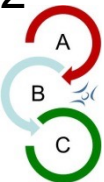


Engineering Management BMEVITMMB03

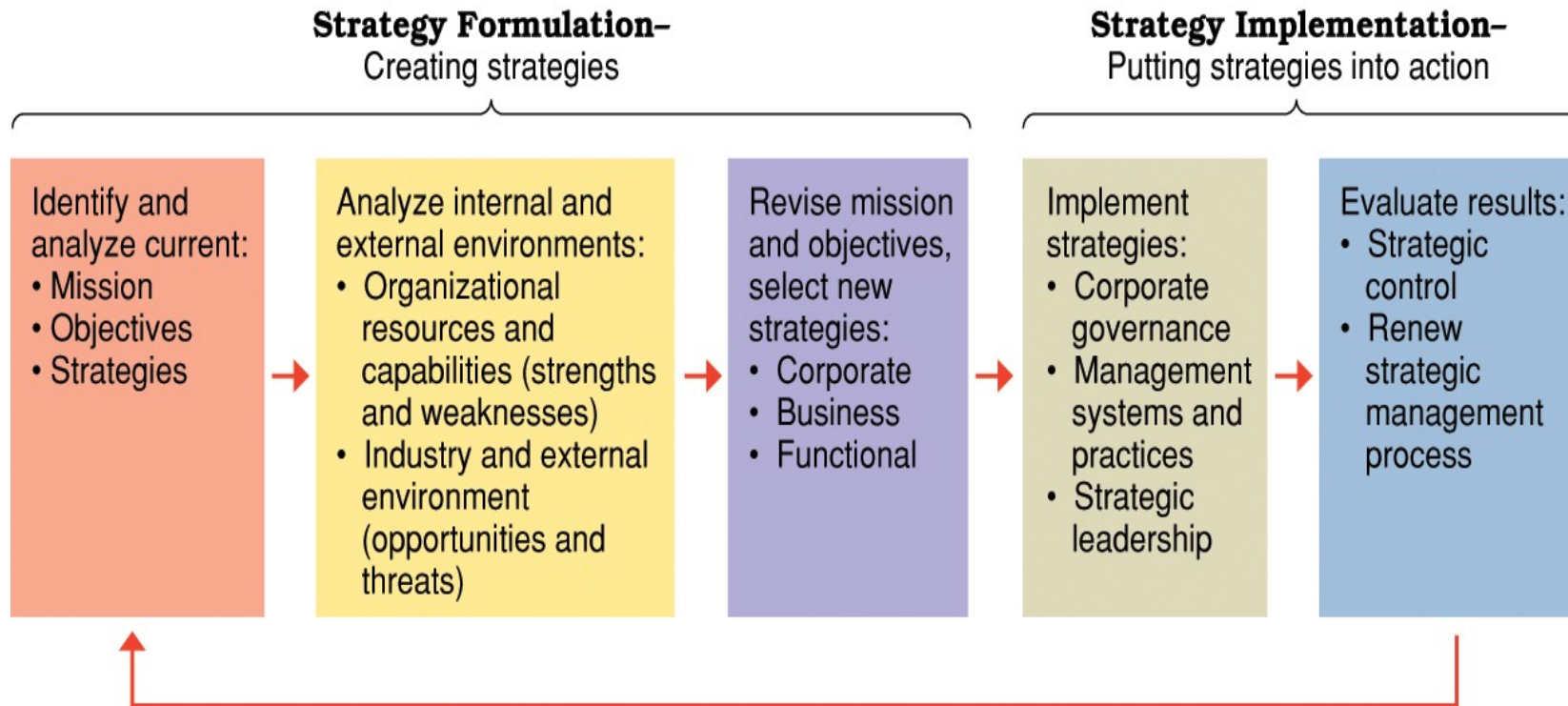
STRATEGY IMPLEMENTATION

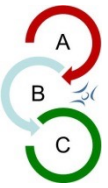
Gábor Magyar

BME Department of Telecommunications and Media Informatics



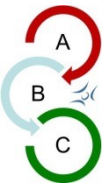
Strategy formulation and implementation





formulation and implementation

- **Formulation** focuses on effectiveness
- **Implementation** focuses on efficiency
- **Formulation** is primarily an intellectual process
- **Implementation** is primarily an operational process
- **Formulation** requires good intuitive & analytical skills
- **Implementation** requires special motivational & leadership skills



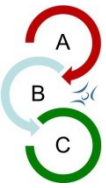
Formulation approaches

"Analyzer"

- Maintaining stability, while exploring limited innovation.

