

## **Interrelation between formulation and implementation of strategy**

- The relationship can be best understood by knowing their interdependence. Even though one requires analytical skill and the other requires administrative skill. But in practice they are intertwined, so both are affected by each other.
- There are two types of linkages between strategy formulation and strategy implementation.
- They are forward linkage and backward linkages. Forward linkage deals with the impact of strategy formulation on implementation while backward linkage deals with impact in the opposite direction.

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Forward Linkages: Forward linkage refers to as total implementation activities are geared according to strategy chosen for implementation.

So the organisational process and systems will be determined by strategy fir its successful implementation. Thus implementation is dependent upon formulation.

Backward linkages: Strategy formulation has backward linkage with implementation as organisation tends to adopt those strategies which can be implemented with the present structure of resources combined with some additional efforts.

## Issues in strategy implementation

The different issues involved in strategy implementation covers everything that is included in management studies. So the strategist has to bring to his task a wide range of knowledge, skills, attitudes and abilities.

The implementation tasks puts to test the strategists abilities to allocate resources , design structures, formulate functional policies and also leadership style required.

Strategies should lead to plans. For example: if stability strategy has been formulated ,it may lead to formulation of various plans.one such plan will be modernization plan.

For example: If expansion strategies has been adopted, various types of expansion plans will have to be formulated. The expansion plan could be to set up additional plant to manufacture the same products. The diversification strategies could lead to new product development plans.

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Plans lead to different kinds of programmes. A programme is a broad term which includes goals, policies , procedures, rules and steps to be taken in putting a plans into action.

Programmmes are usually supported by funds allocated for plan implementation. Example: A programme of R & D is for development of a new product.

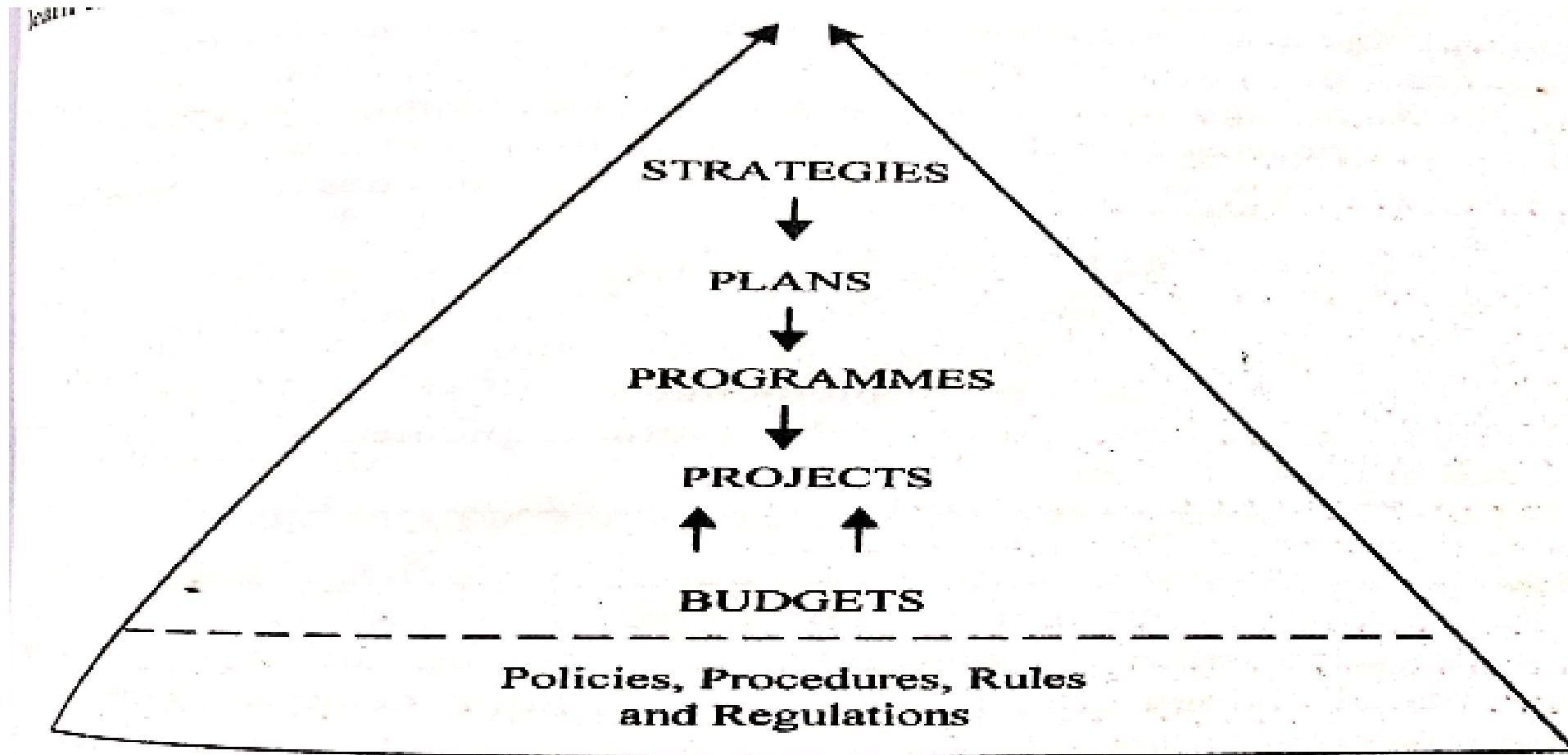
Programmes lead to formulation of projects. A project is highly specific one for which the time schedule and costs are predetermined. Thus the R & D Programme may consists of several projects each of which is intended to achieve a specific objective within a limited time frame.

