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**INTERMEDIATE LEVEL
PAPER 7B : Strategic Management**

Faculty : CA Arjit Sethi



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PAPER 7B
STRATEGIC MANAGEMENT**

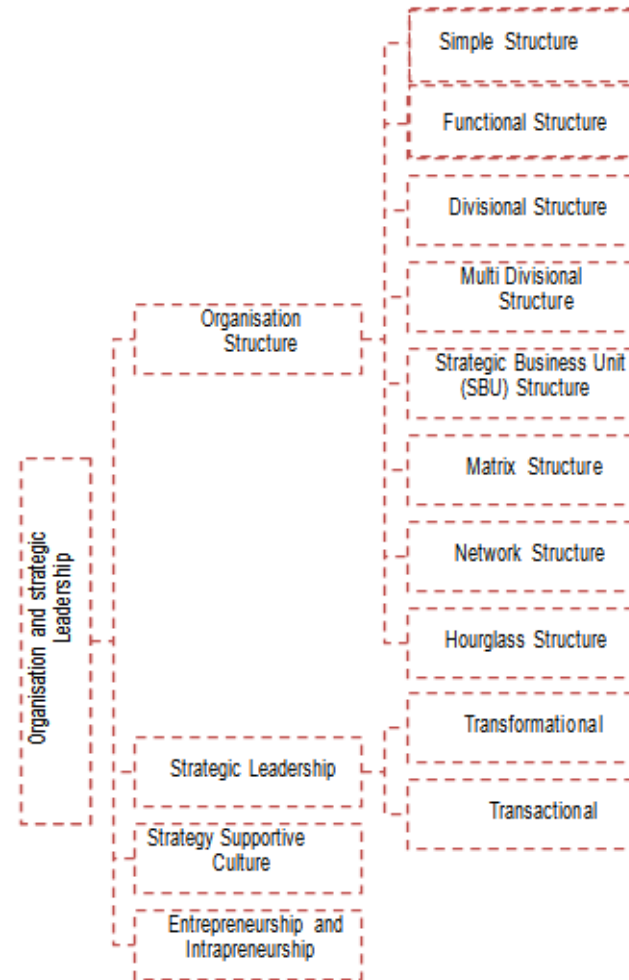
Chapter 8

Strategy Implementation and Control

Faculty : CA Arjit Sethi



Chapter 7 Summary





Chapter 8 Overview





Strategy Implementation

It needs to be emphasized that **'strategy' is not synonymous with 'long-term plan'** but rather consists of an enterprise's attempts to reach some preferred future state by adapting its competitive position as circumstances change.

While a series of strategic moves may be planned, but competitors' actions will mean that the actual moves will have to be modified to take account of those actions.



Strategy Implementation

Strategic implementation is a **managerial exercise** concerned with **translating strategic decisions into actions.**

It **pre-supposes** that the strategic choice was made considering feasibility and acceptability.

Implementation requires **supervision** on:

- **Allocation of resources** to new courses of action will need to be undertaken; and
- Need for **adapting the organization's structure** to handle new activities, training personnel and devising appropriate systems



Relationship Between



Strategy Implementation And Strategy Formulation



Relationship b/w Strat. Impl'n & Strat. Form'n

There is **NO** such thing as “successful strategic design.”

A company will be successful only when,

The strategy formulation is sound



And strategy implementation is proper.



Relationship b/w Strat. Impl'n & Strat. Form'n

Strategy Formulation & Implementation Matrix

Square A: Try moving to B (Startups)

Square B: Competitive position

Square C: Business model redesign & execution readjustment

Square D: Redesign strategy then readjust execution skills





Twin Approaches in Lack of Strategic Direction

Efficiency is essentially introspective (inward looking), like cost cutting and shedding unprofitable divisions.

Responsibility for efficiency lies with operational managers.

Implementation viewpoint

To do the things right!!

Effectiveness highlights the links between the organization and its environment (external).

Top management has the primary responsibility for strategic orientation of the org.

Formulation viewpoint

To do the right things!!