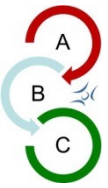
"Reactor"

- Proper responding to events, without a guiding vision.



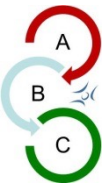
Strategy implementation

- The process of allocating resources and putting strategies into action.
- All of the activities and choices required for the execution of a strategic plan.
- All organizational and management systems must be mobilized to support and reinforce the accomplishment of strategies.



Problems in Implementing Strategic plans

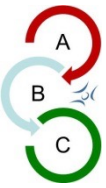
- More time than planned
- Unanticipated problems
- Activities ineffectively coordinated
- Crises deferred attention away
- Inadequate employee training
- Uncontrollable external factors
- Inadequate leadership
- Poorly defined tasks
- Inadequate information systems



Strategy implementation

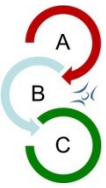
Strategic Leadership

- the capability to inspire people to successfully engage in a process of continuous change, performance enhancement, and implementation of organizational strategies.



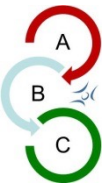
Essential questions of strategy implementation

- Who are the people to carry out the strategic plan?
- What must be done to align operations with new direction?
- How is work going to be coordinated?



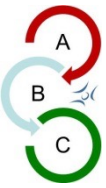
Strategy implementation

- requires a firm to
 - establish annual objectives,
 - create policies,
 - motivate employees,
 - and allocate resources
- so that formulated strategies can be implemented.



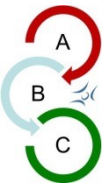
Annual Objectives

- short-term objectives that organizations must achieve to reach long-term objectives,
- should be measurable, quantitative, challenging, realistic, consistent, and prioritized,
- should be established at the corporate, divisional, and functional levels in a large organization



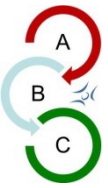
Annual Objectives benefits

- Represent the basis for allocating resources.
- Main tool for evaluating managers.
- Major tool for monitoring progress toward achieving long-term objectives.
- Establish organizational, divisional, and departmental priorities.



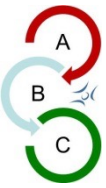
Policies for Annual Objectives

- the means by which annual objectives will be achieved,
- include guidelines, rules, and procedures established to support efforts to achieve stated objectives
- tool for strategy implementation.
- clarify what can and cannot be done in pursuit of an organization's objectives



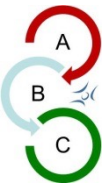
Essential tasks for strategy implementation

- Identify organizational mission and objectives.
- Assess current performance vis-à-vis mission and objectives.
- Create strategic plans to accomplish purpose and objectives.
- Implement the strategic plans
- Evaluate results; change strategic plans and/or implementation processes as necessary.



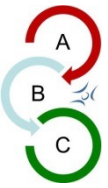
Example actions steps to implement strategy

- Allocate resources.
- Institute policies.
- Pursue best practices and continuous improvement.
- Information and operating systems.
- Rewards to strategy and goals.
- Shape corporate culture.
- Apply leadership.



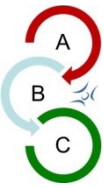
Remember: Resources and Competencies

- Strategy implementation depends on resources and competencies possessed by the firm.
- These include:
 - money (forecasted amount)
 - equipment (given types of)
 - people (calculated numbers of with ...)
 - skills and competencies
 - control and reporting systems

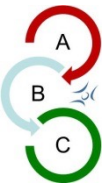


Critical in strategy implementation

- Create a sense of importance.
- Ensure that all employee concerned understand the strategy.
- Take care of compromises.
- Be a teacher.
- Be a communicator.

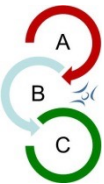


- Incrementalism
 - Modest and incremental changes in strategy occur as managers learn from experience and make adjustments.
- Emergent strategies
 - Develop progressively over time in the streams of decisions that managers make as they learn from and respond to work situations.

