

**Subject: Business Economics**

**Course: B.A., 6<sup>th</sup> Semester, Undergraduate.**

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**Paper Title: Business Strategy & Ethics.**

**Unit No.: 4 (Four)**

**Title: Strategy Implementation & Control.**

**Lecture No: 2 (Two)**

**Title: Institutionalizing the Strategy.**

Academic Script

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**Introduction:**

*Studying this chapter should provide students with the strategic management and strategic implementation and control knowledge needed to:*

1. Explain structural considerations
2. Describe linking structure to strategy
3. Define organizational leadership
4. To understand role of CEO
5. Define organizational culture
6. Describe managing strategy in the organization
7. Define culture relationship

**1. Structural considerations**

Structural Considerations in Strategic Implementation

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Before implementing a new or revised strategy, company leaders must ensure the organizational structure can support the planned activities. After identifying the tasks that the company must perform well to succeed, company executives configure organizational hierarchies to support primary strategic goals and achieve

competitive advantages. They also identify areas of weakness that pose risks and devise techniques for handling crises. Successful strategic implementation depends on structuring the organization's employees so they can most effectively use the tools and resources available to create quality products and services.

### Structuring Activities

To prevent their staff from spending time on activities not directly related to achieving companies' strategic goals, managers identify tasks that can be outsourced to third-party vendors.

Structuring work this way allows experts to perform these jobs, typically at a lower cost, while employees focus on their core competencies supporting main businesses. For example, computer manufacturers typically outsource assembly while focusing internally on design, sales and distribution duties.

### Aligning Functions to Strategic Objectives

Before corporate leaders can implement new strategies, they need to ensure that all personnel in the organizational structure possess the necessary skills, knowledge and resources to accomplish the tasks.

Work must flow from one function to another so leaders should establish clear processes with policies and procedures that define roles and responsibilities. The strategy must be consistent across all departments, adaptive to changes, competitively advantageous and technically feasible.

### Establishing Authority

Successfully implementing a new strategy requires that managers and employees understand what activities require executive approval and which decisions employees have the empowerment to make without further approval.

Ideally, decision makers should be those people who are closest to the situation and most knowledgeable about the impact.

By avoiding micro-managing the organization, managers streamline operations and eliminate wasteful tasks. If the organization is structured to allow employees the flexibility to make critical decisions, they must also be held accountable for their actions.

### Developing Partnerships

Strategic implementations require personnel to work together to achieve specific, measurable, attainable, relevant and time-constrained goals and objectives. Establishing a common balanced scorecard prevents groups from competing against each other to succeed individually at the expense of the whole company.

If company executives foster a cooperative environment between departments, managers share resources, personnel and knowledge effectively. Additionally, the organizational structure should encourage new employees to seek out coaching and mentoring from corporate executives.

By encouraging learning and development, company leaders establish a framework for sustainable growth.

## **2. Linking structure to strategy**

### Strategy and Structure of an Organization.

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Business strategy is a practical plan for achieving an organization's mission and objectives. Organizational structure is the formal layout of a company's hierarchy. Both strategy and structure are crucial elements of doing business, and even companies that do not have formal strategies and structures likely still have both in one form or another.

### The Facts

Business strategy is generally created at the upper levels of an organization. Grand corporate strategies can be broken down into objectives and tactics to ensure that the strategy is relevant all the way down the organizational hierarchy.

Organizational structure is put into place relatively early in the life of a business, but it can be changed over time as the company evolves. Business strategy and organizational structure may seem like very different concepts at first glance, but there are a number of important correlations between the two.

## Process

Business owners generate strategies using a number of managerial tools. Qualitative tools, such as SWOT analysis -- a tool that identifies internal strengths and weaknesses, as well as external opportunities and threats -- can help managers to identify strategic opportunities.

Quantitative tools, such as the reports generated by a Total Quality Management software package, can help to provide insight into a company's strengths and uncover hidden issues using statistical models.

