

Activity 22. Activate Strategy

"There is no more important trait among the excellent companies than an action orientation." Peters and Waterman, p. 154.

Introduction

Making choices are acts; the first actions in implementing strategies. Activating or putting the choices into effect are the logical, subsequent series of actions in the sub-process of implementation. While making strategic choices tends to be the responsibility of "peak decision makers", putting them into effect involves managers and others at all levels in the organization. Historically, authoritarian organizations like the military and corporations separated strategic decisions from activating and doing them. In recent times, progressive organizations emphasize and practice participatory decision making. Such practices contribute valuable ideas, involvement, commitment and motivation to making and fulfilling decisions. Participatory management mobilizes greater efforts and enables greater continuity and congruence between choices made and activated.

Managers are pragmatists. The ultimate test of their strategic choices is if they have successful results. To enhance the chances of success, organizations need well-planned, managed and activated programs, processes and procedures. The successful implementation of strategies requires an organization whose members are competent and have a predisposition for action. A landmark study found from extensive research, the first attribute that characterized "excellent, innovative companies" was a "bias for action". Peters and Waterman, *In Search of Excellence*, p. 13. More than a decade later, other leading strategists, including the founder and CEO of Intel Corporation, were advocating the importance of strategic action by organizations and their senior managers. "Aligning corporate strategy and strategic action is a key top-management responsibility." Andrew S. Grove and Robert A. Burgelman, "Intel's secret? Leverage the dissonance", *Electronic Engineering Times*, August 19, 1996, p. 24. The ultimate test of strategic actions is manifested in the performance and results of the people and other resources involved, whether in the marketplace, public service or charitable endeavors. From this point on in the STMP, performance and results of strategic and tactical actions are the primary foci for management and most other members of an organization.

One critic of strategic management claims that "as flawed as strategic planning is, its execution is frequently worse." Oren Harari, "Good /bad news about strategy", *Management Review*, July 1995, volume 84, issue 7, p. 29 Professor Harari claims that planning is often done by one of three groups, each of which is out of touch with reality. The final plan is "...hierarchically imposed by top managers on everyone else, generating neither commitment nor understanding within the organization". *Ibid.* To achieve such commitment and understanding, effective communications are imperative. To achieve such communications requires the use of "... a perpetual set of conversations aimed at developing a coherent, exciting, ever-evolving 'motion' picture of the organization and the business." *Ibid.* Since the 1960s, evidence from experience, research and most of the relevant literature shows that, in most situations, participatory organizations and management contribute to the successful implementation of strategic choices. However, as will be discussed later, managers realize that different situations require different ways of executing strategies.

Organizing people is vitally important in taking strategic action. For strategies to be optimized, people throughout the organization must be committed and involved in carrying out the strategic plans and choices, preferably that they have been involved in making. Such involvement includes each individual coming to work with the objective of thinking of opportunities, e.g., cost reduction, product enhancement, quality and service improvements, new niches and sources of revenue, and then working collaboratively with like-minded colleagues to develop such prospects and take action to implement them. Harari, *ibid.* "Even though these (excellent) companies may be analytical in their approach to decision making, they are not paralyzed by that fact... In many of these companies the standard operating procedure is 'Do it, fix it, try it.'" Peters and Waterman, *loc. cit.* To some managers, such an approach sounds sloppy, maybe disorganized, even haphazard. A preferable mindset might be: get oriented, develop aims and feasible courses of action, evaluate them, select the optimal one(s) and do them well.

Successful strategic management needs organizational flexibility. Great Britain lost America because of inflexible policies, e.g., taxation without representation, and on the battle field, e.g., columns of British soldiers marching along with flags flying and musical instruments being played while the colonists maneuvered around for advantageous positions and the dire consequences that logically followed. In changing times, whether in the 1700s or the 21st century, formal organization structures or "bureaucracy" seldom provide the flexibility or fluidity of people necessary to perform well within the dynamics of strategic action. For more than three decades, the opposite of bureaucracy, i.e., "ad hoc", has been advocated for those organizations whose managers were endeavoring to execute strategies and perform satisfactorily, if not optimally. For example, see Warren G. Bennis and Philip E. Slater, *The Temporary Society*, New York: Harper and Row, Publishers, 1968, Alvin Toffler, *The Third Wave*, New York: Bantam Books, Inc, 1981. Such organizational fluidity exists in all kinds of organizations, especially those which are managed by people who value and utilize purposeful flexibility.

The concept of organizational fluidity, therefore, is not new. What is new is that the excellent companies seem to know how to make good use of it. Whether it's their rich ways of communicating informally or their special ways of using ad hoc devices, such as task forces, the excellent companies get quick action just because their organizations are fluid. Peters and Waterman, *op.cit.* p. 121.

Autocracies, dictatorships and other forms of highly structured, rigid organizations, be they a few people or legions of thousands, are inhibited from performing optimally. At the macro level, the former Soviet Union exemplified the adverse socio-economic consequences of a highly structured administrative system. While large corporations and government agencies are notorious for inhibiting strategic action, for different sets of reasons sole proprietors and small businesses commonly are overly inflexible, also.

Challenges to strategic management

Taking strategic initiatives

Product or service development and introductions receive priority attention by management in many organizations, especially in the advanced technology sector.

Relatively large allocations of resources are made for R&D, extensive trials and analyses, production "tooling up", market launches, complete with major promotional campaigns, and related activities throughout the organization. However, given the perceived risk, such projects are difficult and challenging to carry out. Consider the three blade (Mach 3) razor introduced by the Gillette Company in mid-April, 1998, after more than five years of developed work "shrouded in enough secrecy for a Stealth bomber". Mark Maremont, "Gillette to unwrap three-blade razor today", *Wall Street Journal*, April 14, 1998, p. B9. The article goes on to describe how Gillette's management deemed the new razor so important that it built high plywood wall inside its Boston factory to conceal the production lines. It parcelled out work to subcontractors so no one would have a complete knowledge of the product. Gillette went to the FBI to safeguard against design and production leaks. For Gillette, the stakes were high. Estimates of development expenses exceeded \$750 million, nearly four times what Gillette spent on the 1989 launch of its Sensor Razor. In addition, the first year's marketing budget of \$300 million pushed the total upfront cost of the new product to more than \$1 billion. Despite some sceptics, extraordinary profit growth was anticipated by the company and Wall Street. *Ibid.* Clearly, this product was and will continue to be a high priority for Gillette management and its strategic actions for several years.