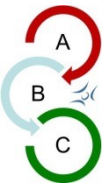


Incremental / emergent view in practice

- Not all strategies are clearly formulated at one point in time and then implemented step-by-step.
- They take shape, change, and develop over time as modest adjustments to past patterns.
- It is called Logical Incrementalism in which incremental changes in strategy occur as managers learn from experience.



- Strategic planning failures that hinder strategy implementation:
 - Failures of substance
 - Inadequate attention to major strategic planning elements
 - Failures of process
 - Poor handling of strategy implementation
 - Lack of participation error
 - Goal displacement error

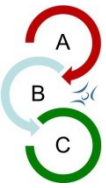


Example: a frequently cited concept

Quinn's Incremental Model (Quinn, James Brian

"Strategic change: 'Logical Incrementalism'". MIT Sloan Management Review.)

- planned change and orderly transition
- no radical change in strategic organizational directions, systems or central processes
- the effective manager is the one who moves the organization forward in small, logical steps
- incremental change increases confidence amongst employees, and reduces organizational dependence on outsiders to provide momentum for strategic change



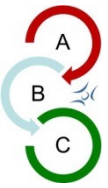
therefore the values in an organization

- change evolutionary rather than revolutionary
- order rather than disorder.
- collaboration style of leadership and management govern, instead of direct power
- use of expert authority and persuasiveness of data rather than positional authority or emotionality of charismatic leadership

Incrementalism was popular in the 1980s, in the era of stability and continuity.

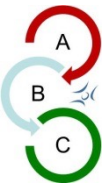
Mintzberg (1990s) further developed the concept: strategy emerges over time through a continuing process of organizational actions and learning as it seeks to cope with and adapt to its environment.

- „planned strategy” = „emergent strategy”
- In his „planning school” incremental change is the method by which change can be implemented best by top management
- „learning school” gives the method in which organization learns from its interaction with environment



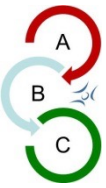
Strategy implementation approaches

- Commander approach
- Organizational change approach
- Collaborative approach
- Cultural approach



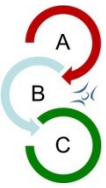
Commander approach

- Manager determines “best” strategy
- Manager uses power to see strategy implemented
- Three conditions must be met
 - Manager must have power
 - Accurate and timely information is available
 - No personal biases should be present
- Limitations
 - Can reduce employee motivation and innovation
- Advantages
 - Managers focus on strategy formulation
 - Works well for younger managers
 - Focuses on objective rather than subjective



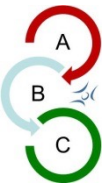
Organizational change approach

- Focuses on the organization
- Behavioral tools are used
- Includes focusing on the organization's staffing and structure
- Often more effective than Commander
- Used to implement difficult strategies
- Limitations
 - Managers don't stay informed of changes occurring within the environment
 - Doesn't take politics and personal agendas into account
 - Imposes strategies in a "top-down" format
 - Can backfire in rapidly changing industries



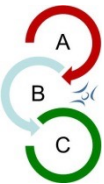
Collaborative approach

- Enlarges the Organizational Change Approach
- Manager is a coordinator
- Management team members provide input
- Group wisdom is the goal
- Advantages
 - Increased quality and timeliness of information
 - Improved chances of effective implementation
- Limitations
 - Contributing managers have different points of view and goals
 - Management retains control over the process

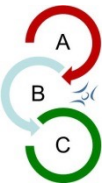


Cultural approach

- Includes lower levels of the company
- Breaks down barriers between management and workers
- Everyone has input into the formulation and implementation of strategies
- Works best in high resource firms
- Advantage
 - More enthusiastic implementation
- Limitations
 - Workers should be informed, intelligent
 - Consumes large amounts of time
 - Strong company identity becomes handicap
 - Can discourage change and innovation