Relationship with strategy formulation

Principal combinations of efficiency and effectiveness

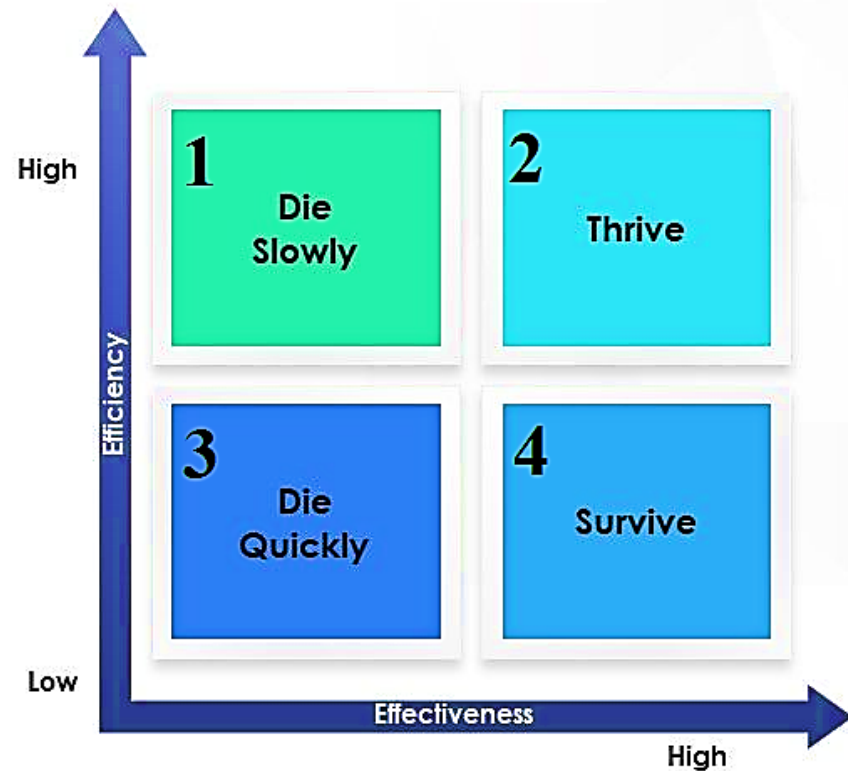
Square 1: Doomed Worse than Sqr 4*

Square 2: Competitive position

Square 3: Doomed

Square 4: Need to establish strategic direction

* To be effective is to survive. Whereas to be efficient is not in itself sufficient for survival.





Change

comes through implementation and evaluation,
not through over-emphasizing on strategic planning.





Difference b/w Strat. Impl'n & Strat. Form'n

Strategy Formulation	Strategy Implementation
Strategy formulation focuses on effectiveness .	Strategy implementation focuses on efficiency .
Strategy formulation is primarily an intellectual process .	Strategy implementation is primarily an operational process .
Strategy formulation requires conceptual <u>intuitive and analytical skills</u> .	Strategy implementation requires <u>motivation and leadership skills</u> .
Strategy formulation requires coordination among the executives at the top level .	Strategy implementation requires coordination among the executives at the middle and lower levels .



Difference b/w Strat. Impl'n & Strat. Form'n

Strategy formulation concepts and tools **do not differ** greatly for small, large, for-profit, or non-profit organizations.

However, strategy implementation **varies substantially** among different types and sizes of organizations.

Division of strategic management into different phases is only for the purpose of orderly study. In real life, the formulation and implementation processes are intertwined.



Difference b/w Strat. Impl'n & Strat. Form'n

Strategy formulation is primarily an entrepreneurial activity, based on strategic decision-making.

The **implementation of strategy** is mainly an administrative task based on strategic as well as operational decision-making.



Forward Linkages v/s Backward Linkages

2 types of linkages exist between these two phases of strategic management (Formulation & Implementation).

The **forward linkages** deal with the impact of strategy formulation on strategy implementation.

The **backward linkages** are concerned with the impact in the opposite direction.

For instance, changes are required in organizational structure has (or) the style of leadership has to be adapted to the needs of the modified or new strategies.



