectively. In our experience, it is important that clarity of thought is not overshadowed by prescriptive templates developed to meet the goals of publishers, consultants and conference organisers.

1.4.3 Links to the Strategic Planning Literature

It is worth noting that this textbook does in part deal with issues that might be considered to fall within the field of strategic planning. This is deliberate. The boundary between planning and implementation is quite artificial: as discussed in the preface, the two should overlap somewhat. It is vital that planners ensure a careful and considered handover to those charged with implementation. Indeed, there is a strong case for implementers being participants in the planning process. Many organisations experience a disconnect between strategy and operations partly because planning is undertaken in isolation of operations, and vice versa.

This is not to say that this text is a replacement for ones centred on strategic planning. Rather, this text should act as a complementary guide, providing a bridge from the conceptual ideas and analytical tools of strategy development to the more concrete world of operations and project management. It should be read in conjunction with the EBS *Strategic Planning* text and within the context of the entire Strategic Focus Wheel™.

In these courses some potentially conflicting ideas are presented. This is intentional and represents a healthy approach to the subject matter. Management is far from being a 'perfect science', and there are few absolute rights and wrongs. Advanced management students will recognise this and be able to develop lines of argument in favour of divergent theories. In practice, this translates itself into balanced and informed decision making.

1.4.4 The Intended Audience

The intended audiences for this text are postgraduate students and attendees of executive education courses. In respect of the contexts in which they will be applying their skills developed through the course, the text is intended for managers and executives in both the private and public sectors. It is also appropriate for large, complex organisations and smaller, simpler ones. In terms of geography, the issues dealt with are pertinent to organisations around the globe.

1.4.5 The Major Theme of the Course: Alignment

If there is one theme running through this text that really draws together all the issues and ideas, it is the challenge of creating organisational **alignment**. This concept will be explained in much more detail, but it is fundamentally about ensuring that the multiple aspects of organisations (e.g. activities, processes, systems, behaviours, goals, measures) are working *together* and towards achieving *consistent* outcomes. Strong alignment in organisations creates a **line of sight** from the top of the organisation (e.g. board members' discussions of high-level corporate objectives) to the bottom (e.g. a salesperson's decisions about how to respond to a customer query). It makes explicit linkages between activities and their ultimate (usually indirect) outcomes. Alignment enables fast identification of performance problems and accurate diagnosis. It is a powerful concept that, handled carefully, can translate into organisational success.

1.5 Research Methodology

1.5.1 Background

1.5.1.1 The Incentive to 'Theorise'

Management is a fascinating topic. Because 'good' management enables organisations to be successful and therefore achieve impressive goals (in the case of businesses, strong profitability and investment returns), there is a great deal of interest in management ideas (and, sometimes, money to be made peddling them!).

Time Out

Think about it

If you have any popular business books or magazines, take a moment to leaf through a few of them. You will doubtless be presented with many ideas and theories. What supporting evidence is provided to validate these theories? What potential problems do you think there might be with each of the ideas presented?

1.5.1.2 The Management 'Thinkers'

This has meant that there has been an explosion of ideas, concepts, theories, tools, techniques, mantras and ideologies, particularly over the last few decades. Various groups have benefited from the industry that has grown up around management thinking.

- **Management consultancy** has grown very rapidly over the past few decades, and now employs many of the brightest graduates around the world. Some of the world's biggest accounting firms have diversified into the sector to exploit the superior returns available. 'Consultancy' has expanded to include virtually every area of business where expertise is scarce and, more recently, has started to include wholesale outsourcing of operational activity.
- **Business conferences** are very popular. Thousands of organisations exist to arrange conferences and target managers and executives with invitations to these events, promising to provide winning ideas to attendees.
- **Management writers** have benefited from huge interest in management books. The 1980s in particular saw a massive surge in the number of books being sold, fuelled by interest in the likes of *In Search of Excellence* by Peters and Waterman.
- **Magazines and journals** have increased in number to complement books as a written method of communicating management ideas. They range from short, glossy, widely targeted magazines published by companies to very academic, esoteric, refereed journals aimed at small communities of scholars with a shared interest in obscure management issues.
- **Business schools** have seen student numbers – at undergraduate and MBA level – increase rapidly as business education has become a necessity for entry into successful careers in many industries. More specialist courses such as MA,

MSc, DBA or PhD are also becoming more popular and the number of business schools is expanding rapidly.