SRATEGY MAPPING & BALANCED SCORECARD



Balanced strategic viewpoints of 4 main interested groups

**Owners viewpoint =
Financial results**

- *Long term profit*
- *Liquidity for short run*

**Customers viewpoint =
contentness of the
customers**

- *Market share*
- *Stable customer group*

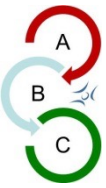
**ORGANI-
ZATION**

**Managers viewpoint = well
organized processes
(costs)**

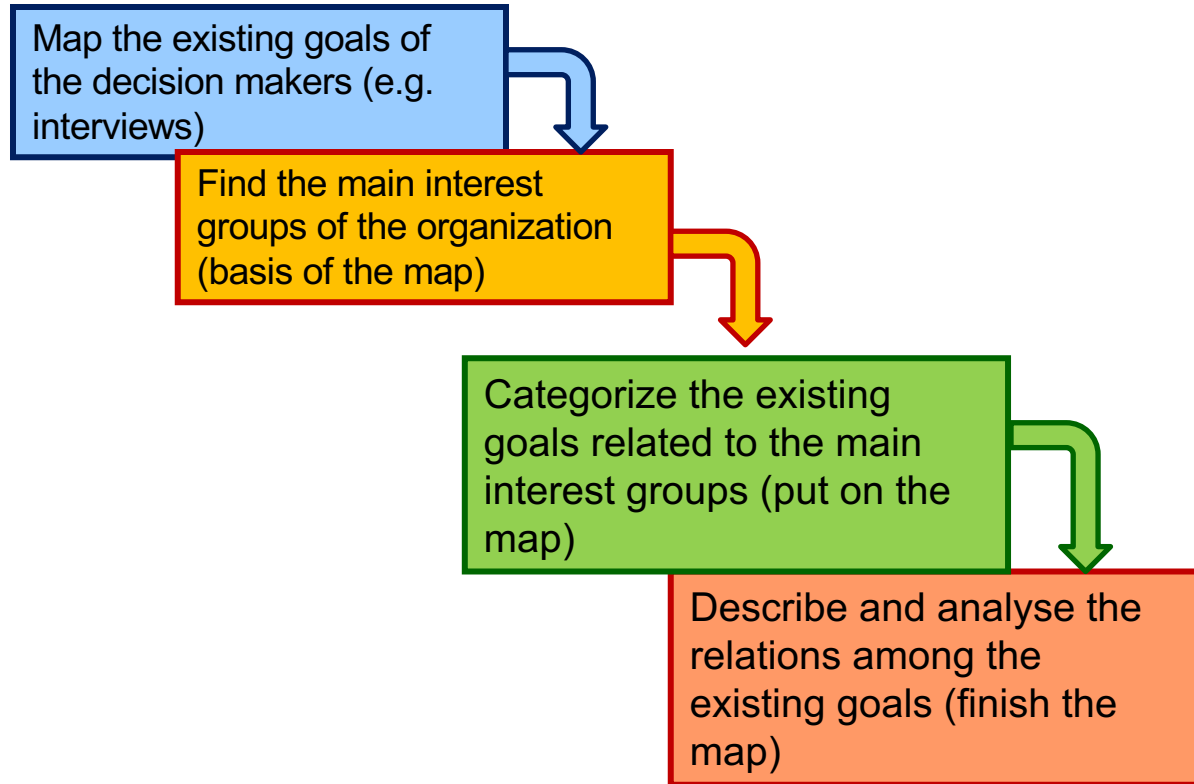
- *Efficient productions*
- *Rational costs*

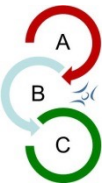
**Employees' viewpoint =
stable staff**

- *Loyalty to the firm*
- *Valuable knowledge*



Strategy Mapping: identify goals



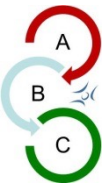


Strategic Map of goals



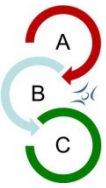
Goals should be in harmony with each others

- *Each viewpoint need at least one goal*
- *Goals are not independent from each others*
- *If we go for one of the goals, the position related to other goals will be also changed.*



