THE ROLE OF STRATEGY IMPLEMENTATION IN ORGANIZATION DEVELOPMENT

Loizos Heracleous, Ph.D.
School of Business Studies
Trinity College Dublin
Dublin 2
Ireland

Introduction

This paper begins by discussing the changing competitive environment and underscores the critical role that organization development (O.D.) can play in enabling successful organizational transitions to respond to new strategic imperatives. The premise is that closer interaction between the strategy and O.D. fields can contribute to O.D. practitioners' stock of knowledge when working with senior managers in creating the organizational arrangements that will to turn the strategic plan to a reality. The usefulness of strategic planning is indicated; potential reasons for strategy implementation failure are then described, and finally key concepts for successful implementation are discussed.

The New Competencies for Success in a Fast-Changing World

Most consultants, management gurus and academics exhibit a rare instance of agreement on the view that in order to achieve competitive success in the future, existing ways of competing and thinking are not enough; organizations have to learn to compete and think in new ways. Emerging strategic imperatives include goals of

- not just aiming to optimize within organization's current industry but trying to generate ground-breaking strategies which will create new niches and markets and re-define industries (Porter, 1997)
- competing not just for market share in existing markets but for 'opportunity share' in future markets, in a world of continuous re-definition of industry boundaries and commingling technologies (Prahalad, 1997)
- not merely or exclusively trying to catch up with the best performers in current competitive games, but aiming to invent new games, re-write the rules and create new competitive space (Hamel, 1997a)

And there are strong indications that they are right, because the highest-performing companies in the Fortune 1,000 are precisely those who have taken bold approaches and broken the conventional rules of their industries (Hamel, 1997b).

The end of convention and stability in all business sectors is perhaps inevitable, given global trends impacting all aspects of society and business, such as

- the end of communism, where close to 2 billion people are

joining market economies
- the growing world population, where the average age and the mobility of the population is rising the emergence of a global economy facilitated by technological advances in communications and transport
- the fact that there will not be a dominant economic power to write the rules of the game for capitalism that will therefore be more fluent and unpredictable.
- the shift from an era of natural resource-based industries to an era of faster-moving brainpower-based industries (Thurow, 1997).

What these trends mean for companies is that they need to develop effective competencies in strategic thinking and planning, as well as realizing strategy, which will help them compete in new ways in a more uncertain and fast-moving world.

The need to achieve second-order change

The above trends, especially the shift to brainpower-based industries lead to fundamental alterations to the bases of competitive advantage and industry structures. Sustainable competitive advantage in this new environment can only come from continuous innovation and continuous adaptability. Learning to think and compete in new ways is not an incremental alteration, but a fundamental, second-order change that requires the critical questioning of current operating assumptions. This is essentially what Argyris (1977) has referred to as double-loop learning.

Single-loop learning occurs when there is a match between the organization's design for action and the actual outcome, or when such mismatches are corrected by changing actions, but without critical examination of the governing variables for action, as shown in Figure 1 below:

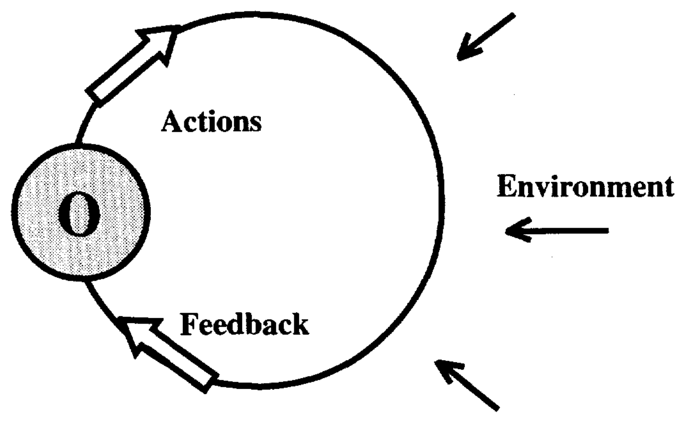

Fig. 1. *Single-loop learning:* Adapting or adustion as usual. without criticallyre -examining of guiding assumptions (O denotes Organization).

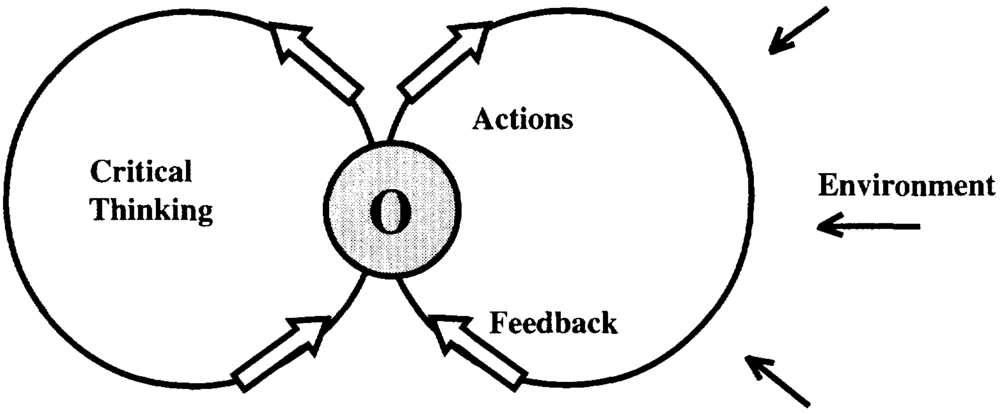

Fig. 2. *Double-loop learning:* Enlightened, creative action which results from criticallyre -examining of guiding assumptions (O denotes Organization).

