Chapter 7
Implementing Strategies: Management & Operations Issues

Chapter Outline

- The Nature of Strategy Implementation
- Annual Objectives
- Policies

Chapter Outline (cont'd)

- Resource Allocation
- Restructuring, Reengineering & E-Engineering
- Linking Performance & Pay to Strategies
- Managing Resistance to Change

Chapter Outline (cont'd)

- Managing Conflict
- Matching Structure with Strategy
- Managing the Natural Environment
- Creating a Strategy-Supportive Culture

Chapter Outline (cont'd)

- Production/Operations Concerns When Implementing Strategies
- Human Resource Concerns When Implementing Strategies
Implementing Strategies

Pretend that every single person you meet has a sign around his or her neck that says, “Make me feel important” – Mary Kay Ash, CEO of Mary Kay, Inc.

The Nature of Strategy Implementation

-- Successful strategy formulation does not guarantee successful strategy implementation

Nature of Strategy Implementation

Formulation vs. Implementation

- Formulation positions forces before the action
- Implementation manages forces during the action

Nature of Strategy Implementation

Formulation vs. Implementation

- Formulation focuses on effectiveness
- Implementation focuses on efficiency

Nature of Strategy Implementation

Formulation vs. Implementation

- Formulation primarily an intellectual process
- Implementation primarily an operational process

Nature of Strategy Implementation

Formulation vs. Implementation

- Formulation requires good intuitive & analytical skills
- Implementation requires special motivational & leadership skills
Nature of Strategy Implementation

Formulation vs. Implementation

- Formulation requires coordination among a few individuals
- Implementation requires coordination among many individuals

Nature of Strategy Implementation

Strategy Implementation

- Varies among different types & sizes of organizations

Nature of Strategy Implementation

Implementation Activities

- Altering sales territories
- Adding new departments
- Closing facilities
- Hiring new employees
- Cost-control procedures
- Modifying advertising strategies
- Building new facilities

Nature of Strategy Implementation

Management Perspectives

- Shift in responsibility
  - Strategists
  - Division or Functional Managers

Management Issues

- Annual Objectives
- Policies
- Resources
- Organizational structure
- Restructuring
- Rewards/Incentives

Management Issues (cont'd)

- Resistance to Change
- Natural Environment
- Supportive Culture
- Production/Operations
- Human Resources
Management Issues

Annual Objectives --

- Decentralized activity
- Directly involve all managers in the organization

Purpose of Annual Objectives --

- Basis for resource allocation
- Mechanism for management evaluation
- Metric for gauging progress on long-term objectives
- Establish priorities (organizational, division, & departmental)

Consistency of Annual Objectives --

- Across hierarchical levels
- Horizontally consistent
- Vertically consistent

Requirements of Annual Objectives

- Measurable
- Consistent
- Reasonable
- Challenging
- Clear
- Understood
- Timely

Annual Objectives Should State

- Quantity
- Quality
- Cost
- Time
- Be Verifiable
Management Issues

Policies --

-- Facilitate the solving or recurring problems & guide implementation of strategy

Management Issues

Policies Establish --

• Boundaries
• Constraints
• Limits

Management Issues

Resource Allocation

-- Central management activity that allows for the execution of strategy

Management Issues

4 Types of Resources

1. Financial resources
2. Physical resources
3. Human resources
4. Technological resources

Management Issues

Managing Conflict

-- Disagreement between two more parties on one or more issues
Management Issues

Managing Conflict

- Conflict not always “bad”
- No conflict may signal apathy
- Can energize opposing groups to action
- May help managers identify problems

Conflict Management & Resolution

- Avoidance
- Diffusion
- Confrontation

Management Issues

Matching Structure w/ Strategy

-- Changes in strategy = Changes in structure

Management Issues

Structure & Strategy

- Structure dictates how objectives & policies will be established
- Structure dictates how resources will be allocated

Chandler’s Strategy-Structure Relationship
Management Issues

Basic Forms of Structure

- Functional Structure
- Divisional Structure
- Strategic Business Unit Structure (SBU)
- Matrix Structure

Management Issues

Restructuring

-- Reducing the size of the firm – # of employees, divisions, and/or units, # of hierarchical levels

Management Issues

Restructuring

- Downsizing
- Rightsizing
- Delayering

Management Issues

Reengineering

-- Reconfiguring or redesigning work, jobs, & processes to improve cost, quality, service, & speed.
Management Issues

Linking Pay/Performance to Strategies

-- Pay for performance systems

- Dual bonus systems
- Profit sharing systems
- Gain Sharing systems

Tests for Performance-Pay Plans

- Does the plan capture attention?
- Do employees understand the plan?
- Is the plan improving communication?
- Does the plan pay out when it should?
- Is the company or unit performing better?