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Projects create the needed infrastructure for day to day operations in an organisation. They may be used for setting up new or additional plants, modernization existing facilities , installing new system which are needed for the implementation of strategies.

The administrative mechanism of policies ,procedures ,rules and regulations support the working of the organisation

In this manner strategy implementation is shown as a diagram



***Figure 9.2 - The Pyramid of Strategy Implementation***

As like in the above diagram, companies do not practice ,they do not make any such distinction among plans, programmes and projects .

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## Institutionalisation of strategies:

There are several activities involved in activating of strategy of these some activities should precede the process of activation of strategy. Of these Institutionalisation of strategies is important.

Institutionalisation refers to having a promoter and defender who is probably the chief of the organisation. He may act as a leader .The leader's role is very prominent in strategy formulation and his personality variables become influential factors in strategy formulation.

Thus in practice, it becomes a personal strategy of the top man of the organisation. So there is a need for Institutionalisation of strategy because without it the strategy is undermined.

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So it is the role of general managers to present the strategy to the members of the organisation in a way it is appealing and thereby bring support from them.

This will put the people to feel that it is their own strategy so a sense of commitment is created for making strategy effective.

- The form of communication may be oral and personal or it may be well documented which may contain all details particularly about the context in which a particular strategy has been formulated.
- Project and procedural implementation are integral part of strategy implementation.



# Structural Implementation

Organisation structure says about the pattern in which various parts of the organisation are interrelated or interconnected. It also further denotes about how the work of the organisation will be divided and assigned among various positions , groups ,departments and divisions.

# Relationship between structure and strategy

There is a close relationship between organisation's structure and strategy.

This relationship is in terms of utilizing structure for strategy implementation.

When a strategy is to be implemented , organisation's strategy brings about new administrative problems which in turns require a new refashioned structure.

So strategy when implemented there is a emergence of new administrative problems which leads to decline in profitability and performance so the organisation shifts to appropriate organisation structure and which leads to better performance and more profit .so a good structure is inseparably linked to strategy.

# Various organisational structures

- Entrepreneurial structure:

It is most elementary form of organisational structure. The organisation is owned and managed by one person who is mostly a proprietor , manager , decision maker etc.