Changing the organization's technology, selling off a business, closing a plant or department, laying off employees and other "rationalizing" choices are very difficult to carry out. For years, traditional printing and publishing companies did not change their technology thus enabling photocopy and other "instant" printing processes to take over major shares of the market. Like changing productive technology and processes, eliminating products also challenges managers' strategic courage and competence. Product lines become obsolete and out of appeal in the marketplace. One authoritative study found that just 7.6 percent of all personal care and household products account for nearly 85 percent of total sales. Mark Andrew Mitchell, Ronald D. Taylor and Faruk Tanyel, "Product elimination decisions: a comparison of American and British manufacturing firms", *International Journal of Commerce and Management*, 1998, volume 8, issue 1, p. 9. Conversely, 92.4 percent of the products account for 15 percent of sales. Clearly, companies need to eliminate a high percentage of low/no selling products. Why is such rational culling of products not being done?

Resistance to change

Strategies are intended to bring about changes to an organization and its constituents. Some welcome change like springtime, a time for new vigor and growth. Others reject it like a winter blizzard. Resistance to change is common and has been a management issue for a long time. Managers encounter various forms of resistance to change. Much of the resistance is tacit; some of it is explicit. The former is more challenging because it is difficult to identify, evaluate and take constructive action on. The latter often leads to conflict before it is resolved. Some resistance is inertial. Some of it may be reaction to perceived threats and some of it may be risk aversion, especially if management and other personnel have suffered in previous change efforts. Some of the resistance is justified; some is not; all of it is rationalized. Whatever is the nature of the resistance to change, once management has made reasonable decisions, action is needed to carry them out.

Inchcape is an United Kingdom based, international insurance services company with £5 billion in turnover and subsidiaries in 80 countries. The resistance to change its management had been encountering was overcome through a risk management program. As commonly recommended, the program was implemented gradually and included three main components: 1. aims, key issues and time frames; 2. organization and reporting; and 3. specific tasks and priorities for personnel involved in the program. Lisa S. Howard, "How RMs overcome organizational resistance", *National Underwriter*, May 2, 1994, volume 98, issue 18, p. 9. Personal experience as well as volumes of valid and reliable research provide convincing evidence that having members of the organization involved in the planning and decision making is 3E way to overcome resistance to implementing strategic actions.

Setting priorities

Setting priorities is one of the most basic requirements of strategic management. Each day, circumstances change and managers face the problem of priorities. Each day, management faces the need to get so much done within the constraints of time and other limited resources, i.e., reality. Each week has 168 hours. Each organizational unit has limited money, materials, machinery and people. Each person has only so much talent and energy. Managers and others involved in executing strategies can only do so much within a specified period of time. consequently, managers are constantly challenged by: what is done first, second and down the list of priorities?

What is done, when, where, how and why is often influenced, if not determined, by externalities. Enron's decision to discontinue its hydro-electric project in Nepal was influenced by several significant environmental conditions, e.g., political instability, declining demand and stoppage of a similar project by the World Bank. Other influences on carrying out strategies are gleaned from the on-going monitoring of environmental forces and conditions. Strategic issues frequently arise about the availability of financial, human, technological and other resources. Climatic, weather and erratic conditions of nature, e.g., hurricanes, blizzards, earthquakes and tsunamis, often dictate what is to be done, how and when. Other strategic and tactical challenges are posed by actions taken by terrorists, competitors, governments, bureaucracies, the courts and other bodies with power. These external forces are only part of a long, changing and increasingly complex and risky set of influences on the strategic choices that have been made and the actions needed to implement them optimally.

Being on time, on budget

"Time is of the essence" is a legal term that means time makes something what it is. Never in the history of management, with the possible exceptions of the World Wars, has time been so stressed with managers and their actions, strategic or otherwise. Clearly, strategic actions are increasingly time-sensitive. Managers use various ways of thinking about time when making choices and taking action. Finance people think about the time value of money. Marketing people think about the timing of product introductions, advertising campaigns and pricing changes. Human resources people hire and fire personnel based on speed (and quality) of performance. Production people have thought

about increased output per hour since the wheel was developed. Technology people research and develop innovative ways of increasing the speed of practically everything, from data transmission to heart transplants.

Much of the emphasis on timeliness can be attributed to strategic competitive advantage; the gain or loss of it. Reducing time-to-market is a key competitive capability. Charles W. L. Hill and Gareth R. Jones, *Strategic Management - An Integrated Approach*, Toronto: Houghton Mifflin Company, 1995, p. 156. In many cases, the fast-cycle competitor is better able to capture first position advantages and enhance the chances of its products and services being at the leading edge of competition. Such a position is especially valuable in the fields of technology. Northern Telecom and Ameritech increased the latter's competitive advantage of delivering services faster and more cost-effectively by activating strategies that streamlined the introduction of new engineering, provisioning and upgrading of computer systems. Editors, "Partners in provisioning: Ameritech and Nortel redefine the vendor-customer relationship", *Telesis*, October, 1995, issue 100, p. 88. The Partners in Provisioning program is considered to be a model of organizational agility that is defining the success in the market for computer networks.

For fast cycle strategy, one consultant provides three "maxims": 1. *cut out the time sinks*, notably "visioning" that is not related to strategic decisions; 2. *invest in time savers*, including intuition about how customers are changing, how conflicts are resolved and what works in the industry; and 3. *act at market speed*, advisedly keeping in step with the competitors. Paul Magill, "Fast-cycle strategy", *Electronics Business*, January, 1998, volume 24, issue 1, p. 10. As Mr. Magill observes, "Fast-cycle strategy can become a habit, you just need to get the momentum going." Newspapers and television use fast-cycle strategies to meet production and distribution deadlines and their markets' perceived desire for timely news. The question of what is fast cycle strategy and what is tactics becomes increasingly moot with the growing use of electronic and telecommunications technology.

Wise people and competent managers are cost-conscious ("a penny saved is a dime or more earned"). With increased global competition, cost and price management have been moved to a higher priority in strategic actions. Governments in North America, the European Union and elsewhere have been cutting back on deficit spending, balancing their budgets and procrastinating about reducing their public debts. Some political leaders have followed examples from business (and the results of public opinion polls). For more than a decade, companies in virtually every sector have been "rationalizing" their organizations. Manufacturers shut down their plants in one area, outsource or move their production operations to virtually anywhere in the world where they can gain a cost advantage. Some do not need to be rationalized. They have achieved low cost production and/or have other competitive advantages. Other companies have resisted cost-cutting or not succeeded in their attempts. In the spring of 1998, the Chairman of Moore Corporation, the world's largest manufacturer of business forms and labels, announced that the company's dividend had been cut 78 percent and the newly-named President and CEO had 90 days to develop a "sweeping cost-cutting" and re-structuring plan. Jacquie McNish, "Moore Corp. slashes dividend", *The Globe and Mail*, April 23, 1998, p. B1. The announcement followed several unsuccessful efforts to re-organize the company's operations. With its core forms division operating at 55 percent of capacity, down-sizing and layoffs were apparent and imminent.