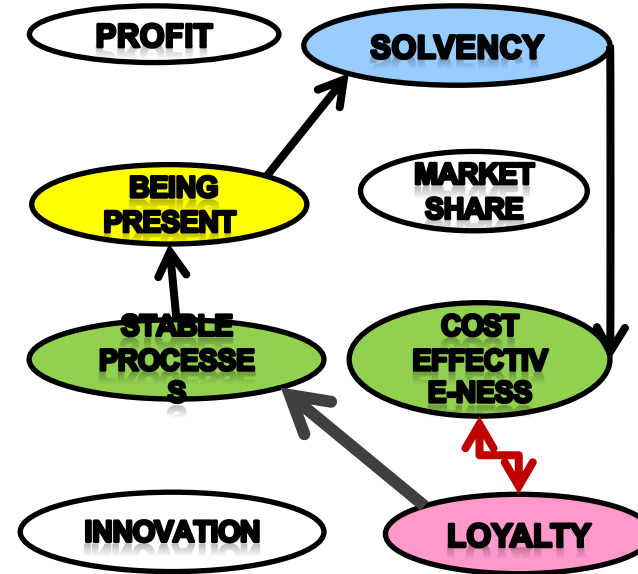
Example of relation among goals

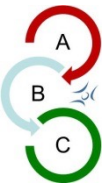




Negative Loops for stabilization on the map of strategic goals

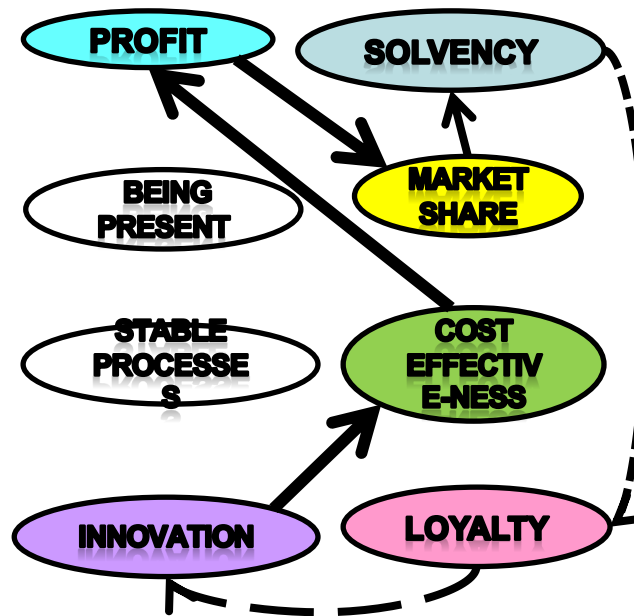
- in a loop there are influences with different directions
- achieving one strategic goal, it would hinder to achieve other strategic goal
- There are many loops of goals with negative feedback, ensure stability to the organisation.
- These are the main factors of the *Business as Usual* behavior of the organizations

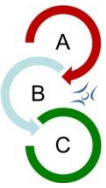




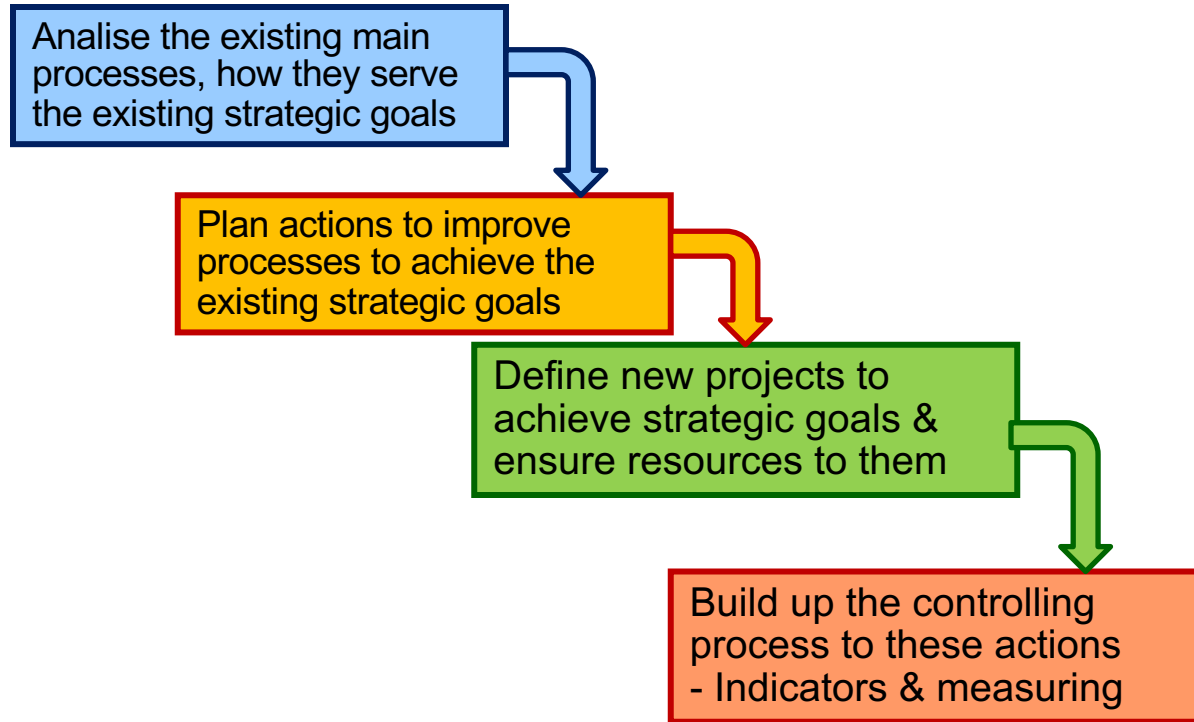
Positive Loops for intervention points on the map of strategic goals