In this type decision making is quick and timely response to changes in the environment, one man business and have informal relationship with employees.

OWNER



EMPLOYEES

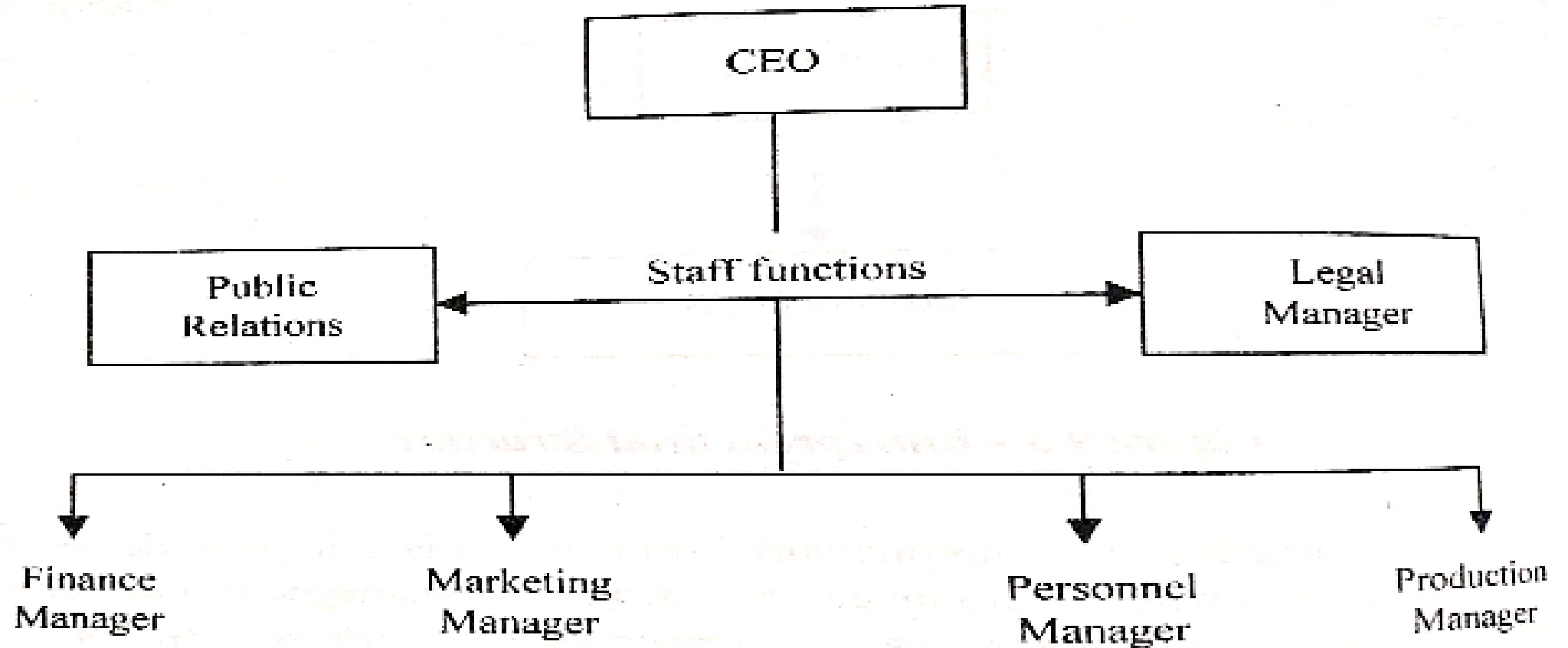
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Functional structure:

when there is expansion of business there is need for specialized skills and delegation of authority to managers who looks after different functional areas.

The specialisation of skills is both according to line and staff functions. The functional structure distributes decision making and operational along functional lines.

Through this structure there is efficient distribution of work through specialisation, delegation of day to day operational functions can be done . This structure gives enough tome for top management to concentrate on strategic decisions.