Meeting or beating quality standards

Executing strategies strictly on time and on budget can result in shortcuts which compromise the qualities of products or services. Like many companies, Champion International Corporation considers quality control to be a key business strategy and provides several opportunities and ways for employees to learn about quality processes and participate in quality improvement. Clarissa Cruz, "Quality program softens boundaries at Champion", *Purchasing*, January 11, 1996, volume 120, issue 1, p. 73. By involving employees from interrelated jobs to work together toward the continuous improvement of quality in its paper and wood pulp production and distribution, Champion has been able to improve product quality, an integral part of its corporate strategy. Managers in technology companies who encounter resistance to initiatives intended to achieve total quality management (TQM) have focussed on the needs, resources, processes and the meaningful involvement of the scientists and technical personnel. Neal A. C. Braver, "Overcoming resistance to TQM", *Research-Technology Management*, September-October, 1995, volume 38, issue 5, p. 40. This approach was found to be effective in activating TQM programs, either incrementally or by radical re-engineering and achieving the quality standards and cost savings desired by management.

Strategic dissonance

Some of the challenges and difficulties of carrying out strategies are social and personal; *post-decisional cognitive dissonance* is not just a fancy psychological term. Decision makers do experience doubt, dissatisfaction (and satisfaction) to varying degrees after they make choices. Two business partners experienced that when, after three months of operating a new printing business, they decided to close down the plant, sell the equipment, lay off the employees, re-negotiate the building lease, return inventory to suppliers, do the paperwork required by governmental agencies, utilities and numerous other necessary activities. The basic cause of the partners' dissatisfaction with their new business was the absence of a sound strategy and the ways to implement it. As they learned, "gut instinct" and entrepreneurial spirit only takes businesses so far down the path to success.

Sources of strategic dissonance

Dissonance often emanates from interactions with other, e.g., disagreements with others in management, the organization, the marketplace or the public. After two years of an active strategy to compete against Microsoft Corporation in the office software market and losing US\$231.7 million in 1997, the President and CEO of Corel Corporation faced challenges from investors, ranging from individuals to mutual funds. See, for example, Patrick Brethour, Shareholders put Corel CEO on hot seat, *The Globe and Mail*, April 16, 1998, p. B1. Investor discontent was heightened by reports that Corel had restated its revenue by \$30 million less for fiscal 1997. In addition, the CEO had sold Cdn\$20.5 million worth of Corel stock just a few weeks before the share prices fell on news of deep losses in its third quarter. *Ibid.* The restatement of financial results became the basis for five shareholder lawsuits in the United States.

One of the major sources of strategic dissonance, originates in the divergence between the strategic plans and strategic action. Inertia, procrastination, "paralysis by analysis" and other inhibitors adversely influence corporate strategy. For example, Intel's exit from the Dynamic Random Access Memory (DRAM) business was delayed by top management holding onto Intel's identity as a memory company, even though by 1985, the company was a small competitor in the DRAM market, with two to three percent market share. *Ibid.* Similarly, IBM's slowness in taking advantage of the Reduced Instruction Set Computing (RISC) microprocessor architecture that it had invented in the mid-1970s was attributable, at least in part, to top management's perception of "Big Blue" as the leading mainframe computer company in the world.

In contrast to inertia and other tendencies that inhibit or cause organizations to miss their "windows of opportunity", executives and other top managers often overreact and change strategy without due diligence. Even with well-intended political purposes, governments and their agencies are prone to making reactionary mistakes. In the early 1990s, following a narrow victory over the separatist campaign in Quebec, the federal government launched numerous strategic initiatives which were inadequately planned, organized and controlled. A decade later, several scandals and cases of extreme mispending were reported by the Auditor General of Canada. In 2003, the Bush administration made serious strategic errors in attacking Iraq, in part because it had no strategic plan or means of implementing it. In business, strategic actions are taken in ineffective ways that stretch what the organization is capable of doing and the market is not ready to accept. In the early 1990s, Apple Computer's CEO John Sculley was clearly too far ahead of his organization when he pushed the strategy of developing personal digital assistants and personally championed the Newton operating system. *Ibid.* Timing and scope of activities are vital factors in successfully executing strategies.

A third way of causing strategic dissonance is by independent strategic actions taken by management that diverge from the corporate strategy. During the late 1970s and into the early 1980s, Intel's new EPROM and microprocessor business began to compete with the DRAM business for limited corporate resources. Middle managers allocated scarce manufacturing capacity to the new, higher-margin EPROM and microprocessor business, thereby gradually diminishing the strategic importance of DRAMs as Intel's core business *Ibid.* This situation illustrates the need for preparing sound organizational objectives, committing to making and implementing optimal choices and ensuring that effective communication and coordination of personnel is achieved at all levels in the organization.

Consequences of strategic dissonance

Serious difficulties are encountered when the dissonance is so severe that a strategic initiative must be stopped; when management has to "cut its losses" and preserve the organization's resources and viability. Imagine the complexity, difficulty and costs inherent in Enron's decision to withdraw from a U\$6 billion hydroelectric power project in Nepal. The decision to stop production was based on forecasts of slower growth in China, a primary market for the power to be generated, and a lack of political stability, i.e., four governments in 18 months, the scrapping of another billion dollar

project by the World Bank, repeated delays in securing exclusive rights to evaluate the project and changing demands by the governments "of the day". Jonathan Karp, "Enron quits Nepal hydro project", *The Wall Street Journal*, April 14, 1998, B9. Because a decision is made to launch a project does not mean that it continues to completion. Managers must have the knowledge, authority and fortitude to change directions, discontinue or stop strategic plans, programs and resource allocations and then manage the resultant situation(s) optimally.

In extremely dynamic industries, such as high technology and those utilizing major technological advances, alignment between a firm's strategic aims, choices and action are not likely to endure without modifications. The need for adaptability is evident in the next stage of the TSMP as well as its overall "rolling forward" form. After some time and activity, strategic actions will begin to lead or lag behind strategic intentions. Grove and Burgelman, *op. cit.* p. 25. Such divergence between intent and action cause "strategic dissonance" in the personnel and management of an organization. Consequently, new strategic intent as well as revised objectives, plans, programs, resource allocations and structures are necessary to enable the organization to move forward from its strategic dissonance.

