

STRATEGY IMPLEMENTATION: ORGANIZING AND STRUCTURE

Strategy Implementation

Bamford, Hoffman, Hunger, and Wheelen (2018) stated that strategy implementation is the totality of activities and choices required for the execution of a strategic plan. It is the process by which objectives, strategies, and policies are put into action through the development of programs, tactics, budgets, and procedures. The following are the prerequisites of strategy implementation:

1. **Institutionalization of strategy.** It involves translating organizational conduct, mission, vision, policies, and strategic plans into general actions which guide the daily activities of an organization.
2. **Developing proper organizational climate.** It involves establishing cooperation, personnel development, degree of commitment, determination, and efficiency within an organization.
3. **Formulation of operating plans.** It involves aligning the different activities of an organization to the proposed strategies in order to attain objectives and generate positive results.
4. **Developing proper organizational structure.** It involves matching the requirements of the strategy to various designations, positions, and roles within an organization.
5. **Periodic review of strategy.** It involves monitoring the progress of implemented strategy and determining whether the strategy is relevant to the purpose of the organization.

Developing Programs, Budgets, and Procedures

Bamford et. al (2018) stated that strategy implementation involves establishing programs and tactics to create a series of organizational activities, budgets to allocate funds for the initiated activities, and procedures to monitor and control the progress of the activities as follows:

- **Programs.** The purpose of a program or a tactic is to make a strategy action-oriented. In practice, a program is a collection of tactics, and a tactic is the individual action taken by the organization as an element of the effort to accomplish a plan. For example, when Xerox Corporation undertook a turnaround strategy, it needed to significantly reduce its costs and expenses. Management introduced *Lean Six Sigma*. This program was developed to identify and improve a poorly performing process. Xerox first trained its top executives in the program and then launched around 250 individual Six Sigma projects throughout the corporation. The result was US\$6 million or 300 million pesos in savings in one year.

The following are the different types of **offensive tactics**:

1. **Frontal assault.** It involves matching the competitor in every business category from price to promotion and distribution channel. To be successful, the attacker must have not only superior resources, but also the willingness to persevere. This is generally a costly tactic and may serve to awaken a sleeping giant of depressing profits for the whole industry.
EXAMPLE: This is what Kimberly-Clark did when it introduced Huggies disposable diapers against P&G's market-leading Pampers. The resulting competitive battle between the two (2) firms depressed Kimberly-Clark's profits.
2. **Flanking maneuver.** It involves attacking a part of the market where the competitor is weak.

EXAMPLE: Texas Instruments avoided competing directly with Intel by developing microprocessors for consumer electronics, cell phones, and medical devices instead of computers. Taken together, these other applications are more profitable and influential than the computers, which Intel dominates.

3. *Bypass attack.* It involves cutting the market out from under the established defender by offering a new type of product that makes the competitor's product unnecessary.

EXAMPLE: Instead of competing directly against Microsoft's Pocket PC and Palm Pilot for the handheld computer market, Apple introduced the iPod as a personal digital music player. It was the most radical change to the way people listen to music since the Sony Walkman. By redefining the market, Apple successfully sidestepped both Intel and Microsoft, leaving them to play "catch-up".

4. *Encirclement.* It occurs when an attacking company or unit encircles the competitor's position in terms of products or markets. The "encircler" is known to have a greater product variety and/or serves more markets.

EXAMPLE: Steinway was a major manufacturer of pianos in the United States until Yamaha entered the market with a broader range of pianos, keyboards, and other musical instruments. The company was taken private in 2013 and focused almost exclusively on the very high end of the market, producing their 600,000th piano in 2015.

5. *Guerrilla warfare.* It is characterized by the use of small, intermittent assaults on different market segments held by the competitor. In this way, a new entrant or small firm can make some gains without seriously threatening a large, established competitor and evoking some form of retaliation. To be successful, the firm or unit conducting guerrilla warfare must be patient enough to accept small gains and avoid pushing the established competitor to the point that it must respond or else lose face.

EXAMPLE: Microbreweries, which make beer for sale to local customers, use this tactic against major brewers in the industry.

The following are the different types of *defensive tactics*:

1. *Raise structural barriers.* It involves blocking a challenger's logical avenues of attack by offering a full line of products in every market segment, raising switching costs, gaining exclusive agreements, and reducing product and services cost.

EXAMPLE: Coca-Cola offers unprofitable non-carbonated beverages to block competitors' entry point in non-carbonated products.

2. *Increase expected retaliation.* It involves increasing the perceived threat of counterattack. For instance, management may strongly defend any erosion of market share by drastically cutting prices or matching a challenger's promotion through a policy of accepting any price-reduction coupons for a competitor's product. This counterattack is especially important in markets that are very important to the defending company or business unit.

EXAMPLE: When Clorox Company challenged P&G in the detergent market with Clorox Super Detergent, P&G retaliated by test marketing its liquid bleach of the time, Lemon Fresh Comet, in an attempt to scare Clorox into retreating from the detergent market.

3. *Lower the inducement for attack.* It involves reducing a challenger's expectations of future profits in the industry.
EXAMPLE: Southwest Airlines can deliberately keep prices low and continuously invest in cost-reducing measures. With prices kept very low, there is little profit incentive for a new entrant.
- **Budgets.** It is way for a corporation to check the feasibility of its selected strategy by identifying the significant cost which will be incurred during strategy implementation. An ideal strategy might be found to be completely impractical only after specific implementation programs and tactics are costed in detail. Mondelez is the world's largest buyer of cocoa and in 2012 committed to dramatically increase the supply of sustainably grown cocoa in the six (6) big cocoa producing countries. The company budgeted US\$400 million or 20 billion pesos to reach over 200,000 cocoa farmers by 2022.
 - **Procedures.** These are often called *Standard Operating Procedures (SOPs)*, which typically detail the various activities that must be carried out to complete a corporation's programs and tactical plans. Once in place, procedures must be updated to reflect any changes in technology as well as in strategy. For example, a company following a differentiation competitive strategy manages its sales force more closely than does a firm following a low-cost strategy. Differentiation requires long-term customer relationships created out of close interaction with the sales force. An in-depth understanding of the customer's needs provides the foundation for product development and improvement.

References

- Bamford, C., Hoffman, A., Hunger, D., & Wheelen, T. (2018). *Strategic management and business policy: Globalization, innovation and sustainability* (15th ed.). United Kingdom: Pearson Education Limited.
- Business Jargons. (n.d.). *Strategy implementation*. Retrieved May 10, 2019, from <https://businessjargons.com/strategy-implementation.html>