**Module 4 - Background**

**STRATEGY IMPLEMENTATION AND STRATEGIC CONTROLS**

Strategy is implemented using organizational design (structure), people, culture, and control systems. Strategy must successfully work through these elements in order to produce performance. No matter how well a strategy is conceived, if an organization's people cannot implement it, if the culture cannot support it, if the structure cannot coordinate it, and if the systems cannot measure and control it—the strategy will fail.

We will start by considering how of each of these components individually link to strategy. By way of the Case analysis, we will examine the integration or "fit" between the various components and strategy.

**Structure**

Organizational structure refers to the manner in which the lines of communication of authority are established, the manner in which work is divided up among organizational members, and the way that communication and work are coordinated. Different types of structures support different types of strategies. The key elements of structure that have the greatest effect on the success or failure of strategy implementation are centralization, boundaries, networks, and virtual organization.

**Centralization**

* Centralization refers to the level of concentration of decision making. In a highly centralized organization, decisions are made by a relatively small number of people, usually concentrated at the highest levels of the organization. Standardization is common in centralized organizations, thus favoring economies of scale and efficient value chains.
* Decentralized organizations are characterized by flexible and autonomous decision-making groups at operational levels in the organization. Such groups have the ability to rapidly adjust to changes in the marketplace and are well-suited to strategies that require innovation. However, because of duplication, economies of scale are difficult to achieve.

**Emerging Structures**

* **Borderless Organizations:** Taking cross-functional teams to a new level, the borderless organization does not just assemble teams with members from different organizational levels and functions. Instead, the borderless organization removes barriers both vertically (between levels) and horizontally (between functions or departments). The implications for strategy implementation include increased information, transparency, and flexibility.
* **Alliance Networks:** These are collections of suppliers, distributors, customers, and even competitors who have the ability to bring needed assets to bear on an urgent problem where there is insufficient time to develop the needed resources and capacities in-house. Organized and coordinated online, these networks can be mobilized and put to work instantaneously.
* **Virtual Corporations:** An extension of Alliance Networks, the virtual corporation is an extra-organizational coalition of people and organizations brought together expressly to work on a specific problem or project. They can be assembled rapidly and dispersed as soon as the project is over, representing the ultimate in flexibility and speed in strategy implementation.

The following reading is an exposition on how various types of teams can be useful in strategy implementation:

Pryor, M.G., Singleton, L.P., Taneja, S., and Toobs, L.A. (2009). Teaming as a strategic and tactical tool: An analysis with recommendations. *International Journal of Management, 26* (2), 320-334. Retrieved on November 6, 2012, from ProQuest.

Review this presentation on [*Organizational Design*](https://tlc.trident.edu/content/enforced/127819-MGT599-2019JUL22FT-1/Organizational%20Design.ppt?_&d2lSessionVal=5UDnYilR0EFoCJsDlPll2N6eT&ou=127819) by Professor Anastasia M. Luca, Ph.D. MBA.

**Strategic Controls (Systems)**

Three organizational systems are essential to controlling strategy implementation:

**Accounting and budgeting systems:**These systems can be complex and not easily adapted. If a new strategy requires data that is not easily accessible through existing accounting systems, implementation can be slowed, and a potentially successful implementation can be jeopardized. If a new proposed strategy does not fit a familiar pattern, decision making can be become risky and unpredictable.

**Information Systems:**Information technology is playing an ever greater role in strategy implementation. IT provides point-of-sale information between retailers and manufacturers, streamlines logistics and distribution, and controls inventories. IT systems must be capable of providing the right information in the right format to the right people at the right time.

**Measurement and Reward Systems:** Rewards can be used to shape behavior in the direction of meeting strategic objectives. Rewards must be connected to measures of goal attainment (e.g., specific increases in market share), and proper time horizons (future rewards for future goals).

Review this presentation on [*Strategic Controls*](https://tlc.trident.edu/content/enforced/127819-MGT599-2019JUL22FT-1/Strategic%20Controls%20.ppt?_&d2lSessionVal=5UDnYilR0EFoCJsDlPll2N6eT&ou=127819) by Professor Anastasia M. Luca, PhD MBA.

**People**

Strategies that are based on distinctive competencies or unique capabilities are often dependent on people and their skills to carry them out. Thus, for successful implementation, sufficient numbers of people with the right skill sets are essential.

**In-house or Import?** Hiring raw talent and growing employees with the needed qualifications maximizes fit, but it can take years. Retraining existing workers with new skills can be problematic when old employees resist "learning new tricks." Hiring employees with needed skills external to the organization is faster, but there is no guarantee that even they will fit well within the organization’s culture.

**Motivation:** It is not enough to have the right number of people with the right skills; people must also be motivated to work toward successful strategy implementation. Much is known about motivation, and many tools are available; these include tangible rewards (e.g., bonuses) and intangible rewards such as self-fulfillment. Perhaps the motivator with the most potential for eliciting long-term commitment to fulfilling the firm's strategic goals is that of *empowerment,* which gives employees the discretion and autonomy to use their initiative.

The following article highlights the importance of having the right people in place to achieve strategic goals:

Garrow, V. and Hirsh, W. (2008). Talent management: Issues of focus and fit. *Public Personnel Management, 37*(4), 389-403. Retrieved on August 29, 2014 from ProQuest.

**Culture**

The fit between an organization’s culture and its strategy is *critical.* If a firm is depending on innovation to achieve differentiation, but the culture is risk averse or has a tendency to punish mistakes, the strategy will in all likelihood fail. Culture can support the strategy when three elements are in alignment:

* **Shared values** that are aligned with the corporate vision and strategic focus along with a management style that fosters behavior that will support the competencies that confer competitive advantage.
* **Norms** can act as strong controls for strategic implementation. They encourage behavior that is in alignment with shared values. People can circumvent rules, and they cannot be watched all of the time, but norms can promote the desired behavior even when nobody is watching.
* **Symbols** model for employees what values and norms are important. Some important symbols include the vision and style of the founder of the company and folklore or stories that embody company values, rituals, and routines, and which reinforce the types of events and behaviors that are most desired and celebrated.

The following reading ties together the importance of systems, strategy, structure, and culture. It is highly readable and will help you see how all of these elements are interdependent and must align to achieve successful implementation:

Heneman, R. L., Fisher, M. M., and Dixon, K. E. (2001). Reward and organizational systems alignment: An expert system. *Compensation & Benefits Review, 33*(6), 18-29. Retrieved on November 6, 2012, from ProQuest.

**Optional Reading**

Aligning organizational culture with business strategy. (2013, November). *Towers Watson*. Retrieved on August 29, 2014 from [*http://www.towerswatson.com/en-US/Insights/Newsletters/Global/strategy-at-work/2013/viewpoints-qa-aligning-organizational-culture-with-business-strategy*](http://www.towerswatson.com/en-US/Insights/Newsletters/Global/strategy-at-work/2013/viewpoints-qa-aligning-organizational-culture-with-business-strategy)

Durden, C. (2012). The linkages between management control systems and strategy: An organic approach. Proceedings from *The International Conference on Accounting and Finance*. Singapore: Global Science and Technology Forum. Retrieved on August 29, 2014 from ProQuest.

Klosowski, S. (2012). The application of organizational restructuring in enterprise strategic management process.*Management, 16*(2), 54-62. Retrieved on August 29, 2014 from ProQuest.