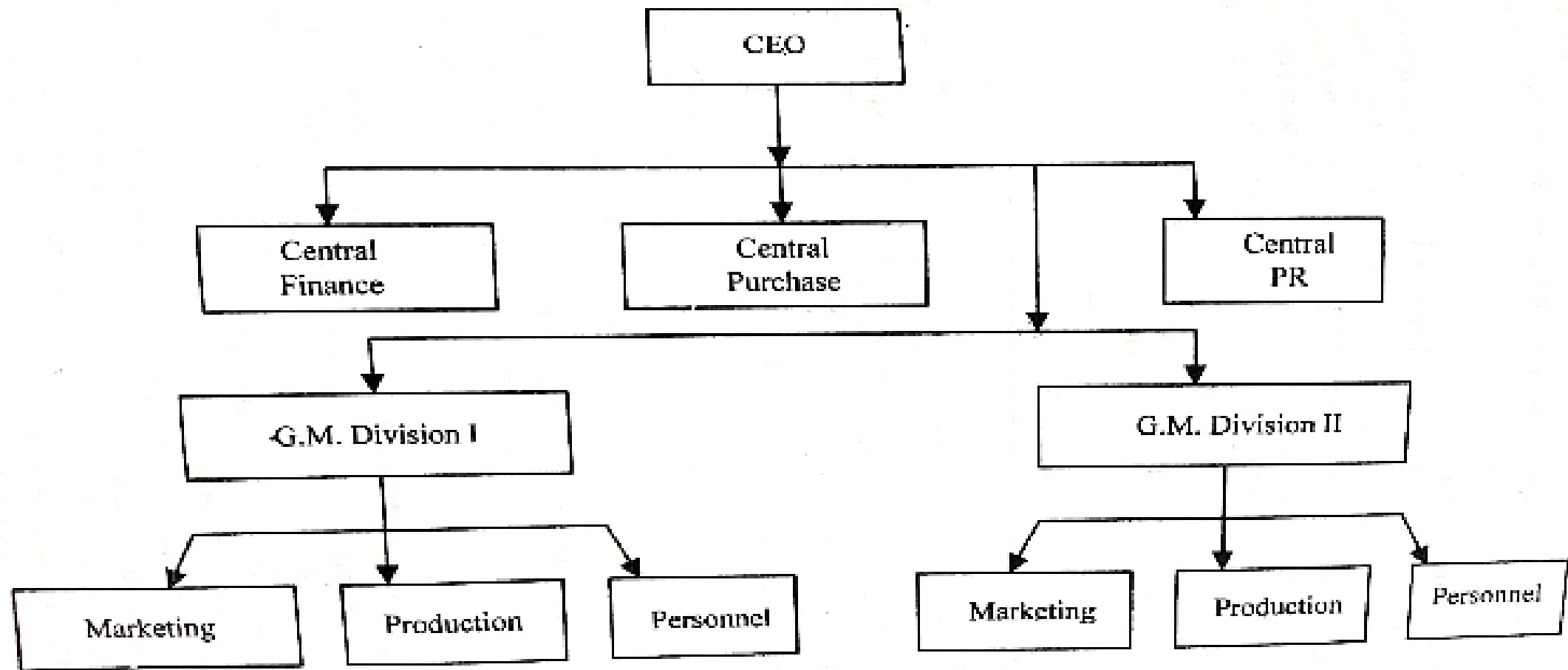
*Figure 9.4 - Functional Structure*

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## Divisional structure

When organisation grows beyond some limits there is complexity of geographical expansion, market segmentation and diversification and forming of divisions to deal with such complex situations. Within divisions the functional structure may still operate.

Through this form of structure organisation can group functions related to a division.



