UNIT IV

Subject Name	Subject Code	Semester	Prepared by
STRATEGIC MANAGEMENT	**18BBA61C**	**VI**	**Dr.S.Akilandeswari, Assistant Professor**

Strategy Implementation

Strategic implementation is a process that puts plans and strategies into action to reach desired goals. The strategic plan itself is a written document that details the steps and processes needed to reach plan goals, and includes feedback and progress reports to ensure that the plan is on track.

Process of Strategy Implementation

1.Building an organization, that possess the capability to put the strategies into action successfully.

2.Supplying resources, in sufficient quantity, to strategy-essential activities.

3.Developing policies which encourage strategy.

4.Such policies and programs are employed which helps in continuous improvement.

5.Combining the reward structure, for achieving the results.

6.Using strategic leadership.

The process of strategy implementation has an important role to play in the company's success. The process takes places after environmental scanning, SWOT analyses and ascertaining the strategic issues.

Prerequisites of Strategy Implementation

1.**Institutionalization of Strategy:** First of all the strategy is to be institutionalized, in the sense that the one who framed it should promote or defend it in front of the members, because it may be undermined.

2.Developing proper organizational climate: Organizational climate implies the components of the internal environment, that includes the cooperation, development of personnel, the degree of commitment and determination, efficiency, etc., which converts the purpose into results.

3.Formulation of operating plans: Operating plans refers to the action plans, decisions and the programs, that take place regularly, in different parts of the company. If they are framed to indicate the proposed strategic results, they assist in attaining the objectives of the organization by concentrating on the factors which are significant.

4.Developing proper organisational structure: Organization structure implies the way in which different parts of the organisation are linked together. It highlights the relationships between various designations, positions and roles. To implement a strategy, the structure is to be designed as per the requirements of the strategy.

5.Periodic Review of Strategy: Review of the strategy is to be taken at regular intervals so as to identify whether the strategy so implemented is relevant to the purpose of the organisation. As the organization operates in a dynamic environment, which may change anytime, so it is essential to take a review, to know if it can fulfil the needs of the organization.

Designing an organization structure to execute a strategy

Strategy and structure are two independent elements in business that are somewhat co-dependent. The strategy – which is created often – determines the structural elements associated with the business. Some businesses also use the inverse and shape strategy, which is based on structure. Combining these forces effectively leads to a cohesive business model that functions to achieve common goals.

How Strategy Fits Into Business

Strategy is the actionable aspect of running a business. It includes pricing models, marketing and branding tactics and competitor assessment. Formulating a strategy is done to determine how the business will fit within the market – and more importantly – how the business will compete.

Designing a strategy requires specific goal setting and a big picture vision for the business. You can form the strategy first and mold the structure later to work with the strategy. In an established business that has firm structural elements, you can also form a strategy based on the existing structure and processes.

How Structure Works with Strategy

The structural elements determine how day-to-day operations are managed and run. The structure works with the strategy to reach end goals that are set by the business. In a creative environment, structure is often more loosely defined, with overlapping job roles and less oversight. This environment is based on the goal to create and innovate.

In a strict production-style business, the structural elements are far more strict. Without strict structural processes, which built on a data driven approach, these businesses would struggle to meet production goals.

Goal and Mission Statements

As a component of strategy and structure, the big picture is critical. Realistic goals are important and mission statements help define the business identity and brand. For example, a business might decide to build a better product, while charging a premium price. Other similar products may exist within the market, but this specific business is determined to differentiate as a top-tier provider.

Another approach to the same product might involve finding the lowest cost manufacturing solutions, which would enable mass production at a lower price point that the competition. In this instance, the brand is focused on affordability and mass production. They have a similar product and a vastly different mission statement.

For any business, the big picture goal is profitability, but defining sustainable profit models and working strategies to achieve that sustainability is important, and this influences the relationship between strategy and structure.

Formulating the Strategy

Strategy is a multifaceted element in business. Multiple strategies are often formed around specific products and services with the overarching idea of penetrating the market. There is rarely a single, simplified version of a strategy.

Forming a strategy begins by determining which internal job roles needed to achieve the goals. Then the company must decide which job functions are assigned to each role. This process overlaps with the structure, because ultimately, the roles will shape the company organization.

Creating a Road Map for Strategy

However, without knowing the key players and how each department will work to execute the strategy, the company might struggle. As the strategy becomes clear, so does a road map that helps define the workforce and the functions that must be performed to reach a desired result.

Forming a strategy and putting that approach on paper requires intensive brainstorming, brand identity exercises and financial evaluations that are needed to determine the required sales figures against different market penetration strategies.

Competition-Based Strategy

Strategy is commonly formed around a view of the competition and the market. After defining the product or service, examining the players and their positions in the market is an important step. Analyze their products and service offerings, pricing strategies and brand appeal to create a competitive profile.

After viewing the marketplace and creating a profile, it's time to determine where your business will sit within the existing market. This is the penetration strategy and it correlates closely with your pricing strategy. Pricing high puts a premium on the product or service and the business identifies as a luxury provider. In this strategy, exceptional quality and customer service are essential components of the business.

Three Approaches to Strategy Based on Price Point

A premium price point also calls for better warranty service and an experience that elevates the company above the competition. The result of this strategy is a higher margin but also a smaller marketplace willing to buy when cheaper options are available.