Issues in Strategy

The transition from strategy formulation to strategy implementation requires a **shift in responsibility** from strategists to divisional and functional managers.

Implementation problems can arise because of this shift in responsibility, especially if strategic decisions come as a surprise to middle and lower-level managers.

∴ it is essential that divisional and functional managers be involved as much as possible in the strategy-formulation process.



Issues in Strategy

Issues in strategy implementation which are to be considered in a sequential manner (*with overlapping and changes*)

1. Project implementation
2. Procedural implementation
3. Resource allocation
4. Structural implementation
5. Functional implementation
6. Behavioral implementation



Strategic Change



Complex process involving changes in corporate strategy like scope, resource deployments, competitive advantages, synergy



Strategic Change

The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies.

Strategic change is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business.

Change process is not a one time application but a continuous process due to dynamism and ever changing environment.



Strategic Change - Steps to Initiate Change

THREE steps to initiate strategic change:

1. Recognize the need for change
(Environmental scanning using SWOT)
2. Create a shared vision to manage change
3. Institutionalize the change



Strategic Change - Kurt Lewin's Model of Change

THREE phases of the change process

1. **Unfreezing** by promoting new ideas throughout the organization.
2. **Changing**
H.C. Kellman's three methods for reassigning new patterns of behavior **Compliance – Identification – Internalization**
3. **Refreezing** with continuous reinforcement so that the new behavior to becomes permanent.



Strategic Change - H.C. Kellman's

THREE methods for reassigning new patterns of behavior proposed by H.C. Kellman

1. **Compliance** by strictly enforcing the reward and punishment strategy for good or bad behavior.
2. **Identification** by psychologically impressing members to identify themselves with some given role models.
3. **Internalization** by internally changing of the individual's thought processes.



Strategic Control



To ensure that what is planned is translated into results



Strategic Control

Strategic Controlling is regarded as the **core function** of the management process.

Control is intended to **regulate and check**, i.e. to ensure that what is planned is translated into results.

It involves monitoring the activity and measuring results against pre-established standards, analysing and correcting deviations as necessary and maintaining/ adapting the system.



Strategic Control Process – Elements

The process of control has the following elements:

1. Objectives which could be operationalized into measurable and controllable standards.
2. Mechanism for monitoring & measuring performance of the system.
3. A mechanism for:
 - (i) **Comparing** the actual results with the standards
 - (ii) **Detecting deviations** from standards and
 - (iii) **Learning new insights** on standards themselves.
4. Mechanism for feeding back corrective and adaptive information.



Organizational Control – Types

Primarily there are **THREE** types of organizational control

- I. **Operational control** – Focuses on individual tasks
- II. **Management control** – Inclusive & aggregative activities with the basic purpose of achieving enterprise goals (both ST & LT) in an effective and efficient manner
- III. **Strategic control** – Focuses on Dual Questions
 - a) Implementation as planned?
 - b) Are intended results being met?