*Figure 9.5 - Divisional Structure*

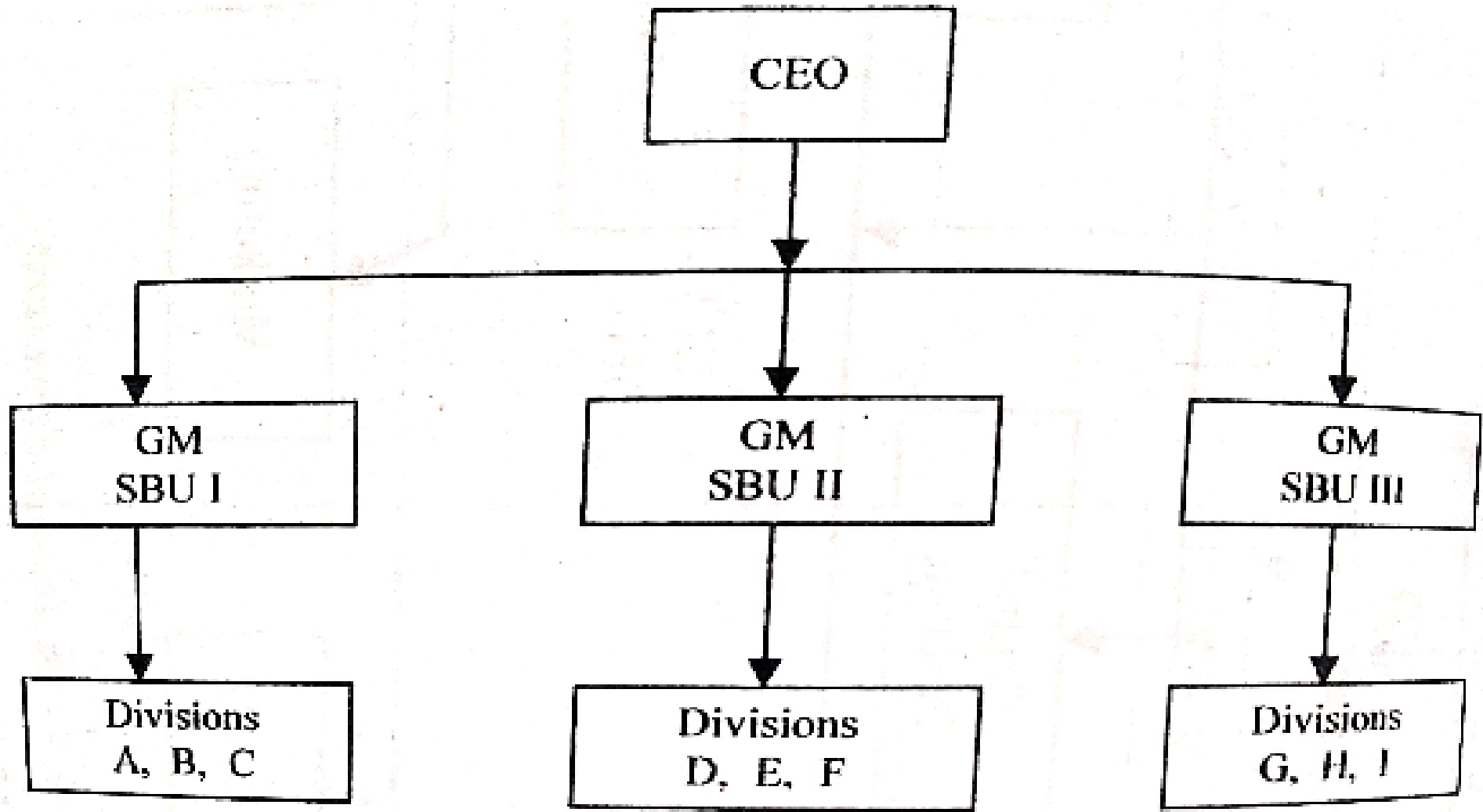


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SBU organisational Structure:

SBUs can be created by adding another level of management in divisional structure after divisions have been grouped on the basis of common strategic interests.

This type of structure facilitates control of large and diverse organisations. This helps in coordinating between divisions having common interest. This enables fixing accountability at the SBU levels.