Not all dissonance is strategic. Dissonance is strategic when it signals impending long term industry or corporate transformation such as Intel's leaving the DRAM business in the mid-1980s, and its entry into and exit from the RISC Central Processing Unit (CPU) i860 market several years later. These examples of strategic dissonance signalled to Intel's management that it had reached or was to reach a "strategic inflection" or turning point and not just a minor and/or transitory change in competitive activities. At Intel, those signals emanated from the information and intelligence of its R&D units, the sales organization and other sources within the organization. In the early 1980s, Intel went from eight to one plant manufacturing DRAM because, month by month, the finance and production planning people (middle managers) "allocated scarce capacity from where it seemed unprofitable to where it seemed to be more fruitful." *Ibid.* (Note the perception of seeming.)

Such perceptions may lead to "strategic recognition", i.e., the capacity of top managers to appreciate the strategic importance of managerial initiatives after they have occurred but before clear and substantive market or other environmental feedback is available. Such perceptions may be intuitive and based on similar or analogous prior experiences. Management must use its sensors, intuition and other means inside and outside of the organization to attune it to signals or messages from the marketplace, government, media or other sources of intelligence, information and knowledge. Top management's recognition that changing circumstances are becoming a strategic turning point happens in three stages:

1. recognizing the growing divergence between what the company currently puts forth as its strategy and the actions taken by its managers, i.e., strategic dissonance;
2. asking the question "is it an SIP (strategic inflection point)?" and
3. trying to discern the newly emerging strategic situation and providing a framework in which the divergence can be resolved and a new strategic intent formulated. *Ibid.*

In technology, consulting, academic, strong R&D-oriented manufacturers and other participatory organizations, the method of resolution is broad debate, involving different technical, functional and strategic points of view from representatives of different levels in the organization.

Grove and Burgelman propose a framework of five dynamic forces that shape a company's evolution and the emergence of its strategic dissonance. The forces are:

1. the bases of *competitive advantage* in the industry such as Michael Porter's determinants of the attractiveness of an industry, i.e., bargaining power of customers and suppliers, the nature of rivalry among incumbents and the threat of new entrants and of substitution;
2. the company's *distinctive competencies*, i.e., those that have made it possible to develop a competitive advantage, to survive and be viable;
3. the company's *official corporate strategy* which reflects top management's beliefs about the basis of the firm's current success and anticipated changes in the familiar environment;
4. the company's *strategic actions*, i.e., what it does to carry out and achieve the intent and aims of the organization; and
5. the company's *internal environment* and *process of choosing preferences* which mediate the links between corporate strategy and strategic action as well as the links between distinctive competence and the bases of competitive advantage.

Ibid.

During some periods, these five forces are harmonious within the organization. The company's distinctive competence is consistent with the basis of competition in the industry. Its official strategy and the strategic actions of its managers are co-aligned. Its internal environment and process of choosing preferences are relatively compatible, with no signs of strategic dissonance. Such was the situation at Intel during the early 1970s. However, over time dynamic forces tend to diverge and their relationships are no longer harmonious, thereby creating strategic dissonance within the organization and the need for strategic modifications and actions. . *Ibid.* p. 26

Approaches to activating strategies

Multiple orientations

Strategic actions are undertaken within various contexts ranging from national systems, e.g., socialist or capitalist, to an infinite variety of organizational and personal ways of performing duties and responsibilities. Within the former Soviet Union, some General Directors (CEOs or Presidents in North American organizations) cling to the old centralist ways and yearn for a return to communism. Meanwhile, their Directors of R&D, engineering and marketing take contemporary management courses and desperately seek progressive ways to develop new products and processes, install modern manufacturing systems and use innovative ways of developing, producing, distributing, promoting and selling goods and services. In other enterprises, notably in the Czech Republic, Slovakia and Poland, widespread advances are being made in management and their approaches to strategic action. In terms of economic growth, the 21st century will

be greatly influenced by the multiple socio-political orientations of Central and Eastern Europe.

While such personal observations may provide some perspective and insight, more valid and reliable evidence exists that strategic actions have substantive national orientations. A country's (in)effectiveness in international competition reflects the accumulation of a broad range of capabilities or organizing principles within that nation. B. Kogut, "Country capabilities and the permeability of borders", *Strategic Management Journal*, Summer Special Issue, 1991, volume 12, p. 33. While specific technologies and observable processes and techniques are relatively easy to evaluate and imitate, organizing principles which underlie the implementation of strategies are more difficult to identify, assess and utilize.

Organizing principles provide a source of competitive advantage that cannot be easily imitated. Conversely, they can provide a source of competitive disadvantage that cannot be easily unlearned. C. M. Fiol, "Managing culture as a competitive resource: an identity-based view of sustainable competitive advantage", *Journal of Management*, volume 17, 1991, p. 191. Organizing principles also serve to explain the underlying action-generating processes and structures. Quality differences in Japan and the United States are manifested at the broader strategic levels. Along with differences in perceptions of the mix of specific quality problems faced, the general framework used by managers in the U.S. and Japan to think about quality issues is different. D. A. Garvin, "Quality problems, policies and attitudes in the United States and Japan: an exploratory study", *Academy of Management Journal*, volume 29, 1986, p. 653. For example, in the United States many supervisors view factories as closed systems with the causes of quality problems being predominantly from internal sources. In Japan, supervisors consider factories to be open systems and their performance is influenced significantly by external factors. Japanese firms often adopt dynamic approaches to manufacturing with emphasis on learning and developing competence. Robert Hayes, Stanley Wheelwright and Kenneth Clark, *Dynamic Manufacturing: Creating the Learning Organization*, New York: The Free Press, 1987. In contrast, American firms emphasize a more static, short-term focus, often directed toward immediate goals such as cost minimization and quarterly profits. Based on the research, Japanese supervisors were found to be more strategic and the American supervisors were more tactical in their managerial orientation.