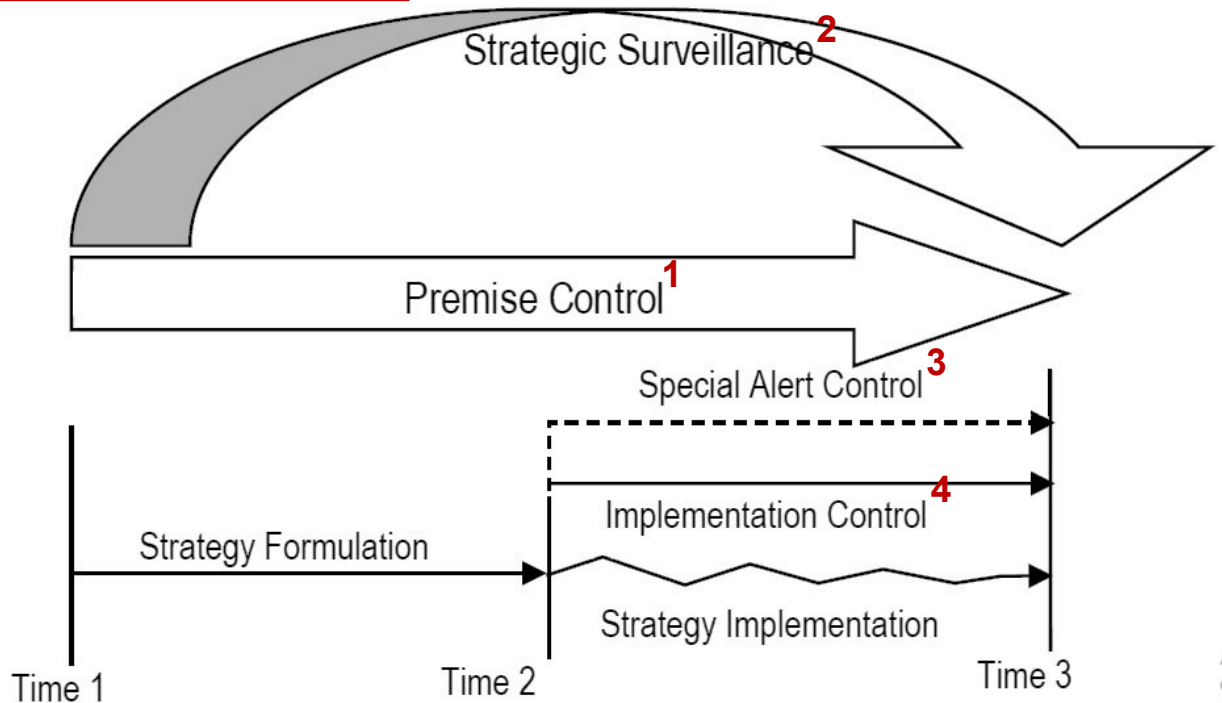
Strategic Control – Types

There are **FOUR** types of strategic control:

- I. **Premise control** – Systematic focus & continuous monitoring of
 - (i) Environmental factors
 - (ii) Industry factors
- II. **Strategic surveillance** – unfocussed, loose form of strategic control
- III. **Special alert control** – Immediate and intense review of eventualities
- IV. **Implementation control** ≠ operational control, continuous, two types:
 - (i) Monitoring strategic thrusts
 - (ii) Milestone Reviews



Strategic Control



These **4 strategic controls** steer the org & its different sub-sys to the right track



Strategy Audit



Identifies the need to adjust the existing business strategies and plans



Strategy Audit

A strategy audit is **periodic review and evaluation** of areas affected by the operation of a strategic management process within an organization

Core questions to be addressed by a Strategy Audit

- How well is the current strategy working?
- How well will the current strategy be working in future?
- How can this be evaluated in present and future?
- How urgent is there a need to change the strategy?



Strategy Audit

A strategy audit provides an excellent platform for discussion with the top management regarding necessary corporate actions or changes in the existing business plan.

It also identifies the need to adjust the existing business strategies and plans.



Strategy Audit - Activities

Strategy Audit includes **THREE** basic activities:

1. **Examining** the underlying bases of a firm's strategy
2. **Comparing** expected results with actual results
3. **Taking corrective actions** to ensure performance conforms to plans



Strategy Audit - Need

A strategy audit is needed under the following conditions:

1. When the strategy is **not producing desired outcomes**
2. When the objectives of the strategy are **not being accomplished**
3. When a major change takes place in the **external environment**
4. When the top management plans to:
 - (a) **fine-tune existing strategies** or **introduce new strategies**
 - (b) ensure that **strategy is in-tune** with **subtle internal and external changes** that may have occurred **since the formulation of strategies**



Strategy Audit - Richard Rumelt's Criteria

A. Strategic **Consistency** with policies

Guidelines to determine inconsistencies:

- Managerial problems continue
- Success for one Dept = Failure for another
- Policy problems and issues continue

B. **Consonance**: Examine individual trends and their interactions

C. **Feasibility** neither overtax available resources nor create unsolvable sub-problems

D. Provide Competitive **Advantage** in either resource, skill or position



Strategy Audit

Strategy evaluation is more difficult today

- **A dramatic increase in the environment's complexity**
- **The rapid rate of obsolescence of even the best plans**

Therefore, in auditing strategy, organizations should **examine the nature of positional advantages associated with a given strategy.**



Business Process Re-engineering (BPR)



Starting all over from scratch



Business Process to Business System

A **process** is a set of logically related tasks or activities oriented towards achieving a specified outcome.