**Figure 9.6 - SBU Organisational Structure**

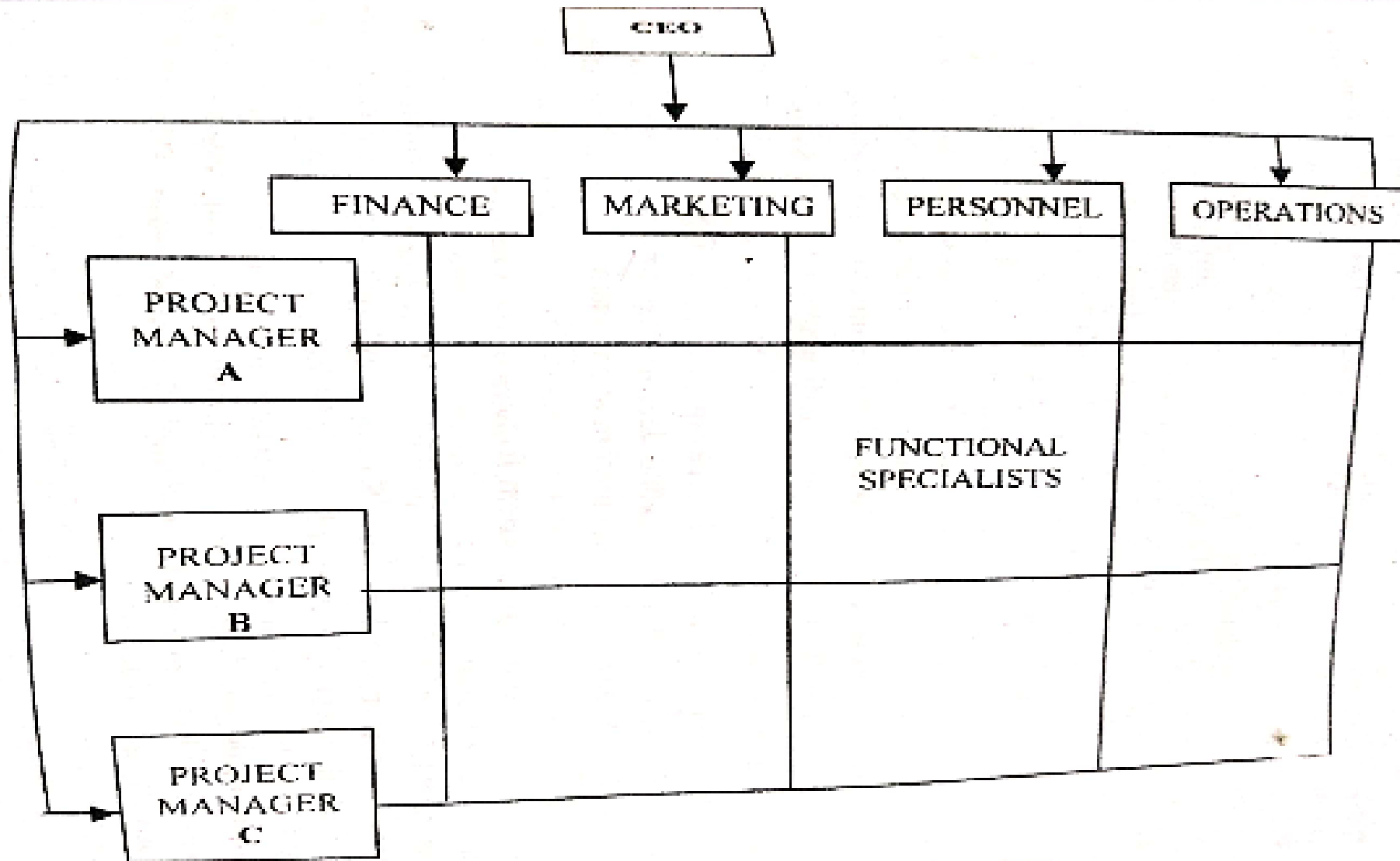
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## Matrix organisational structure:

In large organisations there is a need to work on specific products /projects which are considered strategically significant. So we need a matrix type of organisation is required.