- **Professional bodies** representing qualified people have been hard on the heels of the business schools, expanding their programmes to move beyond 'qualification' to providing 'lifelong learning' for members and various forms of advanced accreditation. Bankers, accountants, HR professionals, auditors, engineers and the like all spend vast sums with their professional bodies to hear about management ideas. Examples of professional bodies include the Chartered Institute of Accountants in Scotland and the Project Management Institute.
- **Not-for-profit organisations** have formed groups to share management ideas on particular topics for individual and organisational members. Examples include the Strategic Management Society, the Society for Human Resource Management, and the International Project Management Association.
- **Industry representative bodies** also have an interest in management thinking. Organisations such as the UK's Confederation of British Industry provide support to members and are heavily involved with advising and lobbying government.
- **Government** itself has a strong interest in 'good management', and through trade, industry and enterprise departments often becomes involved in the development or dissemination of management thinking. For example, the UK government has in the past consulted with Harvard Business School professor and leading strategist Michael Porter to examine UK management and report on its weaknesses.

1.5.1.3 Problems with Management Thinking

It is very difficult to know, when presented with a management idea, how valuable it is. To be really useful, a management idea probably has to be:

- understandable by those to whom it is presented, and therefore explained clearly;
- effective in producing the desired outcome when applied correctly, and therefore technically 'correct' and comprehensive;
- relevant and appropriate to specific situations, which must therefore be identified explicitly; and
- realistically implementable in typical settings, and therefore sufficiently simple and flexible to be applied without scarce expertise or excessive resources.

Because every management idea is different and every organisational setting is unique, it is difficult to generalise about the efficacy of specific management ideas. However, most of them appear to share the following problems.

- They are too esoteric, complex or badly presented to be understood in the detail required for effective use (strategic planning in its original form probably falls into this category).[4]
- They simply do not seem to work very well, raising questions about their basic validity as constructs (even some popular ideas, still commonly taught, have been

[4] See, for example, Ansoff (1965).

demonstrated to be rather shaky concepts in the light of further research/application).

- They have been applied successfully in some settings but not in others.
- They have proved to be very hard to implement without significant external support (it appears that the Balanced Scorecard is often implemented poorly, for example).

It is important to recognise that a very great proportion of management thinking – including some of the most popular ideas disseminated – is not the product of rigorous research. The vast majority of books, articles, conference presentations and industry reports are often based upon little more than the ideas of one person or one team of people. These ideas may be of great value, or they may suffer from some of the problems noted above. Even 'experts' within a very specific sector are prone to falling into classic traps when developing theories.

Equally, it is important to recognise that 'formal research' may or may not be rigorous. There are dozens of pitfalls that even experienced researchers fall into, and often 'rigorously collected data' will support as many conclusions as there are researchers examining it. Additionally, much academic research is interesting but of limited practical use to managers and executives in organisations.

1.5.1.4 Questions to Ask About Management Theories

Whatever the source of a management idea or theory, there are a number of questions worth asking to inform your view of the potential value of the idea. Always bear in mind that each context in which it is being applied is unique.