The performance of business is, thus, the outcome of the interrelated operations of its constituent work processes.

A set of interconnected processes comprise a **business system**

The redesign of processes, therefore, provides a powerful basis for improving the performance of a business enterprise.



BPR – Focus on Core

A **core business process** creates value by the capabilities it provides to the competitiveness.

BPR focuses on such **critical core business processes** out of the many processes that go on in any organization.

While some core business processes are easily identifiable, some core business processes may not always be immediately apparent. Eg. New Product Devt. is core business process for Electronic & IT industry.

The core processes of a company may change over a period of time according to the shifting requirements of its competitiveness.



BPR

Business process reengineering means **starting all over, starting from scratch.**

Reengineering **does not mean** any partial modification or marginal improvement in the existing work processes. Reengineering is a revolutionary approach towards radical and total redesigning of the business processes.



BPR – Issues

Few Issues that form the premise for BPR:

- 1. Customer-focused organizations need to be realigned in terms of a process orientation**
- 2. Operational excellence is a major basis for competitiveness**
- 3. Dramatic improvement in performance is the prerequisite for overcoming competition**



BPR – Concept & Nature

Business Process Reengineering (BPR) refers to the **analysis and redesign of workflows and processes** both within and between the organizations.

Orientation of the redesign effort is **radical** i.e., it is a total deconstruction and rethinking of a business process in its entirety, unconstrained by its existing structure and pattern.

The objective is to obtain **quantum gains in the performance** of the process in terms of time, cost, output, quality, and responsiveness to custom



BPR – Concept & Nature

BPR = Simplifying and streamlining a process

By

Eliminating all redundant and non-value adding steps, activities and transactions, reducing drastically the number of stages or transfer points of work, and speeding up the work-flow

Through

the use of IT systems



BPR – Three Elements

1. Reengineering begins with a **fundamental rethinking**
2. Reengineering involves **radical redesigning of “processes”**
3. Reengineering aims at **achieving dramatic improvement in performance**



BPR – Three Categories of Processes

“**Generic business processes**” of a firm needing redesign may be classified into **three broad categories** as follows:

1. Processes pertaining to **development and delivery** of product(s) and/or services like R&D, engineering, logistics, procurement
2. Processes involving **interface(s) with customers** like marketing, order fulfillment
3. Processes comprising **management activities** like strategy formulation, planning & budgeting, performance measurement & reporting



BPR – Rationale

*“ Improving business processes is paramount for businesses to stay **competitive** in today’s marketplace ”*



BPR – Implementation in Organizations

In a crude sense, companies begin business process improvement with a **continuous improvement model** to understand and measure the current processes, and make performance improvements assuming that the current processes are wrong and irrelevant.

The approach to BPR begins with defining the scope and objectives of the reengineering project.

With the help of this research base BPR designers are in a position to create a vision for the future and design new business processes.



BPR – Steps

- 1. Determining objectives**
- 2. Identify customers and determine their needs**
- 3. Study the existing processes**
- 4. Formulate a redesign process plan**
- 5. Implement the redesigned process**



BPR – Role of Information Technology

Impact of IT – systems are identified as:

- **Compression of time**
- **Overcoming restrictions of geography and/or distance**
- **Restructuring of relationships**



BPR – Role of Information Technology

IT-initiatives provide business values in **three** distinct areas:

- **Efficiency** – by way of increased productivity
- **Effectiveness** – by way of better management
- **Innovation** – by way of improved products and services