Pricing in and around the median is a common approach but the company still must build a brand, gather reviews and grow a reputation. Operating at a normal price point makes your pricing appealing but it also places the business in the most competitive market position. The result is a healthy margin but you must hustle to find stable footing.

The other option is a lowest possible price point. This is not always the best route but it does mean your product or service has immediately appeal as the cheapest option. Using this strategy requires additional strategic development to source inventory at a lower price to maintain margins. Being the cheapest player is effective but also comes with risk. If the bottom drops out, you are the lowest priced player and your margins can evaporate.

Designing Structural Elements

The way in which a business structure is designed is critical for the company. In a small, sole proprietor style business, structure is far less important as one or a small group of individuals divide all the roles and responsibilities in a tight-knit workplace. In a larger business however, structure creates organization.

The first major element of a structural plan is determining which departmental divisions are necessary. Each department will also have their own strategies implemented to achieve internal goals. The way these departments function is heavily influenced by the business strategy.

Strategic Control System

Strategic control systems provide managers the tools to regulate and govern their activities. In strategic control, managers first select strategy and organization structure and then create control systems to evaluate and monitor the progress of activities directed towards implementing strategies.

Steps in Strategic Control

1.Determine what to control.

What are the organization's goals? What elements directly relate to the mission and vision? It's difficult, but it is a must to prioritize what to control because it is difficult to monitor and assess every minute factor that might impact your strategy.

2.Set standards.

How to compare performance against? How can managers evaluate past, present, and future actions? Setting control standards—which can be quantitative or qualitative—helps determine how to measure the goals and evaluate progress.

3.Measure performance.

Once standards are set, the next step is to measure the performance. Measurement can then be addressed in monthly or quarterly review meetings. What is actually happening? Are the standards being met?

4.Compare performance.

When compared to the standards or targets, how do the actuals measure up? Competitive benchmarking can help to determine if any gaps between targets and actuals are normal for the industry, or are signs of an internal problem.

5.Analyze deviations.

Why was performance below standards? In this step, it is essential to focus on uncovering what caused the deviations. Did you set the right standards? Was there an internal issue, such as a resource shortage, that could be controlled in the future? Or an external, uncontrollable factor, like an economic collapse?

6.Decide if corrective action is needed.

Once you've determined why performance deviated from standards, you'll decide what to do about it. What actions will correct performance? Do goals need to be adjusted? Or are there internal shifts to be made to bring performance up to par? Depending on the cause of each deviation decide to take action to correct performance, revise the standard, or take no action.

Generic Alternate Strategy

Business management guru and author Michael Porter laid out his generic marketing strategies in his 1985 book "Competitive Advantage: Creating and Sustaining Superior Performance." Porter identified three broad strategies: Cost leadership, differentiation and focus, with focus subdivided into cost focus and differentiation focus.

1.Cost Leadership

The cost-leadership strategy is a good option for companies that are able to consistently reduce the costs of doing business. Maintaining low overhead costs and negotiating favorable acquisitions costs with suppliers are key to making this strategy work. Cost Leadership is applied in one of two ways. Generate higher profit margins by charging industry-average prices despite low cost basis, or pass the savings onto customers and build market share through high sales volume.

2.Differentiation

A differentiation strategy is a better alternative for a company that doesn't have strong cost advantages or prefers to emphasize strengths in production or resale. The key to this approach is to research customer needs, design and develop quality products or service proceeds to match and effectively market and sell solutions by stressing the differences from competing brands. Product quality, elite service, unique features and environmental responsibility are common ways to separate with a differentiated approach.

3.Cost Focus

In general, the focus strategy is distinct because it is used to serve a niche target market. The cost-focus approach means to use the principles of a low-cost operation to market affordability to a niche market. In the supermarket category, for instance, German chain Aldi's drives business from lower- to middle-income buyers by maintaining a very low-cost operation. This enables them to offer low prices to the most budget-conscious grocery shoppers.

4.Differentiation Focus

A differentiated-focus approach means to market a bigger or better solution to a smaller market segment. Local businesses commonly rely on this strategy when competing against larger box retailers. A small electronics retailer, for instance, could promote the best selection of high-tech products or the most knowledgeable service staff as a way to attract business from general-merchandise retailers and discount stores. This strategy offers a way to build strong loyalty since it is necessary to focus specifically on the needs of a select group of customers.

Expansion strategy through diversification

The Expansion through Diversification is followed when an organization aims at changing the business definition, i.e. either developing a new product or expanding into a new market, either individually or jointly. A firm adopts the expansion through diversification strategy, to prepare itself to overcome the economic downturns**.**

Generally, the diversification is made to set off the losses of one business with the profits of the other; that may have got affected due to the adverse market conditions. There are mainly two types of diversification strategies undertaken by the organization**:**

1.Concentric Diversification: When an organization acquires or develops a new product or service that are closely related to the organization's existing range of products and services is called as a concentric diversification. For example, the shoe manufacturing company may acquire the leather manufacturing company with a view to entering into the new consumer markets and escalate sales.

2.Conglomerate Diversification: When an organization expands itself into different areas, whether related or unrelated to its core business is called as a conglomerate diversification. Simply, conglomerate diversification is when the firm acquires or develops the product and services that may or may not be related to the existing range of product and services.

Generally, the firm follows this type of diversification through a merger or takeover or if the company wants to expand to cover the distinct market segments. ITC is the best example of conglomerate diversification.

The Contents in this E-Material is taken from the text and reference book as given in the syllabus.