- **Who developed the theory?** What experience and/or qualifications does the 'thinker' have to explore the topic and develop balanced conclusions?
- **What is the agenda of the 'thinker'?** If the intention is to secure business, sell books or develop a reputation, are these personal objectives likely to influence the ideas espoused?
- **Is the theory based on empirical observation (i.e. real events) or simply some thinking (which may or not be logical)?** Ideas that have not been empirically induced or tested may be of value but should be treated with appropriate caution.
- **If empirical research was conducted, was it systematic?** Any observation of events is empirical. However, only a disciplined approach to data collection and analysis will produce reliable research results.
- **Did the research meet basic quality criteria?** Did it build upon or test existing theory? What kind of sampling was used? Was it representative or theoretically sound? How were the data collected? Was the collection method appropriate to the phenomenon under investigation? What role did the researcher play in collecting the data? What biases might have been introduced? How were the data analysed? Was the analysis appropriate and comprehensive? How were conclusions reached? Was it reasonable to draw the conclusions from the data? What alternative conclusions would also have been reasonable?

- **Is the 'product' of the research reliable?** Sometimes, translating research findings into an approach or technique can require an extension of logic or some important assumptions. Is this extension reasonable and explicit?
- **Is the applicability of the 'product' constrained by context?** Many theories are developed that are appropriate in one or two industries, or particular parts of the world, or in highly specific situations and so on. This does not necessarily mean that they can be applied under different circumstances (at least without careful modification). Theorists rarely provide much guidance about how far an idea can be 'stretched' before it becomes inappropriate. It is worth noting that all of us must be aware of this problem in relation to our own experiences in organisations. What worked in one organisation or job or at one point in time will not necessarily work under different circumstances.
- **Can the idea reasonably be implemented?** Management ideas can often be 'economically correct' but rather useless in practice. If implementation is so difficult, costly or risky as to be impractical, the idea is nothing more than an interesting observation. We are always amazed at how much time and money business people appear to be willing to spend hearing about concepts without learning about *how* to make them reality! This frustration was one of the incentives for working in the area of strategy implementation and for developing this course.

Time Out

The golden rules of business

Occasionally, we run a short exercise with managers or students. We outline a series of rules that apply to any business seeking success. They are very simple.

Part 1

First, find out what people will buy.
Second, find out how much they will pay for it.
Third, find a way of buying or making it cheaper than the price people will pay.
Fourth, make sure it is good enough that they will not want their money back.
Fifth, keep doing this better than other people trying to do the same thing.
Sixth, do not run out of money while you are doing this.

By this point most of the audience are enthusiastically scribbling down these rules. A discussion often ensues about how important these principles are and how overly complicated so many managers make things.

Of course, our doctrine is very simple and essentially true. To our amazement, it even proves to be alluring and convincing. Of course, none of these things make it useful. We usually follow the discussion with a second challenge:

Part 2

Now we have given you the strategy, all you have to do is implement it.

Needless to say, at this point there is a stunned silence, followed by uncomfortable laughter.

1.5.2 The Research Underpinning of the Course

As discussed, strategy implementation is an under-researched area, so this text does not simply restate established ideas presented first elsewhere. We have outlined and commented upon whatever theory and research is useful in addressing the challenge of strategy implementation throughout the text. However, it has been necessary to extend some thinking and develop new ideas to create a useful guide to the implementation of strategy.

Given the cautionary advice in Section 1.5.1.4, it is appropriate to outline the nature of the research and experience underpinning our additions to the body of knowledge in this area.

1.5.2.1 Experience

Over the past few decades, we have worked with dozens of organisations and thousands of managers, focusing specifically on strategy implementation. We have been managers, consultants, facilitators, coaches, mentors, trainers, teachers and researchers. Each role, because it involves developing a slightly different perspective on organisations and managers, adds to the overall value of the experience.

1.5.2.2 Organisations

We have been fortunate enough to gain intimate access to many varied organisations that have allowed us to use our experiences with them for research and to develop educational materials. Table 1.2 categorises some of the key organisations to demonstrate the spread of organisational realities on which our empirical research is based.