Double-loop learning, on the other hand, occurs when the correction of mismatches is arrived at by examining and altering the governing variables for action and then the actions themselves, as shown in Figure 2:

Similar distinctions have been expressed by Fiol and Lyles (1985), who also differentiate between lower-level and higher-level learning. Lower level learning involves the development of cognitive associations which facilitate incremental organizational adaptation but without the questioning of central norms and frames of reference of the organization. Higher-level learning occurs when these norms and frames of reference are challenged and altered, and a more accurate understanding of causal relations exists.

When an organization needs to fundamentally re-consider its ways of thinking, operating and competing it needs to engage in double-loop learning. Web-based competition, for example, is currently forcing many organizations to engage in this type of learning. Amazon.com is redefining the way books are bought and sold; and internet telephony is slowly but surely eliminating the traditional profit source of telecoms firms, international calls. Firms facing nimble web-based competitors have to undertake fundamental changes in their established ways that are not easy to achieve. Double-loop learning is psychologically uncomfortable because it questions the established values and very identity of the organization, and politically contentious because it questions established bases of power and influence.

Radical Organizational Change and the Need for Strategy / O.D. Interaction

Often piecemeal, incremental

change will not be enough to ensure survival, let alone competitive success, if the company is getting more and more out of touch with what is happening in its environment, creating a potentially lethal gap known as 'strategic drift' (Johnson, 1987). When the strategic drift widens, unless the company can change radically to be in touch with its environment, it risks destruction.

Often companies that get out of touch with their environment, pursue effectively a particular strategy which initially leads the company to competitive success (e.g. engineering excellence, shrewd diversifications, focus on innovation or marketing savvy). This strategy, however, can soon dominate the company and blind the executives to other important issues such as cost control, customer focus or employee development. In these cases the company's greatest asset and source of success can lead to its downfall because it dominates thinking and action to the expense of other important issues, a situation known as the 'icarus paradox' (Miller, 1992). Radical change is required to ensure survival.

The need for organizational change as a strategic imperative makes organization development uniquely useful to senior executive

One of the reasons O.D. practitioners may not realize O.D.'s potential in helping to implement such strategic change efforts may be related to the fact that strategic management is perceived to be a 'hard' discipline. The dominant 'positioning' approach of Michael Porter (1980, 1985) is indeed rooted in industrial organization economics, which does not adequately consider human factors. A related reason may be that there are not sufficient 'pull' factors to create the link between O.D. and strategy implementation. This is because senior managers are often not sufficiently aware of the potential of the O.D. practitioners' contribution in strategy implementation, so they do not specifically engage O.D. practitioners for this purpose. Ethical considerations in O.D. mean that practitioners, rightly, do not engage in 'hard sell' of their services, which means that no 'push' factors are created either.

The need for organizational change as a strategic imperative makes organization development uniquely useful to senior executives. At the same time, both the fields of O.D. and strategic management could benefit from a closer mutual interaction, enrichment and understanding or each other (Heracleous & DeVoge, 1998). In this spirit, this article aims to discuss some key concepts and considerations from the strategy implementation field that may be useful for O.D. practitioners working with senior executives.

Is Strategic Planning Useful?

Is it really important for a company to plan strategically? Despite persistent arguments against the usefulness of strategic planning, (for a review see Heracleous, 1998), research has shown convincingly that companies which plan strategically generally perform better than those which do not, in terms of such indicators as sales growth, earnings growth, deposit growth, return on assets, return on equity, return on sales, and return on total invested capital. Such benefits are even higher in more turbulent environments

(Miller & Cardinal, 1994). Moreover, companies which plan for the longer term, as opposed to just undertaking short-term forecasting or annual planning, deliver higher returns to investors both relative to their industry and in absolute terms (Bracker & Pearson, 1986; Bracker, Keats & Pearson, 1988; Pearse, Robbins & Robinson, 1987; Rhyne, 1986).

Studies such as the above linked strategic planning with company performance, but generally did not examine issues like whether these companies were also better in implementation, or any side-effects of the planning *process* on such things as the group dynamics of top management teams and the quality of strategic decisions. There has been a higher focus in the strategy field on strategy formulation and its links with organizational outcomes, with insufficient attention to the intervening process of implementation (Smith & Kofron, 1996). So while we know that it is important to plan strategically, the process of strategy implementation has not received sufficient attention in academia.

