

IMPLEMENTATION OF STRATEGY

Strategy implementation is a key part of strategic management. It is the process by which strategies and policies are put into action through the development of programs, budgets and procedures. Most of the strategic failures occur because of poor implementations as shown by various research studies around the world. Poor implementation also results in the failure of the international ventures.

The process of strategy implementation requires a shift in responsibility from the strategy formulators to that of the strategy implementors like managers of various divisions and functional managers. Because of this shift in responsibility the implementation problems arise and more so if the decisions relating to strategy formulation come as a surprise to middle and lower-level managers. Thus, in order to avoid these implementation problems the top management should ensure that these divisional and functional managers be involved the strategy formulation activities, this process of involvement makes these functional level managers motivated. Additionally, the strategists should also be involved in strategy implementation activities.

In order to make the process of strategy implementation well adapted and understood by all and to make the process of implementation easier a proper establishment of annual objectives is needed for which resources should be allocated. There may be an alteration of an organization structure that involves restructuring and reengineering and if needed downsizing. Some other measures needed in strategy implementation include developing a strategy-supportive culture, revising reward and incentive plans, developing an effective human resource function.

Designing the Process

As a first step towards developing a Process for the implementation of Strategy, the divisional and functional managers must work together with their fellow and subordinate managers to develop programs, budgets, and procedures for the implementation of strategy. This process of joint implementation helps to attain synergy in various departmental and functional areas and further it helps to establish and maintain a Company's distinctive competency.

I. Programs

Programs are specific action-oriented projects which helps in the attainment of the objectives. For example, PepsiCo made a strategic decision to grow in those areas where it can dominate the market. It found that it is the Supermarkets where it has greater presence as compared to other areas. To implement this strategy the Company developed a program called the “Power of One.” The purpose of this strategy was to have Pepsi soft drinks bottles next to Frito-Lay chips so that the buyers would be tempted to pick up both the products when they choose one. Since PepsiCo products were providing more profits as compared to other products in the super market hence the Managers of the Supermarket had no objections to this program. Through this program both the Frito-Lay and Pepsi’s market share increased. The Company was motivated to expand this program into Mexico, India, and China.

In order to understand the likely impact the new program will have on an existing organization one has to compare the proposed programs and activities with that of the current programs and activities.

Budgets

Once a program is finalized, the budget process begins. A Budget is prepared to find out the feasibility of the of the selected programs.

Procedures

Once the Programs and Budgets are prepared and approved detailed procedures known as standard operating procedures (SOP) must be developed. SOPs provide the details regarding the various activities that must be carried out to reach at the goal and to complete the program. From time to time the SOPs must be updated in order to reflect the changes either in technology or in strategy as and when it is made.

In the case of PepsiCo’s “Power of One” program the Company’s sales people wrote a series of procedures to ensure the ideal display of snack foods and soft drinks and soft drinks in the super market among the various types of store layouts. Logistics people designed procedures for the people carrying the products to the super markets to

ensure that the products are not just dropped at the store of the Supermarket, rather they were placed on the shelves as per the program.

Matching Organizational Structure with Strategy

Changes in strategy often lead to changes in the Organizational Structure. It is often difficult to design an optimal organizational structure that will match to any strategy or any organization. Because any design which may seem to be appropriate for one organization may not be appropriate for another organization. There are several external and internal forces that affect an organization and, no firm could change its structure in response to every one of these forces. However, when a firm change its strategy at times the existing organization structure may become ineffective. Although changes in structure can facilitate strategy implementation efforts, but changes in structure should not be expected to make a bad strategy good.

An organization structure can shape the choice of strategies. Thus, the understanding of the seven basic types of organization structure is essential to shape or change the organizational structure. These seven basic types of organization structure are: Functional Structure, Divisional structure by Geographic area, Divisional Structure by Product, Divisional Structure by Customer, Divisional Structure by Process, Strategic Business Units, and the Matrix Structure.

Functional Structure

Functional Structure is the simplest and the least expensive of all the structures. This is also the most widely used structure. Functional structure groups tasks and activities by business function such as production, marketing, finance etc. A Functional structure encourages efficiency and allows quick decision making. Disadvantages of this structure is that it forces accountability to the top, lack of delegation of authority and inadequate planning for products and markets.