Table 1.2 Organisations in which research has been undertaken

Sector	Size: Large	Size: Medium	Size: Small
Private	• International airline • Three global banking groups • Insurance company • A multinational utility company • Retail financial services company • Two large defence companies • Chemicals company	• Private banking group • A regional bank • An offshore bank • A channel-specific bank	• Retail financial services company • A management consultancy • Software company • IT services company
Public/Not-for-profit	• Nationwide government service • National charity	• Local authority • Health authority • University • Police force • An enterprise company	• Business school • Police training institution

1.5.2.3 Research Rigour

In almost all of our work, we have been able to adopt rigorous approaches that meet the requirements of high-quality research activity. We have adopted a range of data collection methods (collecting data from multiple sources increases confidence in their validity where facts can be 'triangulated'),[5] often built around a case study framework,[6] including:

- document and archival analysis;
- observations;
- semi-structured, multi-level interviews;
- facilitated interventions (e.g. using techniques such as repertory grid analysis); and
- participant observation.

Structured interviews enable more effective cross-source comparisons of findings, but excessive structure is not appropriate in phenomenological studies (where

[5] For example, see Yin (1994).

[6] See Eisenhardt (1989).

the nature of the phenomenon under investigation is insufficiently well defined and researched to justify a positivist approach).

Interviewing people in an organisation at a range of different levels prevents 'senior bias', which is a common weakness of research where data are collected only from 'key senior managers'.

Data analysis has been conducted using mainly critical incident technique and pattern-matching techniques. Our research incorporates two doctoral studies, several sponsored academic studies and a number of research exercises that have led to publications.

1.6 Structure of the Course

Given the challenges presented in this introductory module, the rest of the course adopts a practical route forward. Each of the following modules is summarised briefly below.

1.6.1 Module 2: Common Issues in Implementing Strategy

This module explores a host of strategy implementation issues that regularly create challenges for organisations. The module outlines why there is a need for a systematic process to create strategic alignment in organisations, to better implement strategy and overcome the challenges posed.

1.6.2 Module 3: The Making Strategies Work Process

This module builds upon the key concepts that are essential to strategy implementation, outlining how they can be applied to plan *implementable* strategy and move from conceptual objectives to the concrete actions that enable their achievement. The Making Strategies Work (MSW) process is examined in detail, its application explored and an example provided.

1.6.3 Module 4: Causality and Strategy Implementation

This module explores the fundamental concept of causality in detail. This explains some of the core thinking behind the MSW process and enables that thinking to be applied to bottom-up planning as well. The various problems with human thinking that impact on using causality are explored. Various examples of causal chains and cause-and-effect hierarchies are developed and used to show how measurement, cost–benefit analysis and risk analysis can all be conducted using causality as a tool for thinking.

1.6.4 Module 5: Competitive Advantage and Strategy Implementation

The final main module introduces the wider concept of competitive advantage and brings the examination of strategy implementation to an end by showing how effective strategy implementation can be a key source of sustainable competitive advantage for businesses. The various sources of competitive advantage are ex-

plored and, building upon what has been covered in previous modules, the specific role of strategy implementation identified. The implications of strategic choices and business models on strategy implementation are also identified.

1.6.5 Module 6: Case Study: Finance One

This case study (using a fictional organisation but based on experiences in numerous real companies) highlights a number of key issues that are introduced throughout the course. Via a series of assignments (each based on real situations) students are able to apply the thinking that has been developed throughout the course. Detailed guidance notes are included on how each of the assignments is best approached.

1.6.6 Throughout the Main Modules

In addition to the above modules, this course contains true/false questions and multiple-choice questions at the end of each module.

Case studies are used throughout to illustrate key points and provide examples of issues raised. We have also made wide use of examples within the text itself.

We have included various references and full citations at the end of each module.

1.6.7 Appendix 1: Practice Final Examinations

Two practice final examinations with outline answers are provided.

1.6.8 Appendix 2: Answers to Review Questions

Answers to the true/false and multiple-choice questions at the end of each module are provided.

Learning Summary

The key learning points from this module are listed below.

Introduction

- Upon formation, organisations must secure funding. This funding is used to secure resources. These resources are used to undertake activities. These activities create interactions between the organisation and its environment. These interactions may amount to achievement of the organisation's objectives. If they do not, the organisation's reason for existence is threatened.
- Strategic planning deals with conceptual ideas about how organisations should interact with their environments, in order to achieve their goals.
- Strategy implementation deals with the translation of these conceptual ideas into concrete activities.
- It is about indirectly manipulating the organisation's interactions with its environment in order to achieve its objectives.