## Structure

A company's organizational structure must support its strategy. Employees at all levels of the company must be empowered to effectively complete the tasks necessary to achieve organizational objectives, and company structure can aid or hinder employees in their roles.

Structure can also dictate the means by which strategies are formed. Bureaucratic companies tend to generate a majority of strategic ideas at the top levels of management. Companies with flatter structures, on the other hand, often involve a range of employees in strategy sessions.

## Strategy

A business owner's initial strategy can often dictate the form of the company's structure. An entrepreneur with dreams of employing a highly educated and trained workforce with large scope to innovate and try new ideas, for example, is likely to structure his organization to be as flat as possible.

The opposite would be true of an entrepreneur who wishes to enter a line of business with a traditionally high employee turnover rate, such as telemarketing, since it can be difficult to retain highly skilled labor in high turnover industries.

## Considerations

Both strategy and structure need to be refined and modified over time. No matter how strategy and structure evolves, however, ensure that these two crucial elements always fully support each other, never hindering or hampering the effectiveness of the other.

### **3. Organizational leadership**

Organizations need strong leadership for optimum effectiveness. Leadership, as we know, is a trait which is both inbuilt and can be acquired also.

Organizational leadership deals with both human psychology as well as expert tactics. Organizational leadership emphasizes on developing leadership skills and abilities that are relevant across the organizations.

#### **Organizational Leader**

- An ideal organizational leader should not dominate over others.
- He should guide the individuals under him, give them a sense of direction to achieve organizational goals successfully and should act responsibly.
- He should be optimistic for sure.
- He should be empathetic and should understand the need of the group members.
- An organizational leader should not only lead others individually but also manage the actions of the group.

Individuals who are highly ambitious, have high energy level, an urge to lead, self-confidence, intelligence, have thorough knowledge of job, are honest and flexible are more likely to succeed as organizational leaders.

Individuals who learn the organizational leadership develop abilities and skills of teamwork, effective communication, conflict resolution, and group problem solving techniques.

Organizational leaders clearly communicate organizational mission, vision and policies; build employees morale, ensure efficient business operations; help employees grow professionally and contribute positively towards organizations mission.

#### **Tips for Effective Organizational Leadership**

1. A leader must lead himself then he can lead others. He must be committed on personal and professional front, and must be responsible. He must be a role model for others and set an example for them.
2. A leader must boost up the morale of the employees. He should motivate them well so that they are committed to the organization. He should be well acquainted with them, have concern for them and encourage them to take initiatives. This will result in more efficient and effective employees and ensure organizational success.
3. A leader must work as a team. He should always support his team and respect them. He should not hurt any employee. A true leader should not be too bossy and should not consider himself as the supreme authority. He should realize that he is part of the organization as a whole.

Organizational leadership involves all the processes and possible results that lead to development and achievement of organizational goals. It includes employees' involvement, genuineness, effective listening and strategic communication.

Organizational leadership is a dual focused management approach that works towards what is best for individuals and what is best for a group as a whole simultaneously. It is also an attitude and a work ethic that empowers an individual in any role to lead from the top, middle, or bottom of an organization.

### **Strengths**

Successful leadership requires capitalizing on strengths and managing around weaknesses. Strength can be defined as consistent, near perfect performance in an activity. An individual should perform an activity at around a 95% success rate in order to consider their performance of that activity strength.

### **Ethics**

Organizational leadership requires ethics. Ethics aids leaders in balancing truth and loyalty, individuals and communities, short-term and long-term, and justice vs. mercy.

Effective leaders utilize ethics to look for the "hidden alternative" in ethically questionable situations. It is the compass by which leaders navigate not only right vs. wrong, but also right vs. right.

### **Communication**

Communication is a tool for individuals to interface with one another, with groups, and with the rest of the world. It is not a text, email, phone call, or personal visit: these are methods/mediums of communication. Leaders are

able to move beyond communication barriers (appearance, vocabulary, stutter, lisp, accent, etc) and focus on the message of the speaker.