Strategic managers are interested in organizational practices. That is the most meaningful and useful context for them. In North America, managers have changed their strategic orientation toward inventory and quality management, in large part due to what they have learned about the Japanese approaches to these strategic actions. The Japanese approach to inventory management has emphasized the overall design of organizational production processes that depend on carefully planned deliveries of inputs into tightly integrated, highly interdependent production systems. Suresh Kotha, Roger L. M. Dunbar and Allan Bird, "Strategic Action Generation: a Comparison of Emphasis Placed on Generic Competitive Methods by U.S. and Japanese Managers", *Strategic Management Journal*, volume 16, 1995, p. 196. The aim of the Japanese inventory systems was to achieve "just-in-time" arrivals of needed inputs throughout the production process. Traditional American approaches to inventory management ignored the possibility that design modifications in the total production process might eliminate the need for unnecessary handling, storage and related costs of inventory. *Ibid.*, p. 197. Instead, cost-control management focussed on minimizing the total short-term inventory costs incurred by the production system. R. J. Schonberger, *Japanese Manufacturing Practices*, New York: The Free Press, 1982.

These differences in approach influenced the types of strategic issues that inventory managers perceive and the approaches they take to their strategic actions.

Quality management is another important area of strategic action that has varied between organizations in the United States and Japan. The Japanese approach, developed after World War II, is based on the objective of "zero defects". Such efforts are based on cultural values of perfection and mastery, actions that are highly respected and accepted in Japan. Kotha, Dunbar and Bird, *loc. cit.* In the United States, perceptions about quality control historically have been different. With the exception of some companies like the Boeing Corporation, "zero defects" implies that those who are responsible for quality will be subject to personal discipline, controls and restrictions. Within the United States culture, emphasizing continual improvement in quality management seems more acceptable. *Ibid.* These different perspectives underlie the approaches managers take in inventory management, quality management and other vital strategic actions.

Although influenced, even guided, by national, cultural values and organizational practices, experienced managers have their own way of carrying out strategic activities. In 1993, George Fisher, CEO of Eastman Kodak Corporation, began to implement a digital imaging strategy to supplement the company's traditional photographic business. This strategy was based on leveraging Kodak's valued name in professional, business and consumer markets. Steve Ditlea, "Fisher labors to get Kodak off the treadmill", *Upside*, December, 1995, volume 7, issue 12, p. 62. To gain greater value from its huge US\$5.9 billion R&D budget, Daimler Benz AG, Germany's largest industrial company, has implemented a corporate strategy that focusses on company-wide collaboration, on-going communication activities between researchers and management and rigorous auditing of the industrial research programs by international experts. John Blau, "Daimler-Benz research centralizes for value", *Research Technology Management*, January-February 1995, volume 38, issue 1, p. 6. Intel Corporation focusses much of its R&D on customers' needs. These examples are intended to highlight the various unique orientations that organizations develop and managements use in taking strategic action.

Having said that managers have their own way of executing strategies, managers are well-advised to develop, utilize or, at least, examine approaches or processes that provide reliable ways of activating strategies. Such processes help managers develop optimal processes, build an operating base, keep from unnecessarily "going back up the learning curve", save time, money and other resources as well as provide other benefits to an organization endeavoring to carry out its strategic activities.

The "New 7S's" approach (this approach is based on Richard A. D'Aveni, "Coping with hypercompetition: utilizing the new 7S's framework", *The Academy of Management Executive*, August, 1995, pp. 45-57.)

In an age of hyper-competitiveness, strategic managers and implementers face new realities. They must understand and utilize the dynamics, even the chaos, inherent in the environment external to the organization. A convincing argument has been made that "... no organization can build a competitive advantage that is sustainable. In this hyper-competitive environment, companies must actively work to disrupt their own advantages and the advantages of competitors." *Ibid.*, p. 45. To do successfully, Professor D'Aveni

advocates using a revision of McKinsey's 7S's approach to analyze industries and competitors, to identify organizational strengths and weaknesses and to meet the challenges of hyper-competition. His revised 7S's are: superior stakeholder satisfaction; strategic soothsaying; positioning for speed; positioning for surprise; shifting the rules of the game; signalling strategic intent; and simultaneous and sequential strategic thrusts.

The revised 7S's are strategic attributes that can be used to take an organization in various directions. They focus on disrupting the status quo through a series of temporary advantages rather than maintaining equilibrium by sustaining advantages which may be vulnerable to competition. *Ibid.*, p. 48. With this approach the strategic actions to be taken will depend on many variables within the organization and the sector in which it is operating. The approach is situationally-oriented, dynamic, risk-laden and questionably strategic.

D'Aveni posits that the New 7S's encompass three factors or, more appropriately stages, essential for the effective delivery of a series of market disruptions. Stage 1 is the *vision for disruption* and includes the first two S's, i.e., superior stakeholder satisfaction and strategic soothsaying. In the marketplace, disruption is envisioned by creating a temporary ability to serve the customer better than competitors can. The key to achieving real advantage from customer satisfaction is to:

- * identify customer needs that even the customer may not be able to articulate;
- * find new, previously underserved or unserved customers to serve;
- * create customer needs that have not existed; and
- * forecast changes in customer needs before they happen.

Years ago, Intel instituted a process of concurrent engineering to get customers and internal manufacturing involved as early in the process of strategic change as possible. When designing new computer chips, Intel designers visit every major customer and major software house to ask them what they want in a chip.

The ability to envision and create future needs depends upon the firm's capacity to forecast future trends, to shape or control the development of key technologies and other know-how that will shape the future. This is strategic soothsaying. Intel CEO Andrew Grove has quipped that the company has bet millions on science fiction. The company has expanded successfully into new fields such as supercomputers, flash memories, video chips and networking boards. In the early 1990s, it had gained 85 percent of the emerging market for flash memory chips and one third of the market for massively parallel computers.

Stage 2 involves the *capabilities for disruption*, i.e., speed and surprise. Speed and surprise are key factors in gaining competitive advantages such as market entry, obstructing and delaying competitors from gaining such advantage(s). The company that can most quickly create competitive advantages from perceived opportunities will likely make gains in the marketplace. These are *initiative advantages*. Because success depends on the creation of a series of temporary advantages, a company's ability to move quickly from one advantage to the next is crucial. These are *sequential advantages*. Speed allows companies to maneuver to disrupt the status quo, erode the advantage of

competitors, and create new advantages before competitors are able to emulate or pre-empt these moves. Instead of waiting until the current generation of chip has been rolled out before working on the new one(s), Intel develops several generations of chips at once. It is already working on making their chips obsolete before they even hit the market. These are *sustaining advantages*.

Tactics for disruption make up Stage 3 of this strategic action approach. Shifting the rules of the competition, signalling and simultaneous and sequential strategic thrusts are tactics that make up strategic actions. Actions that shift the rules of competition create a sudden and discontinuous move in the industry, reshaping the competitive market(s) and confusing competitors. Intel's move into new products such as supercomputers, interactive digital video and flash memory has shifted the rules of competition.