- If strategic planning is to be of value, it must be converted into actions for this value to be realised.
- Strategy implementation is an area in which practitioners encounter problems.

The Strategy Implementation Age

- A great deal of the money and effort spent on strategic planning is probably wasted. It seems few everyday activities in organisations are shaped by 'strategising'. Strategies are often embodied in long reports and used to justify annual budget plans. Many 'strategies' are actually vague and generic objectives. Often it is unclear how they will be implemented.
- There is now growing interest in strategy implementation because of pressures in the business environment. These pressures include regulation, globalisation, developing management theory, new technologies, new channels and increasing consumer power.
- CEO tenure has shortened in recent decades, and there is evidence that this is not because of problems with strategy. Rather, strategy implementation appears to be the main problem for CEOs. This challenge is further reinforced by the limited success of change efforts.
- It appears that many leaders see execution as a tactical issue for middle managers and junior staff to address. Strategy implementation is as great an intellectual challenge as strategic planning.
- Common problems with strategy implementation include overcomplicating strategic decision making, failing to make strategy and implementation plans clear to staff, separating planning and execution, and not involving the right people in each.

The Nature and History of Strategy Implementation

- The concept of corporate strategy was first introduced in the 1960s and has developed rapidly since. Many large organisations now attempt to engage in some form of strategic planning.
- Strategy is usually meant to include the determination of long-term objectives/goals/mission/purpose and policies for achieving these objectives, including allocation of resources, managing the interaction with and direction within the environment, and limitation of market/product scope of business activity.
- We define *planned* strategy as the pattern of interactions that an organisation plans to have with its environment in order to achieve its mission. We define *emergent* strategy as the pattern of interactions that an organisation has been and is having with its environment, in relation to the achievement of its mission.
- We define strategy implementation as the process of indirectly manipulating the pattern of interactions that an organisation has with its environment in order to achieve its mission.
- There is a great deal of advice available on how to implement strategy. However, it is spread throughout dozens of different disciplines and areas of study.

- A major reason for practitioners' difficulty with implementation is success attribution. Managers must rely upon others to undertake activities that they cannot reasonably attend to themselves, so success attribution is very difficult across multiple activities.

The Aims of This Course

- Very few of the popular 'management fashions' are new ideas, and many of them suffer from significant problems. Often organisations create more problems than they solve when attempting to implement them.
- The focus of this course is clear-headed thinking.
- The boundary between planning and implementation is artificial, and it is very important that the two are interlocked. Many organisations fail to see the link between strategy and operations, partly because planning is undertaken in isolation of operations, and vice versa.
- Management is not a 'perfect science'. Advanced students will develop lines of argument in favour of divergent theories. In practice, this translates itself into balanced and informed decision making.
- Organisational alignment relates to ensuring that the multiple aspects to organisations are working together and towards achieving consistent outcomes. Strong alignment makes explicit linkages between activities and their ultimate (usually indirect) outcomes.

Research Methodology

- There are many management ideas, but it is very difficult to assess the value of each. Many management ideas are not the products of rigorous research. It is important to recognise that 'formal research' may not be rigorous.
- Questions worth asking to inform your view of management ideas include: Who developed the theory? What is the agenda of the 'thinker'? Is the theory based on empirical research? Was any empirical research systematic? Did the research meet basic quality criteria? Is the 'product' of the research reliable? Is the applicability of the 'product' constrained by context? Can the idea reasonably be implemented?

Review Questions

True/False Questions

Introduction

1.1 Organisations do not necessarily need to interact with their environments in order to achieve their objectives. T or F?

1.2 The sum of the interactions an organisation has with its environment determines whether or not the organisation achieves its objectives. T or F?