This type of structure is created by assigning functional specialists to work on a specific project/project /new product or service.

For duration of a project, the specialists from different areas form a group / team and report to a team leader. simultaneously they may work in their respective parent departments and once the project is completed the team member revert to their parent departments.



*Figure 9.7 - Matrix Organisational Structure*

# Organisational systems

The structure of organisation provides the necessary mechanism for distribution of authority and responsibility within the organisation.

To function the organisation through the structure smoothly, it requires various systems like:

- **Information systems** to coordinate the divided responsibility,
- **Control system** to measure and correct the performance of activities of employees, appraisal system to evaluate managerial performance ,
- **Motivational system** to induce the desired behaviour through encouragement in activities,
- **Development system** to provide gradual improvement in knowledge, skills, attitudes, performance of individuals of the organisation,
- **Planning system** to establish the forward linkages between the formulation of srtaeegy and implementation of strategy.

# Information systems

Information systems: The organisation requires some sort of information systems for collecting, screening, collating, rearranging, storing and properly disseminating data required by management.

Information systems focusses on two aspects of organisational operations.

It analyses how the internal functions are performed for the management so that effective corrective measures can be done if needed.

- The information system monitors information so that managers is able to know how the relevant environment is behaving so that appropriate action can be taken.

# Control system

- Control system: the control system ensures that the implementation of strategy takes place according to the predetermined plans.
- The control systems consists of establishing standards, measuring actual performance, evaluating actual performance against standards and determining corrective actions to bring performance in line with predetermined plan.

# Appraisal system

- Appraisal system: There are several appraisal methods like rating methods, raking methods and behavioural methods etc. Based on the strategy that you have developed the type of appraisal changes.
- Eg: Stability strategy focusses on improving efficiency in current operations so the appraisal system should be objective criteria.
- Expansion strategy aims at performance improvement in long run so the appraisal system have to take in consideration about long range performance.



# Motivation system

- Motivation system: organisation is a place where conglomeration of human being have different individual objectives. These individual objectives may not be consistent with organisational objectives . So a system of motivation is essential to make people align the mind set of the work force towards the objectives of the organisation.
- So an important system known of motivation is essential. We know that incentives(Monetary) play a major role in motivation which encourage better performance .
- Another incentive (Non Monetary) includes recognition, Designation ,ESOP Etc.
- The former have limitation while the later has no such one.

# Development System

Development system: Management development is the outcome of experiences and learning that takes place due to performance of managerial function. So it is essential that managers should be provided with opportunities for gaining better experience by means of training .

So the various development system may consist of the following

- Recruitment of personnel to handle emerging strategic tasks
- Education and training Programme to managers
- Career planning and development of managers
- Organisational development by planned intervention for smooth transition from one strategic phase to another

# Planning system

Planning system: The planning system is essential as it is the forward linkages between formulation and implementation of strategies.

The planning system varies from organisation to organisation. Some organisations have formulation of strategy as its centralized activity and plans are provided in packed form for implementation.

There are organisations where formulation and implementation are decentralized to SBU level and overall corporate strategy performs a directive role.

So the planning system according to the requirements of strategy can be centralized or decentralized one.

# Behavioural Implementation

The Behavioural implementation involves the study of that aspects which have impact on the behaviour of people in the organisation.

There are four important issues connected with the behaviour of decision maker and it will have an impact in the strategy implementation.

The four issues are ;

- Leadership
- Corporate culture
- Corporate politics and Use of power
- Social responsiveness

## Leadership:

Strategic leadership is the most essential one in strategic management. It involves the following themes in leadership.