Signalling can delay or discourage competitors' actions to seek or create advantage, throw the competitors off balance or create surprise. Intel has used signalling to shift the rules of competition by transforming computer chips from a hidden commodity to a marketing asset through its "Intel Inside" promotional campaign. Recent research indicates that companies react in various ways to new product announcement (NPA) signals. Thomas S. Robertson, Jehoshua Eliasberg and Talia Rymon, "New product announcement signals and incumbent reactions", *Journal of Marketing*, July 1995, volume 59, issue 3, p. 1. An NPA signal is an announcement or other signal that precedes an actual product introduction. NPA signals are often directed at competitors with the intention of influencing their competitive behavior. A field study of marketing managers in the United Kingdom and the United States indicated that 39.6 percent of the respondent firms acknowledged receiving an NPA signal from competitors. Of those receiving a signal, 50.4 percent reacted. Of those reacting, 63.7 percent did so with a product and 36.2 percent reacted with an alternative marketing mix initiative.

Competitive thrusts in the technology (and other) environments are rapid, either a sequence of moves or a set of simultaneous actions, to upset the equilibrium of competitors and the industry, disrupt the status quo and/or open opportunities for new advantage. In the late 1970s, Intel launched an all-out assault, code named Operation Crush, against Motorola and other competitors to make the 8086 microprocessor chip the industry standard. It was this effort to simultaneously attack several segments of the market that helped IBM decide to adopt the 8086 chip for its personal computer.

When the 7S's are put together, they are useable for disrupting the status quo, creating temporary advantage, seizing the initiative and sustaining the momentum of strategic actions. When choosing which strategic actions to concentrate on, managers need to evaluate the tradeoffs among stakeholder satisfaction, soothsaying, speed and surprise. Other issues arise from this approach. Is an approach that increases the speed and creates disruption appropriate for many or most organizations? Is the new 7S's approach applicable in the many sectors or, more precisely, the markets where hyper-competition does not exist?

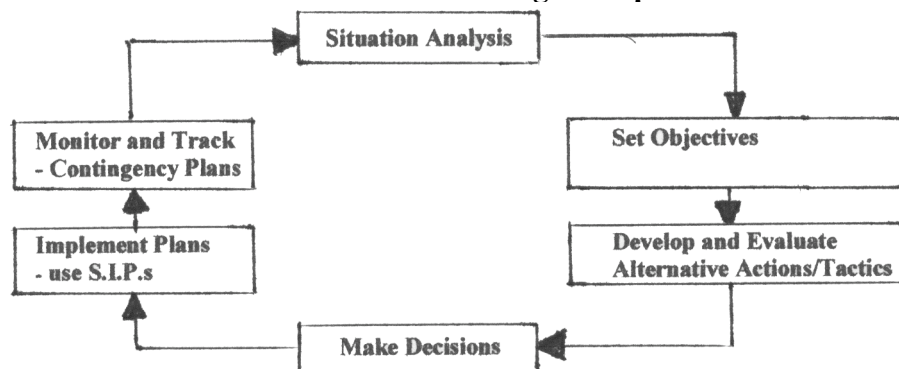
Avon's Strategic Implementation Programs (SIPs) (this approach is based on Paul B. Markovits, "Using Action Programs to Link Strategy to Implementation", *Research Report #915*, New York: The Conference Board Inc., 1988, pp. 60-64.

Avon was founded in 1886 by an entrepreneur who had the radical idea of selling cosmetics door-to-door and the even more radical ideal of providing women with the opportunity to be self-employed and make money. By 1972, Avon sales exceeded \$1 billion. By the 100th anniversary of Avon, socio-economic conditions had changed dramatically for the company. In the United States, more than 12.5 million women had entered the work force. Consequently, fewer women were available to represent Avon and fewer women were at home to buy its products. The relatively homogeneous market served by Avon in the past was becoming more diverse as consumers wanted products suited to their differing work and lifestyles. In 1983, Avon was a well-established and reputed company that had never had a strategic plan. Three years later, the company had a plan and was far along in the implementation process through its action programs.

The program consists of eight steps:

1. detailing the activities necessary to support the strategic choice(s);
2. assigning responsibility for each activity;
3. specifying the time frame, i.e., the date that each action will be started and completed;
4. quantifying the resources needed to implement the strategic choices;
5. identifying the coordination required between different parts of the organization to implement the strategic choices;
6. establishing a plan and methods to monitor the implementation and make certain it is effective;
7. determining how to communicate the successes and failures to all parties involved in the strategic process; and
8. forecasting or anticipating the circumstances under which contingency plans would be required and whose responsibility it would be to take action if there are conditions causing a deviation from planned actions.

Exhibit 22A
Avon Product's "Logic Loop"



Source: Markovits, The Conference Board, Inc., p. 61.

To involve their middle managers and others in implementing their strategic action programs, Avon used a "logic loop". (Please see Exhibit 22A.) The implementation step was the key to the success of Avon's strategic management. For every strategy, Avon had a Strategic Implementation Program (SIP), headed by a strategy leader, i.e., a manager with the responsibility of leading the project to fruition.

The Strategic Contract is possibly the most important means to ensuring that this process is carried out. Simply stated, the "contract" is the employee's commitment to carry out his or her part of the program. Since Avon is a de-centralized company, the commitments come mostly from the middle managers because they are responsible for decision making and implementation.

To illustrate how Avon used its SIPs, consider their strategy to develop and market a fully coordinated line of color cosmetics intended to satisfy the unique needs of each customer. To implement this strategy, Avon set up a team of people from each of its key functional areas. The group product director of color cosmetics was appointed as the team leader. She directed the overall project that involved two main teams, one for product development and the other for product launch. The product development team had managers from R&D, marketing, design, purchasing, manufacturing and accounting along with one outside consultant. Joining the product launch team were managers from marketing, sales, merchandising and incentives, advertising, public relations, field communications plus a representative from the company's advertising agency. After setting their objectives for market share and profitability, the teams developed a specific strategy for each product in the company's product line and then followed the eight steps in the SIP.

Generic strategic actions

As illustrated with several previous examples, e.g., Eastman Kodak leveraging its valued name as a basis for introducing its digital imaging strategy, Boeing and IBM cutting thousands out of their domestic workforces, Intel Corp. using dissonance as a source of innovative actions and Moore Corporation slashing its dividends, organizations have unique ways of taking strategic action, i.e., of doing what they believe will achieve their aims. Since every organization faces unique situations, their managements will execute unique strategic activities. However, management is well-advised to have reference to some generic courses of action to consider or use as a basis for their unique endeavors.