1.3 Strategic planning deals with the translation of conceptual objectives into the concrete activities that enable their achievement. T or F?

1.4 Strategy implementation is the same as 'bottom-up' or 'incremental' strategy. T or F?

1.5 Strategy implementation appears to be an area with which managers have difficulty. T or F?

The Strategy Implementation Age

1.6 There is wide evidence that undertaking strategic planning usually increases profitability. T or F?

1.7 Strategic planning is often used to justify annual budgets but for little else. T or F?

1.8 Most business organisations operate in generally tougher environments than they did 20 years ago. T or F?

1.9 Deregulation of industries generally decreases competitive rivalry. T or F?

1.10 Globalisation has speeded up the dissemination of management thinking. T or F?

1.11 New technologies can provide opportunities for new entrants to take leading positions in industries very quickly. T or F?

1.12 Consumer awareness has generally increased in recent years. T or F?

1.13 The duration of CEO tenure has generally lengthened in recent decades. T or F?

1.14 A major problem facing CEOs is the inability of organisations to plan strategies. T or F?

1.15 Effective strategic planning requires greater effort, intellect and resources than effective strategy implementation. T or F?

The Nature and History of Strategy Implementation

1.16 Corporate strategy was first developed in the 1980s by Peters and Waterman. T or F?

1.17 There is considerable debate about the exact meaning of the word 'strategy' (when used in management) and no concrete definition of the term. T or F?

1.18 Developing a strategy should involve making decisions about how to allocate resources. T or F?

1.19 Developing a strategy should involve making decisions about how to report on the progress of individual projects. T or F?

1.20 Strategy implementation is mostly about the *indirect* manipulation of organisational interactions with the environment in order to achieve organisational objectives. T or F?

1.21 Very little management theory has been developed to deal specifically with the challenge of strategy implementation. T or F?

1.22 Most managers are keenly aware of why their organisations have been successful. T or F?

1.23 Success attribution is complicated by time lags. T or F?

1.24 Agency theory suggests that success attribution should be simple. T or F?

The Aims of This Course

1.25 Most 'management fashions' introduce new ideas. T or F?

1.26 The boundary between strategic planning and strategy implementation is generally clear. T or F?

1.27 It is important that those who plan strategy should not get bogged down by becoming involved in its implementation. T or F?

1.28 There are conflicting ideas in management theory. T or F?

1.29 Organisational alignment is about ensuring that various organisational components work together and are oriented towards achieving organisational objectives. T or F?

Research Methodology

1.30 Business conferences and management consultants are generally required to ensure that the management ideas they disseminate have been rigorously tested for their effectiveness. T or F?

1.31 Management ideas are usually applicable in multiple settings and under varied circumstances. T or F?

1.32 Poor implementation is a major cause of management ideas failing to produce desired effects in organisations. T or F?

1.33 Empirical research is based upon the pure application of logical thinking by qualified academics. T or F?

1.34 Empirical research is, by definition, systematic and rigorous. T or F?

Multiple-Choice Questions

Introduction

1.35 Which of the following is correct? An organisation can only achieve its objectives through

A. securing scarce resources.
B. undertaking formal strategic planning.
C. activities that cause interactions with its environment.
D. continually developing new markets.

1.36 Which of the following is correct? Strategic planning primarily deals with

A. identifying the correct sequence of dependent activities.
B. the allocation of responsibilities between organisational stakeholders.
C. defining performance measures and feedback systems.
D. concepts relating to how an organisation should interact with its environment to achieve objectives.

The Strategy Implementation Age

1.37 Which of the following is correct? The effectiveness of strategic planning can best be assessed by the extent to which

A. the profitability of a business grows following it.
B. the number of strategic options evaluated by management is increased.
C. the cost base of the organisation is reduced.
D. the nature and coordination of activities are shaped by it.

1.38 Which of the following is correct? Deregulation is increasing competitive pressures upon businesses primarily by

A. increasing price transparency through mandatory publication of charges.
B. improving buyer power downstream in the supply chain.
C. enabling new entrants to enter industries they have previously been unable to access.
D. necessitating greater self-regulation, which is very costly.