Elements	Focus on:
1. Personality	Traits, qualities and good personality.
2. Influence	Relationship with various levels of the organisation.
3. Behaviour	Actions of leader.
4. Situation	Operating conditions under which leader has to perform.
5. Contingency	Dependence on behaviour, personality, influence enforced by leader on subordinates.
6. Transactional	Role differentiation and social interaction between the leader and the subordinates.
7. Anti-leadership	Absence of real concepts of leadership.
8. Culture	Culture of the entire organisation.
9. Transformational	Use of influence to create intrinsic motivation.

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From the above, a leader must do the following:

- Develop qualities to perform effectively
- Be visionary, willing to take responsibility and risks
- Understand the important of goals, objectives values of the organisation and environmental factors affecting business.
- Pay attention to strategic thinking and intellectual activities
- Lead by empowering others

Leadership styles could be described in five dimensions:

Risk taking: willing to take risks

Technocracy: use of planning , qualified personnel and techniques

Organicity: extend of organisational structural flexibility

Participation: Involvement of managers

Coercion: Domination of top management

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Corporate culture: It is set of assumptions that members of an organisation share in common.

These may be in the form of internally-oriented characteristics like beliefs, values, attitudes ,feelings ,personality types which is abstract element of culture.

or external oriented characteristics like product , buildings dresses etc., which is known as material element of culture

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The manifestations of corporate culture is evident in

Shared things(the way people dress)

Shared sayings( the way people work)

Shared actions( the way people approach )

Shared feelings(eg: smart worker )

The shared assumptions can help to understand the corporate culture of any organisation.

Corporate culture has a impact in objective setting, work ethics, motivational patterns , organisational processes, planning decision making controlling etc.



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Source:-

**Impact of Cultures on two different  
Groups of Organisation <sup>4</sup>**

<i>Dimensions of Corporate culture</i>	<i>MNCs and Professionally managed companies</i>	<i>Family-owned business and NRI's companies</i>
1. Nature of desired Managerial skills and capabilities.	Emphasis on professional qualifications and rank.	Emphasis on demonstrated skills, depth and quality of knowledge.
2. Actual performance or results achieved.	Emphasis on seniority, conformity to organisational values.	Emphasis on originality of action and thinking.
3. Managerial style of planning and Decision-making.	Emphasis on information gathering, bureaucratic mode of functioning, risk aversion and non-entrepreneurial decision-making.	Emphasis on selective, information usage, intuitive and qualitative decision-making of entrepreneurial nature.
4. Management Systems adopted	Emphasis on use of elegant scientific, sophisticated and rational systems.	Emphasis on reliance on business sense and 'no-frills' systems geared to quick action.
5. Nature of Management Control.	Emphasis on comprehensive, formal and written reporting and rationalisation of failures, rather than resolution of problems.	Emphasis on primary use of verbal reporting and remedial action.

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- As the strategist he has four options to create a strategy-supportive culture.
- To ignore corporate culture
- To adopt strategy implementation to suit corporate culture
- To change corporate culture to suit strategic requirements
- To change the strategy to fit the corporate culture.

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Corporate politics and use of power:

In our country all business houses are connected with politics and corporate culture includes a political component. so all organisations are political in nature. Managers should have an understanding on how politics works and the use of power is to be made.

Power within an organisation can be derived from several sources. They are **Reward power** ( ability of managers to reward positive outcomes), **coercive power** ( power that arises from ability of managers to penalize negative outcome), **Legitimate power** ( ability of managers to use positions to influence behaviour) , **Referent power** ( ability of managers to create a liking among subordinates due to charisma or personality), **Expert Power**(Arising due to manager's competence).

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## ***Social responsiveness:***

Social responsibility is a commitment by accepting/ persuading the people of organisation.

A committee of managers can be constituted to look after SR programmes. Formulation of policies can be in general as well as on functional areas.

Institutionalisation of SR in decision making process is another important measure to make SR operation in every business. Once a SR policy is developed, its implementation becomes a part of day to day decision making process throughout the organisation.