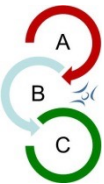
- In a loop there are influences with the same directions
- achieving one strategic goal it would enhance to achieve another strategic goal
- There are few loops of goals with positive feedback, it may lead to instability of the organization.
- But, these are the **potential intervention points to the strategic actions!**





Plan actions based on strategy mapping





Action planning

Financial goals

- *Profit and liquidity*

Marketing goals

- *Stable presence on the market*

Organizational goals

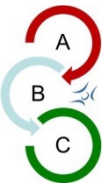
- *Clear processes and costs*

Human resources goals

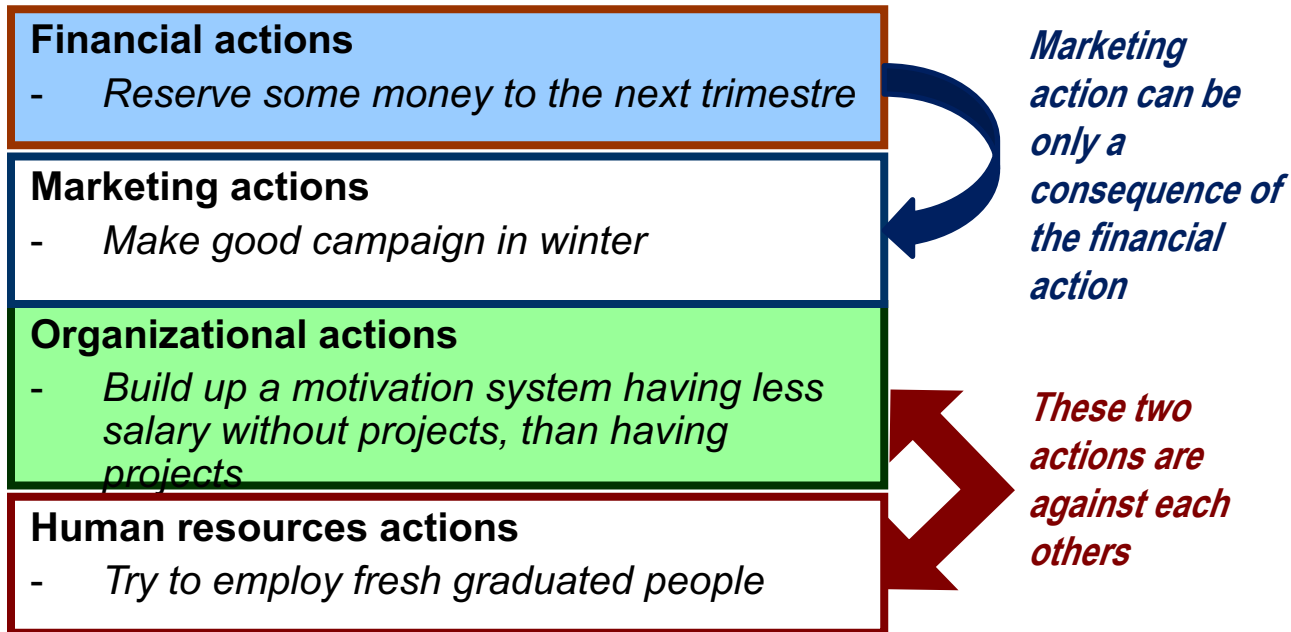
- *Ability for innovation*

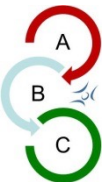
Actions to achieve defined goals

- *Each goals would imply at least one action*
- *Each action would influence the other goals, enhancing or hindering it.*
- *Select those actions, which are to accelerate more than one goals*