1. stay the course - This alternative is the most common. Various forms of resistance to change, e.g., organizational inertia, managerial ego and employee comfort, especially in relatively successful companies, combine to maintain the *status quo*. In recent times, managerial thinking and approaches, e.g., the "new 7Ss", has changed from resistance to change to creating manageable strategic action. Managers persevere with greater commitment, resources and evolving process that incrementally move toward the strategic aims of the organization or, at least, its power elite. Managers of some organizations tend to concentrate intensely on relatively few strategic actions. Danny Miller and Ming-Jer Chen, "The simplicity of competitive repertoires: an empirical analyses", *Strategic Management Journal*, June 1996,

volume 17, issue 6, p. 419. The focus is on a repertoire of concrete, market-oriented actions used to compete, including changes in market or public service scope, product, service or program introductions, distribution, advertising or pricing changes. Miller and Chen argue that competitive simplicity is largely a function of organizational and environmental conditions that weakens management's search for and restrict the knowledge of competitive alternatives. *Ibid.* Staying the course approaches are suspect by progressive organizations and their managements. The decline of the former Soviet Union provides considerable evidence of such anachronistic strategic approaches at the macro level. Companies that made and sold products such as horse-drawn wagons, typewriters and letterpress printing exemplify those that stayed the course too long and have disappeared at the micro level.

2. improvise - Improvisation is elixir of the entrepreneur. They are too busy doing to "bother with planning, implementing and all those fancy ideas." While strategies and tactics may become blurred in the actions of the entrepreneur, they do have strategic aims, some course(s) of action and ways of implementing them in their minds, if not on paper or in a computer. Entrepreneurs will vary, sometimes due to circumstances, by whim or "gut feel", from these main thrusts. But the main or strategic thrust remains and the exact ways it is to be carried out remains uncertain oftentimes until the actions are undertaken. Competing by one's wits, ingenuity, intuition and the will to survive is a strategic rollercoaster. Some people enjoy rollercoasters.

3. abort - Typically, this course of strategic action is the most dramatic and has the greatest impact on the organization, its management and personnel. Discontinuing an organization, a project, program and its inherent activities have significant impacts on individuals, groups of people, other organizational resources and external entities such as customers, suppliers, investors and communities. In recent decade a long litany of organizations have re-engineered, re-structured, moved, shut down or taken other drastic action, ostensibly for the expressed purpose of saving the organization, creating shareholder value or some other purpose(s).

4. go to Plan B (C, X, etc) - Experienced and foresightful strategic managers know that conditions will change over time and prepare alternative strategies that probably can be used in different sets of circumstances. Modular strategies provide a way to take strategic action in incremental sets. While the main thrust of the strategy may be successful, parts of it may need to be changed, e.g., product modifications or changes in the pricing, distribution or advertising of the product. In more dire circumstances, a contingency strategy may need to be implemented.

5. break outs/radical departures - Such approaches to strategic action are rare. Microsoft was probably one of those companies. The vision of Paul Allen and Bill Gates to write software for minicomputers in 1975 lead to a corporation of 17,000 employees and more than \$6 billion in sales by 1995. In other, established organizations, managers take radical departures from past strategies and strategic activities, oftentimes as a result of crisis situations. In the late 1990s, corporate mergers or other strategic alliances dramatically changed the actions of banks and other financial institutions in North

America. Currently, ecological degradation, declining sustainable supplies, increasing demand and rising costs of motor vehicle gasoline are causing auto producers to develop motors that are radically different from internal combustion engines.

6. combination "pizza" approach - Since competitive strategies are becoming more dynamic, short-term and complex, management needs a menu from which to choose the best combination of strategic actions. In London (England), the five year battle between The London Times and The Daily Telegraph included well-defined target marketing, major changes in content, i.e., editorials, features and obituaries, pricing, distribution, production and labor relations. Madelaine Drohan, "Black geared for fight", *The Globe and Mail*, April 20, 1998, p. B1. Any organization involved in competition, be it for market share, funding from the government or contributions from the general public, must have and be prepared to use an arsenal of long range strategic actions as well as short range tactical ones.

7. Implementation approaches and organizational cultures - this framework is based on Paul Nutt, "Views of implementation approaches by top managers in health service organizations", *Hospital and Health Services Administration*, Summer 1996, volume 41, issue 2, pp. 172-188.

This framework examines four generic approaches, i.e., accommodation, bargaining, incentives and persuasion, within the context of two generic organizational climates, i.e., participative and controlled. The *accommodative* approach requires managers to be reflective and adaptive. It is used to find out hidden meanings, e.g., interests and views, in stakeholders' positions and to identify how they are likely to react to strategic actions. Zones of compromise are sought for potentially antagonistic stakeholders. As has been observed,

To bring the full force of the enterprise behind a new strategy, successful change managers carefully assessed and dealt with the most important centers of potential support or opposition to new thrusts. They tried to get key people behind their concepts whenever possible, co-opt or neutralize serious opposition if necessary, or find zones of indifference where the proposition would not be disastrously opposed. Best of all, they sought no-lose situations that would activate all important players positively in their own self-interest. James Brian Quinn, *Strategies for Change - Logical Incrementalism*, Homewood: Richard D. Irwin, Inc., 1980, p. 119

Such is the nature of accommodative approaches to implementing strategic actions.

Bargaining facilitates discussion and turns managers into organizational brokers or mediators. Bargaining managers are used because of their knowledge of organizational networks and abilities to negotiate compromises with antagonists. To do this, managers take on coordinational roles working with various groups to create links and bridges that facilitate the achievement of harmony. *Incentives* are used to encourage the preferences of the people involved in implementing strategies. *Persuasion* is widely advocated and offers tangible benefits of the proposed strategic actions to convince people that they should be implemented. Some persuaders are inclined to use or abuse their power to obtain compliance, thus provoking resistance to change.