#### **4. Role of the CEO**

##### **CEO: The Chief Executive Officer –**

The role of chief executive officer (CEO) is clear from the main functions performed by CEO.

The strategic management is a general management function. The general managers are top executives who are responsible for the success of the enterprise. The chief executive officer is the most important strategist who is responsible for all aspects of strategic management viz., strategy formulation, implementation analysis and evaluation.

CEO is designated by different names in different companies such as Managing Director (MD), Executive Director (ED), President or General Manager (GM). As a top executive his role is very vital and significant in strategic decision making.

##### **Role of CEO:**

“The CEO is a reflective thinker who maps out strategy, designs an organization to implement the plan and guides troops through the necessary maneuvers to accomplish objectives using vast experience and insight.”

He sets goals and “also plans, organizes, directs and controls. The chief executive must give firm support to strategic planning.

- (a) He is the top most people in an organization who are responsible for formulation and evaluation of strategy.
- (b) He plays a pivotal role in setting the mission of the organization, setting the goals and targets.
- (c) CEO is primarily responsible for strategic management of an enterprise. The role of CEO is basically to manage the external environment and relationships in order to create conditions for growth.
- (d) A CEO is both a specialist as well as a generalist. He must ensure that the organization is managed well.

(e) The CEO must develop in himself the attributes of self management as well as time management.

(f) CEO is supposed to devote most of his time to policy formulation. Major strategic policies flow from this source.

(g) He enjoys wider powers than other executives. However he must see that the major policies are within the framework outlined by board of directors.

h) The CEO may establish 'corporate planners' to keep track of latest developments in the field of strategic management.

Thus, the CEO is the top man, next to the board of directors. He plays a major role in strategic decision-making. He not only takes strategic decisions but also puts into practice such policies to achieve the corporate objectives. He plays a vital role in the strategic management and success or failure of the strategy is entirely the responsibility of the CEO.

## **5. Organizational culture**

There is vigorous debate, starts a conversation on organizational culture that there is universal agreement that (1) it exists, and (2) that it plays a crucial role in shaping behavior in organizations.

There is little consensus on what organizational culture actually is, never mind how it influences behavior and whether it is something leaders can change.

This is a problem, because without a reasonable definition of culture, anyone neither understands its connections to other key elements of the organization, such as structure and incentive systems, nor can develop good approaches to analyzing, preserving and transforming cultures.

**"Culture is how organizations 'do things'." — Robbie Katanga**

Culture is consistent, observable patterns of behavior in organizations. Aristotle said, "We are what we repeatedly do." This view makes higher repeated behavior or habits as the core of culture and deemphasizes what people feel, think or believe. It also focuses our attention on the forces that shape behavior in



organizations, and so highlights an important question: are all those forces (including structure, processes, and incentives)

**“In large part, culture is a product of compensation.”** — Alec Haverstock

Culture is powerfully shaped by incentives. The best predictor of what people will do is what they are incentivized to do. By incentives, mean here the full set of incentives — monetary rewards, non-monetary rewards such as status, recognition and advancement, and sanctions — to which members of the organization are subject.

**“Organizational culture defines a jointly shared description of an organization from within.”** — Bruce Perron

Culture is a process of “sense-making” in organizations. Sense-making has been defined as “a collaborative process of creating shared awareness and understanding out of different individuals’ perspectives and varied interests.

**“Organizational culture is the sum of values and rituals which serve as ‘glue’ to integrate the members of the organization.”** — Richard Perrin

Culture is a carrier of meaning. Cultures provide not only a shared view of “what is” but also of “why is.” In this view, culture is about “the story” in which people in the organization are embedded, and the values and rituals that reinforce that narrative.

**“Organizational culture is civilization in the workplace.”** — Alan Adler

Culture is a social control system. Here the focus is the role of culture in promoting and reinforcing “right” thinking and behaving, and sanctioning “wrong” thinking and behaving.