BPR – Central Thrust

~ BPR is a continuous improvement process ~

Improvement on quality and cost follows after improvement on thrust area

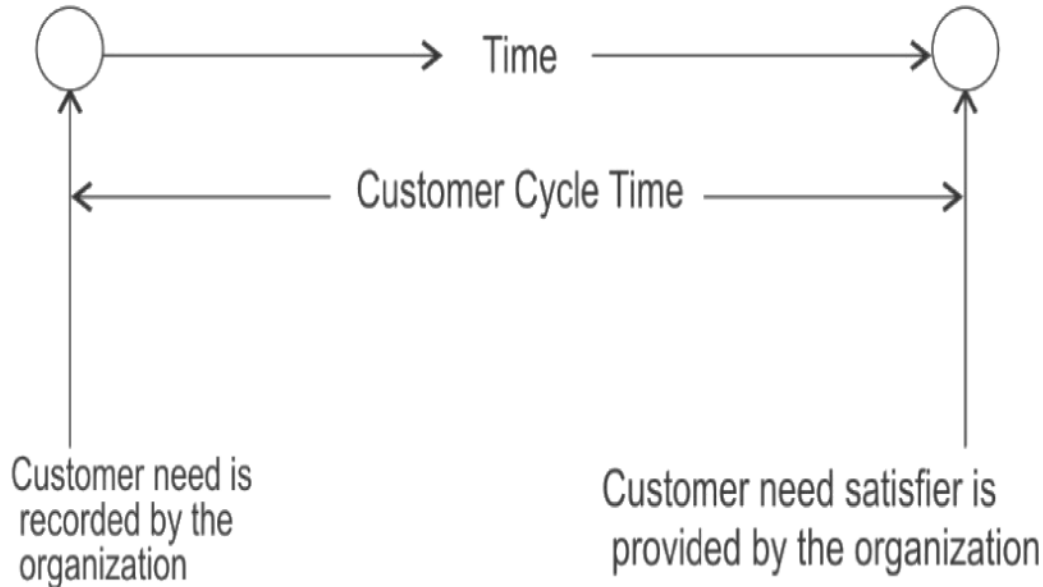
Although BPR is a multi-dimensional approach in improving the business performance its thrust area may be identified as –

“the reduction of the total cycle time of a business process”



Customer Cycle Time

BPR **aims** at reducing the cycle time of process by eliminating the unwanted and redundant steps





BPR & Other

The basic principles that differentiate reengineering from any other drive on improving organizational efficiency are as follows:

1. At the core of reengineering lies the concept of discontinuous thinking
2. While reengineering starts with the process it does not end there
3. BPR efforts involve managing massive organizational change
4. BPR aims at utilizing IT for evolving a new process, instead of automating the existing process



BPR – Problems

Only a limited number of companies are able to have enough courage for having BPR because it disturbs established hierarchies and functional structures and creates serious repercussions and involves resistance among the work-force.

Reengineering involves time and expenditure, at least in the short run, that many companies are reluctant to go through the exercise. Even there can be loss in revenue during the transition period.

Setting of targets is tricky and difficult. If the targets are not properly set or the whole transformation not properly carried out, reengineering efforts may turn-out to be a failure.



Benchmarking



**Helps organizations to get ahead of competition
But is not a magic-bullet for all problems.**



Benchmarking

Benchmarking is an approach of setting goals and measuring productivity based on **best industry practices**

A benchmark may be defined as **a standard** or **a point of reference** against which things may be compared and by which something can be measured and judged

Example: A new pizza company delivers the food within 45 mins. If the industry norm is that all calls are attended within 30 mins, then 30 mins can be a benchmark.



Benchmarking

Benchmarking is a process of **continuous improvement** in search for competitive advantage

Benchmarking exercises are **repeated periodically** so that the organization does not lag behind in the dynamic environment



Benchmarking – Six Steps

- (1) Identifying the need for benchmarking
- (2) Clearly understanding existing business processes
- (3) Identify best processes
- (4) Compare own processes and performance with that of others
- (5) Prepare a report and implement the steps necessary to close the performance gap
- (6) Evaluation



Chapter 8 Summary





next
up...

Full Syllabus

Review



Full Syllabus

QUIZ



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