Example of strategic actions' relations





How to define BSC indicators

Financial Indicators

- *Profit, free cash flow*

Marketing Indicators

- *Market share*

Organizational Indicators

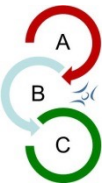
- *Number of leaders/number of workers*

Human Indicators

- *Number of high level experts related to other employees*

Measurable indicators

- *Only clear and measurable indicators are good enough to be elected*
- *Measurements can not change the influence the indicator*
- *Measuring should be fast, easy and cheap*
- ***Each loop has to have at least one indicator***



Measuring Indicators

Financial Indicators

- *Profit, free cash flow*

Marketing Indicators

- *Market share*

Organizational Indicators

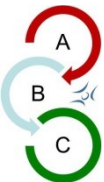
- *Number of leaders/number of workers*

Human Indicators

- *Number of high level experts related to other employees*

Analyse continuously

- *Indicators normally come **from the accounting system***
- *There is a normal band and expected value of each indicator*
- *In case the Indicator is out of its' band, some signal should be sent to the management*



Balanced Scorecard Indicators

Financial viewpoint

- *Earning/share*
- *solvency ratio short run*

Customers viewpoint

- *Sales volume*
- *Number of returning large customers*

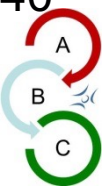
ORGANIZATION

Organized processes

- *Cost reduction/year*
- *Business process management system's scope increase*

Employees' viewpoint

- *Professionals % of other workers*
- *Fluctuation of the staff*

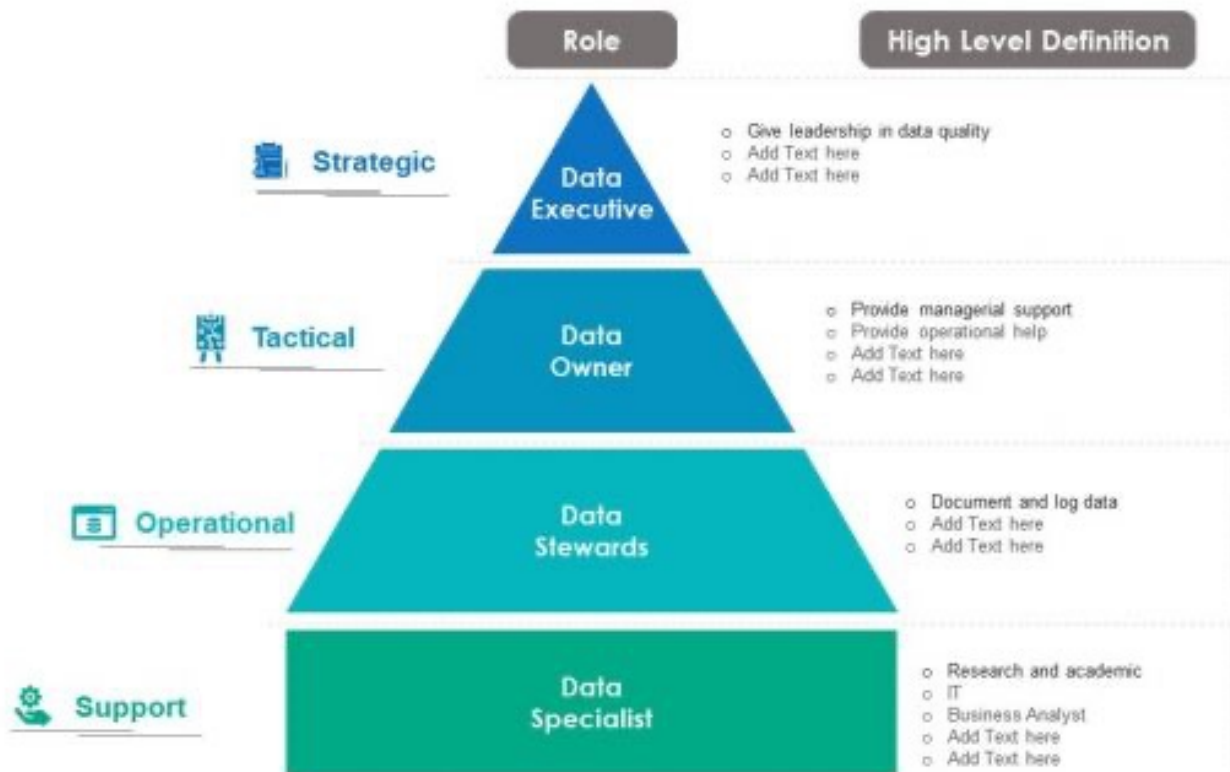


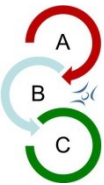
Example: Data Management



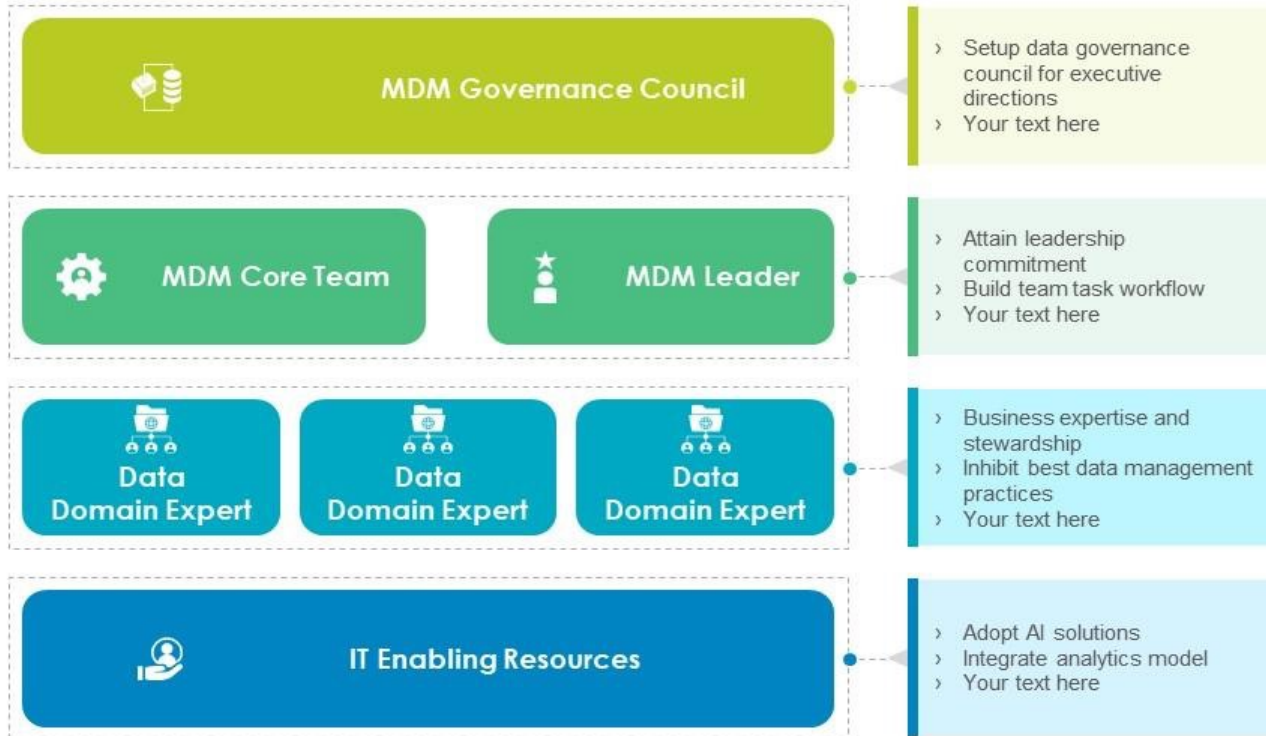


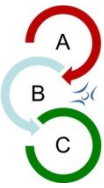
Four Different Roles in Data Ownership and Management





Master Data Management Team Structure and Their Roles





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