Culture is the idea of behavioral “norms” that must be upheld, and associated social sanctions that are imposed on those who don’t “stay within the lines.” This view also focuses attention on how the evolution of the organization shaped the culture.

**“Culture is the organization’s immune system.”** — Michael Watkins

Culture is a form of protection that has evolved from situational pressures. It prevents “wrong thinking” and “wrong people” from entering the organization in the first place.

It says that organizational culture functions much like the human immune system in preventing viruses and bacteria from taking hold and damaging the body.

The problem, of course, is that organizational immune systems also can attack agents of *needed* change, and this has important implications for on-boarding and integrating people into organizations.

## **6. Managing the strategy**

Strategy implementation is "the process of allocating resources to support the chosen strategies". This process includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organizational goals.

For example, according to *Steiner*, "the implementation process covers the entire managerial activities including such matters as motivation, compensation, management appraisal, and control processes".

As *Higgins* has pointed out, "almost all the management functions -planning, controlling, organizing, motivating, leading, directing, integrating, communicating, and innovation -are in some degree applied in the implementation process".

*Pierce and Robinson* say that "to effectively direct and control the use of the firm's resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards, and control systems are essential strategy implementation ingredients".

## **7. Culture relationship**

To realize the vision of the organization, and to execute the plans properly, a manager must understand the relationship between business strategy and organizational culture.

- **The exactly culture is-**
  - Organizational culture profoundly influences the thoughts, interactions and overall performance of employees. The strategic success of an organization depends upon the manner in which its culture encourages risk-taking and acceptance of feedback in the organization.

- In layman's terms, organizational culture is a set of beliefs, values, habits, and rules of conduct, jargons, jokes that are peculiar to an organization and are deeply rooted within the firm. The four dimensions of culture include teamwork, internal & external communication, reward & recognition, and training & development.
- **Finding the Fit Between Culture and Strategy** Organizations usually adopt one of the four types of strategies -- prospectors, defenders, analyzers and reactors.

### **Prospectors**

Prospective organizations are innovative in nature and they always look for new opportunities in the market. They tend to have a developmental culture that values creativity, risk-taking and adaptability. Employees in such organizations follow a less routine-based approach and are always encouraged to come up with new ideas.

### **Defenders**

Companies that operate in relatively narrower and clearly defined market segments are defenders. They achieve growth through development of unique technology and market penetration. Such businesses tend to have hierarchical culture in which routines and standardization are valued and technical knowledge is given more preference.

### **Analyzers**

Analyzers are the companies that operate in two market environments; one is relatively dynamic and the other stable. They operate effectively in the stable environment. In turbulent domains they critically scrutinize the competitors' ideas and opt for the one that seems most promising. Rational culture is best suited for companies with this strategy. Decisions are taken based on facts and observed evidences.

### **Reactors**

A reactor strategy is the dynamic one. They do not form a specific corporate strategy and deal with the situations as they occur. This is why they do not have a unique culture. Sometimes they are innovative, sometimes defender, and sometimes both.

### **Summary:**

This chapter examined the idea that a key aspect of implementing a strategy is the institutionalization of the strategy so it permeates daily decisions and actions in a manner consistent with long-term strategic success. The

"procedure" that binds strategy and organization involves three key ingredients: organizational structure, leadership, and culture.

Institutionalizing a strategy requires a good strategy-structure fit. This chapter dealt with how this requirement often is overlooked until performance becomes inadequate and then indicated the conditions under which the various structures would be appropriate.

Organizational leadership is essential to effective strategy implementation. The CEO plays a critical role in this regard. Assignment of key managers, particularly within the top-management team, is an important aspect of organizational leadership. Deciding whether to promote insiders or hire outsiders is often a central leadership issue in strategy implementation.

Organizational culture has been recognized as a pervasive influence on organizational life. Organizational culture, which is the shared beliefs and values of an organization's members, may be a major help or hindrance to strategy implementation.