Management Issues (cont’d)

Resistance to Change

-- Single greatest threat to successful strategy implementation
Management Issues

Resistance to Change

-- Raises anxiety; fear concerning
  • Economic loss
  • Inconvenience
  • Uncertainty
  • Break in status-quo

Change Strategies

• Force Change Strategy
• Educative Change Strategy
• Rational or Self-Interest Change Strategy

Management Issues (cont’d)

Natural Environment

-- Wide appreciation for firms that “mend” rather than “harm” the environment

Management Issues

Natural Environment – Environmental Strategies

• Develop/acquire “green” businesses
• Divesting environmental-damaging business
• Low-cost producer through waste minimization & energy conservation

Management Issues (cont’d)
Management Issues

Strategy-Supportive Culture

-- Preserve, emphasize, & build upon aspects of existing culture that support new strategies

Management Issues

Elements linking culture to strategy:

- Formal statements of philosophy, charters, etc. used for recruitment and selection, and socialization
- Designing of physical spaces, facades, buildings
- Deliberate role modeling, teaching and coaching
- Explicit reward and status system, promotion criteria
- Stories, legends, myths about key people and events

Management Issues

Elements linking culture to strategy:

- What leaders pay attention to, measure and control
- Leader reactions to critical incidents and crises
- How the organization is designed and structured
- Organizational systems and procedures
- Criteria used for recruitment, selection, promotion, retirement

Management Issues

Production/Operations Concerns

-- Production processes typically constitute more than 70% of firm’s total assets

Management Issues

Production/Operations Decisions

- Plant size
- Inventory/Inventory control
- Quality control
- Cost control
- Technological innovation
Management Issues (cont’d)

Management Issues
- Resistance to Change
- Natural Environment
- Supportive Culture
- Production/Operations
- Human Resources

Management Issues
Human Resource Concerns
-- HR manager position has strategic responsibility & has changed dramatically as companies continue to reorganize, outsource, etc.

Management Issues
Human Resource Strategic Responsibilities
- Assessing staffing needs/costs
- Developing performance incentives
- ESOP’s
- Child-care policies
- Work-life balance issues

Diversity Issues
Women CEO’s in U.S. 2004 (examples)
- Carly Fiorina, Hewlett-Packard, 49 yrs old
- Meg Whitman, eBay, 47 yrs old
- Andrea Jung, Avon Products, 45 yrs old
- Anne Mulcahy, Xerox, 50 yrs old
- Marjorie Magner, Citigroup, 54 yrs old
- Betsy Holden, Kraft Foods, 47 yrs old
- Mary Sammons, Rite Aid, 57 yrs old

For Review (Chapter 7)
Key Terms & Concepts
- Annual Objectives
- Conflict
- Avoidance
- Confrontation
- Benchmarking
- Culture
- Bonus System
- Defusion

For Review (Chapter 7)
Key Terms & Concepts
- Delayering
- Educative Change Strategy
- De-centralized Structure
- Employee Stock Ownership Plans (ESOP’s)
- Divisional Structure
- Establishing Annual Objectives
- Downsizing
- Force Change Strategy
### Key Terms & Concepts (Chapter 7)

**Functional Structure**

**Gain Sharing**

**Glass Ceiling**

**Horizontal Consistency of Objectives**

**Just in Time (JIT)**

**Matrix Structure**

**Policy**

**Profit Sharing**

**Rational Change Strategy**

**Restructuring**

**Reengineering**

**Rightsizing**

**Resistance to Change**

**Self-Interest Change Strategy**

**Resource Allocation**

**Strategic Business Unit (SBU)**

**Triangulation**

**Vertical Consistency of Objectives**