

CHAPTER THIRTEEN

Designing and Implementing Strategy

A: Main Teaching Points (by textbook section)

In general, this chapter deals with strategy both as a formal planning process and as an emergent response to change in the environment.

Planning and its implementation are treated as separate and equally important stages in the strategic process. This approach prepares the ground for subsequent chapters, which deal with the problem of applications made in international arrangements. In practice, international joint ventures and subsidiaries abroad are often faced with the problem of applying strategic plans made at headquarters, where different cultural and other priorities apply.

This chapter (in particular, section 13.5) prepares students for chapters 14–18, which all deal with aspects of how the headquarters implements its strategy abroad.

13.1 Introduction

This case shows how rethinking the scope of the product can influence strategic thinking. It underlines the need for flexibility when responding to change in the environment.

13.2 Formal strategy planning

This section first introduces different approaches to strategy: the formal plan of action, a plan that focuses on applying action, a plan that focuses on positioning the organization in relation to the competition, and the emergent plan. These reflect different emphases in the literature on strategy, which is dominated by American theories.

A definition of strategy is given. Make the point that a strategy tries to make radical changes happen; routine changes are managed by routine procedures. Also, remind them that the decision to invest in a strategy reflects changes in environmental (and possibly internal) factors. The section then goes on to examine stages in the formal plan, which is mapped against the classic planning model discussed in chapter 10.

The discussion of goals can obviously be made more complex than that given in subsection 13.2.3. In any firm in the private sector, all goals – explicit and implicit – reflect two all-embracing needs: first, survival, and then, profit making. What other goals might a company have beyond those listed?

13.3 Analyzing resources and the competition

This develops the second approach to strategy listed in section 13.2. An audit is made of the resources available to the company, and this should also make clear what further resources are needed in order to achieve strategic goals. Tangible and intangible resources are distinguished. Intangible resources include the systems discussed in previous chapters. They also include knowledge resources.

Tangible and intangible resources are applied so that they give the company competitive advantage.

13.4 Positioning the company

This develops the third approach to strategy listed in section 13.2. It focuses on relations with competitors and the importance of gaining market share. Porter's work is discussed. Make the point that this approach cannot be easily practiced without taking into account the points raised in the previous section; that is, the position of the company is only fully understood when the resources available to exploit or defend it are taken into account. SWOT analysis attempts to bring together internal and external analyses but presents problems in application.

13.5 Implementation

Make the point that strategic planning has little value until it is implemented. The chapter 10 discussion about implementing change plans applies here. In circumstances where formal strategic planning models cannot be applied, the line between implementation and planning becomes blurred, and strategy is increasingly based on modifications to the experience of implementation.

This section introduces the problems and opportunities of implementing headquarters strategy in subsidiaries and projects abroad, which are affected by different environmental factors. Make the point that in newly developing economies problems of implementing an international strategy may be multiplied by:

- Lack of managerial skills;
- Lack of government regulation governing foreign investment in local enterprise;
- Lack of understanding of how existing regulation should be interpreted;
- Lack of confidence in using regulations.

These factors superficially are not cultural, although they may be reinforced by culture. For example, strong needs to avoid uncertainty can influence a lack of confidence in using regulations and a suspicion of authorities responsible for promulgating them.

Anglo models of strategic planning are now so common that local values may be difficult to identify in a non-Anglo strategy. They may be evident in the selection made of strategic alternatives. For example, a Hong Kong textile manufacturer was presented two alternatives: continue with his present policy of targeting upmarket, but invest in more technology and reduce his workforce; or move downmarket. He selected the second on the basis that this did not require him to lay off long-term employees.

Local values are more likely to be reflected in how the strategy is implemented. This has implications for the implementation of headquarters' strategy across subsidiaries abroad (discussed in subsequent chapters).

This book treats re-engineering and quality circles as examples of systems used to IMPLEMENT strategy, and not as strategies in themselves. No responsible company would wish to make re-engineering its ultimate goal; re-engineering is done in order to achieve some other goal. It has been selected for discussion because it illustrates a system that clearly reflects the cultural values of its founders and is likely to be inappropriate in cultural contexts with other values.

B: Implications for the Business Student

(This section modifies the material on pp. 309–10 of the textbook.)

Analyze a strategy currently undertaken in your business school. Research your answers by interviewing persons responsible for the planning and implementation.

1. How far is the strategy planning a deliberate process? How far is it an incremental and emergent process?
2. Review the strategic planning model (table 13.1) and answer these questions.
 - a. What are the strategic goals?
 - b. What services are currently offered by the business school?
 - c. What new services can the business school develop into?
 - d. What resources does the business school need in order to take advantage of the environment?
 - e. What resources are available?
 - f. How do your internal arrangements contribute value?
 - g. How might these internal arrangements be improved, so that they contribute more value?
 - h. What factors give your services competitive advantage, in the eyes of potential students? Consumer or end user?
 - i. Who are your competitors?

- j. Why might potential students be more attracted by the services offered by these competitors?
- k. What competitive advantage do you have?
3. How will the strategy be communicated to your major stakeholders?
 - a. Faculty
 - b. Students
 - c. Administration
 - d. Past graduates of the school
 - e. Employers who hire your graduates
 - f. Donors
 - g. The media
 - h. Any others.
4. Describe the strategy, and show how this relates to the goals.
5. What problems might arise in implementing this strategy?
 - How might cultural factors affect implementation?
 - What other factors might affect implementation?