A study examined how top managers viewed the prospects of success and resistance to strategic change when using these approaches in the climates specified. The

implementation approach had a highly significant relationship with both the perceived chance of success and the prospects for resistance. Of the four alternatives, the accommodative approach was viewed as being the most likely to succeed and producing the least resistance, especially in a participative culture. In the study, managers were favorably disposed toward being accommodative as an approach to implementing changes. Bargaining was perceived as being less likely to succeed than being accommodative, although bargaining was more likely to succeed than fail. Bargaining was least preferred by top managers, i.e., executives, and most preferred by middle managers. Using incentives were less likely to provoke resistance than bargaining and were preferred generally in controlled cultures. Persuasion was considered to be the least effective approach to implementation. When using this approach, managers found success prospects to be slightly less than normal and prospects of resistance to be slightly higher. Persuasion is somewhat more successful in control situations than it is in participatory circumstances. Exhibit 22C provides a summary of the approaches in participative and controlled organizational cultures.

Exhibit 22C

Implementation Approaches in Two Types of Organizational Cultures

approaches	<u>cultures</u>	
	participative	controlled
accommodation	- best chance of success; little resistance	- problematic
bargaining	- provokes positioning and some resistance	- successful, low resistance outcomes
incentives	- little resistance	- moderate chance of success
persuasion	- least successful provokes resistance	- above average success

8. Integration approach to mergers or acquisitions (this approach is based on Joe Shlesinger, "Poor integration destroys a merger's value", *The Globe and Mail*, March 13, 1998, B11.)

Few, if any, strategic actions involve more money, people, time and other resources than mergers or acquisitions. Yet, the costs, conflicts and other problems inherent in these endeavors are widespread and a serious threat to organizations. Studies have shown that 65 to 75 percent of mergers destroy shareholder value. In 1997, the high technology industry had nearly 4,000 mergers and acquisitions worldwide. Based on the research evidence, between 1,000 and 1,300, i.e., 25 to 32.5 percent, of these strategic endeavors will return value to the shareholders. Integrating the organizations, their cultures, processes and activities is a very complex and difficult task that greatly influences whether the merger or acquisition is a failure or success.

Managers in the merging organizations often fail to set out a clear vision and ways of achieving it. Two tendencies are common in such situations. One is "don't rock the boat" approach. In trying to forge a smooth transition, management has the illusion that no major changes are needed to make the merger successful. This view breeds a deferral or avoidance of decisions and leads to deal making, distrust and incompatibility. Such conditions result in continuing instability, "turf wars", defections, sub-standard performance and loss of shareholder value. At the other extreme is the "carpet bagger" syndrome. Key people, regardless of their skills, are replaced *en masse* by "trusted" staff. Oftentimes, arbitrary conversions of organizational processes, activities and relationships are imposed. Strategic actions are directed by power and fear rather than consensus and commitment. Both of these approaches wreak havoc on morale through the newly arranged organization, leading to confusion, a sense of betrayal and indifferent performance.

Progressive integration offers a third approach to achieving 3E mergers and acquisitions. This approach is aimed at building and sharing commitment based on a clear sense of mission, precise guidelines and timely decisions. It focusses on establishing effective new relationships. Successful integrations tend to have the following six attributes.

- i. *strong transition team*, made up of six to ten senior managers drawn from both organizations, all with promising career prospects in the new organization. They do the planning and other managing of the integration process. They will need adequate resources and authority to ensure the tasks are achieved.
- ii. a *compelling vision and strategy* with a focus on core values and setting objectives and goals that will provide direction and guidelines for the integration;
- iii. a *supportive organizational structure*. Early in the process, decisions are needed about the most appropriate structure, the level of functions and decision making and the systems and processes to implement the strategy;
- iv. *balanced performance and measures*. The transition team must be able to translate the vision, objectives and goals into measures that clarify the performance expected. Such measures include financial results, sales and other marketing targets, employee satisfaction and performance and other applications of the 3Es;
- v. *promotion of early integration successes*. People in merged organizations need reassurance that the integration is worthwhile and progressing. To reinforce this momentum, management should be able to promote successes at regular intervals throughout the integration process.
- vi. a *comprehensive communications campaign*. This program needs to be well-planned and implemented, both internally and externally to the organization. Reaching all target audiences, e.g., employees, shareholders, customers, suppliers and other interested communities, is vital to ensure that the integration is proceeding well and to minimize confusion and misinformation.

9. Programming approaches to strategic action (these approaches are based on Boris Yavitz and

Programming can range from highly specific and technical electronic software to the adhocery of a parent's way of helping their children go to college and be a successful citizen. As with any action, managers may experience the "Goldilocks options" --- too fast or too slow, too risky or too cautious, too costly, too niggardly or just right. The range of programs that can be used in taking strategic action is unlimited. To provide an useful approach, consider the following three basic types of programming.

Man-on-the-Moon, Comprehensive Programs - Starting with a clear objective, management then designs a series of steps that will move the business unit, company or other organization from its starting position toward achieving lofty aims. Major steps will require sub-programs and further devolution into specialized activities. The basic process of building any program includes:

1. dividing the total project into steps;
2. note any necessary sequence among the steps, such as legal approval before public announcement of a bond issue;
3. decide, stipulate and communicate who will be responsible for each step and delegate commensurate authority and accountability to them;
4. determine what resources are needed and their availability at each step; and
5. estimate and schedule the time required to complete each step.

Comprehensive programs can be synthesized in various ways, e.g., dynamic systems, networks, critical paths, based on relating all of the essential activities, timing, resources or other requirements into a process.

Incrementalism - Given the rates of change occurring in the strategic environments of organizations, managers may believe that programming should be short-range and cumulative. The coming period's programs can be built or revised on the outcomes of what happens this period and the changing conditions being encountered. Strategic actions are implemented by a series of tactical increments, each building on previous ones, like the pyramids, skyscrapers or successful organizations that have been constructed throughout history. Such an adaptable approach to implementing strategies has some noteworthy advantages:

1. revisions may be necessary due to changes in the internal and/or external environments of the organization;
2. strategies may be deliberately non-specific, such as the disruptive actions outlined previously by D'Aveni or contingency strategies that have been formulated and may be implemented given different sets of circumstances in the future; and
3. as a way to handle strategies with multiple objectives, multiple degrees to each objective and multiples of managers' commitments, egos and other personal behavior and involvements.

Selective Programming - Since grand-scale and incremental programming are rare for strategic managers, they need to find an alternative approach that is more appropriate.

Most organizational units require selective programming to implement their strategic actions with the concerted efforts and resources needed. An important part of organizational unit strategies is identifying the major actions to be taken. Because these actions are so important, programming them and related activities is justified. Further, their importance may justify their being given a priority and a central focus in the programming. Selective programming focusses attention on strategic thrusts and lays out a series of steps for selected activities that can be monitored, evaluated and adapted subsequently. Such steps tend to be tactical and are developed more completely in the next Activity, Activate Tactics.