1.39 Which of the following is correct? Globalisation increases competitive pressures partly by

A. causing faster, better sharing of management ideas and technical know-how.
B. diluting corporate values.
C. increasing the costs of distribution.
D. preventing illegal patent infringement.

1.40 Which of the following is correct? New technologies generally can affect competitive pressures on businesses most by

A. increasing supply costs.
B. reducing speed to market.
C. creating new channels for customer enquiry, purchase and delivery.
D. increasing insurance premiums.

1.41 Which of the following is correct? Over recent decades the average tenure of CEOs in large companies has generally

A. lengthened.
B. stayed the same.
C. shortened.
D. fluctuated wildly.

The Nature and History of Strategy Implementation

1.42 Which of the following is correct? The development of strategic management theory does not include

A. the idea of 'osmotic strategy'.
B. the idea of 'emergent strategy'.
C. the idea of 'competitive strategy'.
D. the idea of 'resource-based strategy'.

1.43 Which of the following is correct? As it is generally defined, 'strategy' does not include decisions about

A. managing the interaction with and direction within the environment.
B. long-term objectives.
C. recruitment and selection methodologies.
D. allocation of resources.

1.44 Which of the following is correct? Strategy implementation is best defined as

A. 'making it happen'.
B. 'the matching of resources to the competitive pressures present in the organisation's external environment'.
C. 'the process of manipulating the pattern of interactions an organisation has with its environment, in order to achieve its objectives'.
D. 'the direction and scope of a business, over a sustained period, which allocates resources to activities so as to meet the needs of customers and outperform competitors in the same industry'.

1.45 Roughly how many books have been published that address the specific issue of strategy implementation?

A. 25.
B. 250.
C. 2500.
D. 25 000.

1.46 Which of the following is correct? Success attribution is a problem for managers partly because of

A. stock options, corporate greed and investors' short-term horizons.
B. changing environments, reliance upon others to perform activities and time lag.
C. excessive planning, unnecessary documentation and micromanagement.
D. misaligned resource allocation systems, annual budget cycles and organisational politics.

The Aims of this Course

1.47 Which of the following is correct? It appears that 'management fashions' become popular because

A. they generally work.
B. they are usually based upon sound research.
C. managers tend to find neatly packaged, simple ideas alluring.
D. they always include novel ideas.

1.48 Which of the following is correct? The main distinction between strategic planning and strategy implementation is that

A. planning must be completed before implementation starts.
B. different teams should be responsible for each.
C. planning should not be bounded by the challenges of implementation, whereas implementation must closely adhere to the planning framework.
D. planning deals with conceptual objectives and choices, whereas implementation deals with translating these concepts into concrete activities.

1.49 Which of the following is correct? Organisational alignment is highest when

A. an organisation's activities are oriented towards achieving the same outcomes.
B. an organisation's activities are highly efficient.
C. an organisation's activities are undertaken with the minimum of resources.
D. an organisation's activities comply with international best practice standards.

1.50 Which of the following is correct? Strong organisational alignment improves

A. the organisation's fit with its environment.
B. the appropriateness of strategic objectives.
C. the line of sight between those planning and executing strategy.
D. the efficiency of everyday activities.

1.51 Which of the following is correct? The relationship between organisational activities and objectives is usually

A. converse.
B. indirect.
C. linear.
D. direct.

Research Methodology

1.52 Which of the following is correct? The group least likely to benefit from 'management fashions' is

A. management consultants.
B. managers.
C. business magazine publishers.
D. business conference organisers.

1.53 Which of the following is correct? To be effective, management ideas do not necessarily have to be

A. understandable.
B. relevant and appropriate to specific situations.
C. realistically implementable.
D. new.

1.54 Which of the following is correct? To be useful, management research does not necessarily have to be

A. empirical.
B. representative of all types of organisations.
C. implementable by those applying the products of the research.
D. systematic and rigorous.

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