C: Class Discussion Questions

1. Look through the books in your library to find other definitions of strategy and strategic planning. How far do they differ from that given here?
2. Who are the stakeholders in your business school? In what respects are the different groups dependent on each other? How are strategic plans communicated to each of these different groups?
3. How far does re-engineering depend upon information technology in order to succeed? Could re-engineering be practiced without this technology?
4. Describe alternatives to deliberate strategic planning that you have experienced.
5. Give examples of contexts in which the classic planning model is most appropriate, and contexts in which it is not.

D: Answers to the Exercise

- a., b. Mr. Charnvit's knowledge contributes an intangible resource only. Because he refuses to impart it to others, it has value insofar as it enriches his own work, but not that of others. It has value in the short term but not in the long term.
- c. Accept any answer that expresses ideas that company knowledge:
 - Is held by members of the company
 - Can be made available to all members of the company
 - Can be applied to the advantage of the company.
- d. Mr. Charnvit's knowledge can be interpreted in terms of all four categories. The answers given to a. and b. are reformulated.

E: Additional Exercise Material

Analyze the following in terms of strengths, weaknesses, opportunities, threats.

- a. Your company manufactures widgets. You sell to motor manufacturers. You operate in a culture where employers are expected to demonstrate long-term loyalty to employees.
- b. Your marketing manager, Mr. Alpha, is recognized as the best in the business. You calculate that he is responsible for half the sales that your company makes.
- c. Mr. Alpha has taught all his skills to one subordinate only, Mr. Beeta. Mr. Beeta is young, and recently graduated from a prestigious MBA program in Australia.
- d. Many competitors have tried to lure Mr. Alpha away, but he has always been loyal to you.
- e. Mr. Alpha is old and unwell, and is due to retire later this year.
- f. A new technology has come on to the market. You can acquire this before your competitors do, but the expense will mean delaying plans to raise salary levels.

F: Test Bank

1. Formal strategic planning is:
 - a. Aimed at achieving definable goals
 - b. Usually the responsibility of senior management
 - c. Taken with consideration for how it can be implemented
 - d. All the above.(Answer, d: p. 290)
2. The company chooses a new strategy when:
 - a. Routine decisions need revising
 - b. The environment changes
 - c. The present strategy is inadequate to achieve existing company goals
 - d. The present strategy is informal.(Answer, c: p. 291)
3. Strategic goals include:
 - a. Only implicit goals
 - b. Only explicit goals
 - c. Implicit and explicit goals
 - d. Implicit or explicit goals, depending upon the industry.(Answer, c: pp. 291–2)
4. Goals are formulated:
 - a. At corporate, business, and departmental levels
 - b. At corporate level only

- c. At business level only
- d. When it is necessary to change the product range only.

(Answer, a: p. 293)

5. Analysis of internal arrangements tells the firm:
- a. Why it has specified competitive advantages
 - b. What competitive advantages it has
 - c. How to make new applications of financial and accounting data
 - d. Why it is in competition with other firms.

(Answer, a: pp. 294–5)

6. Analysis of competitive advantage identifies those factors that favorably distinguish:
- a. The company and its products from some other company and its products in the eyes of market analysts
 - b. The company and its products from some other company and its products in the eyes of end users
 - c. The company and its technology from some other company and its technology
 - d. The company and its human resources policy from some other company and its human resources policy in the eyes of the employees.

(Answer, b: p. 296)

7. Porter (*The Competitive Advantage of Nations*, 1990) found that the factors influencing industry development were:
- a. Rivalry among competitors; bargaining power of buyers; bargaining power of suppliers; threat of new entrants; threat of substitute products and services
 - b. Rivalry among competitors; bargaining power of buyers; bargaining power of suppliers; government intervention; cultural factors
 - c. Bargaining power of buyers; bargaining power of suppliers; threat of new entrants; threat of substitute products; government intervention
 - d. Rivalry among competitors; bargaining power of buyers; bargaining power of suppliers; cultural factors; threat of new entrants; threat of substitute products.

(Answer, a: p. 297)

8. The identification of scope tells the firm:
- a. In what business(es) it already participates
 - b. In what business(es) it already participates, and in which it should aim to participate
 - c. In what business(es) its competitors participate
 - d. Projections of market share at the end of the strategy time period.

(Answer, b: p. 298)

9. The literature on strategic planning is mainly devoted to:
- a. Development of plans, and says little about implementation
 - b. Implementation, and says little about development of plans

- c. Headquarters' interests, and says little about subsidiary interests
- d. Subsidiary interest, and says little about headquarters' interests.

(Answer, a: p. 299)

10. The principles of re-engineering reflect:
- a. A universal disregard for employees' rights
 - b. No particular culture
 - c. A lack of understanding of technology
 - d. American culture.

(Answer, d: p. 304)

11. In any company, who are the most important stakeholders whose interests have to be met?
- a. Stockholders
 - b. Employees and managers
 - c. Unions
 - d. All those in whose interests the company is run.

(Answer, d: pp. 306–307)

12. Emergent responses arise:
- a. In an increasingly chaotic environment
 - b. In an increasingly ordered environment
 - c. When the stakeholders cannot agree on an appropriate response
 - d. When returns on investment decline.

(Answer, c: pp. 307–308)