The Costs of Failed Implementation Efforts

The costs of failed implementation efforts to the organization are enormous. Apart from wasting significant amounts of time and money, they result in lower employee morale, a diminished trust and faith in senior management, as well as end up in creating an even more inflexible organization, since an organization which has failed to change will encounter more employee cynicism in its next attempt.

Cynicism is a common enemy of strategy implementation and any type of organizational change. It is worse than skepticism, which still allows for the possibility of suc-

Figure 3. Potential sources and effects of cynicism about organizational change

Potential causes of cynicism about organizational change

- A history of failed change attempts in the organization
- Feeling uninformed
- Lack of communication and respect from supervisor or boss
- Lack of communication and respect from union representative
- Lack of opportunity for meaningful participation in decision making
- Negative disposition

Likely effects of cynicism about organizational change

- Lower organizational commitment
- Lower job satisfaction
- Lower motivation to work hard
- Lower willingness to engage in organizational change efforts
- Lower credibility for organization's leaders
- Reduced effectiveness of compensation system as a motivator

(Source: Adapted from Reichers, A., Wanous, J. and Austin, J., (1997), Understanding and managing cynicism about organizational change) cessful change, and different from resistance to change, which can result from individuals' *self-interest* or misunderstanding of the goals of change. Cynicism is a feeling of almost complete loss of faith in the ability of the change agents to achieve change. Its potential causes and effects are (Reichers, Wanous & Austin, 1997): The paradox is that even 'successful' implementation of strategic changes can have high costs for the organization. Firstly, there may be inappropriate criteria of success. A change project can be completed on time, on budget and on specification, but if these are the only criteria for success, without a clear link to strategic outcomes, then there is not likely to be a clear strategic advantage resulting for the organization. Secondly, there may be undesirable consequences of 'successfully' achieving the required changes. The vast majority of organizations in most business sectors in the US and Europe undertook some form of downsizing from the early 1980's onwards. While they undoubtedly succeeded in downsizing, however, over 60% of them cited lower morale among the remaining workforce as the main problem of their downsizing. Other common problems included unexpected increases in the use of temporary workers, overtime and consultants, losing the wrong people in the downsizing, and incurring higher than expected severance costs (Mirvis, 1997). The long-term strategic benefits of short-term operational cost savings of downsizing have been at best elusive and at worst a dream.

There may be undesirable consequences of 'successfully' achieving the required changes

Why do Strategic Plans often Remain Unrealized?

There are several tools available to help managers analyze the environment, analyze their organization, and generate and evaluate strategic options. But even with the most sophisticated analysis and planning, realizing strategic plans has never been easy. In the majority of cases they remain what they originally are: plans rather than reality. There are several reasons for this, but the most important may be that it is much easier to think of where the organization should be headed than to effectively lead it in that direction; and it is much easier to make a single

Figure. 4. Strategic changes not requiring significant internal changes

Company	*Brand positioning-before*	*Brand positioning-after*
Polaroid	Camera for special occasions	Useful tool for everyday life
IBM	Selling computers	Providing solutions for a small planet
Michelin	Durable & high-performance tires	High-tech tires involving feats of engineering
Oil of Olay	Selling youth. Beauty is about looking younger	Selling a lifetime of beauty. Beauty is about looking beautiful at any age

(Source: Adapted from Dru, J-M. and Lemberg, R. (1997), Disrupt your business.)

important mistake in implementation and fail, than it is to get most of the things right and succeed.

Sometimes strategic change may not require substantial changes internally in the organization. This happens where there is a radical re-positioning of a brand, or the creation of a new 'brand-culture' in the marketplace, which does not necessitate new ways of working internally. In these cases, the complex problems of implementing the internal changes needed for a new external strategy can be avoided. Some examples of such successful repositionings are (Dru & Lemberg, 1997):

In most cases, however, realizing strategy is about managing change, in all its complexity. Underestimating this simple fact is a recipe for failure. Organizations are complex social systems with entrenched ways doing things; systems, behaviors and cultures. They are inertial, which means that they will tend to go in the direction they are heading already, unless potent forces direct them otherwise.

The complexity of organizations, coupled with several potential problems associated with the strategy itself, the way it was developed, or the management of the change process, makes realizing strategy an extremely difficult task. Some potential problems are:

Figure 5. Ten reasons strategy implementation efforts can fail

- The so-called 'strategic plan' is nothing more than a collection of budgets and vague directions which do not provide clear guidelines for action
- The strategy does not correspond to market realities because it has been developed by strategic planners with no input from the grass roots
- The strategy does not enjoy support and commitment by the majority of employees and middle management because they do not feel consulted in the development of the strategy
- Middle management do not think the strategy is the right one, or do not feel they have the requisite skills to implement it, so they sabotage its implementation
- Insufficient top management time is spent on communicating about, selling the new strategic direction, and managing the organizational changes involved
- No provision is made for developing the new skills and competencies required by the employees to successfully make the transition and operate within the new strategic direction
- No provision is made for instituting the appropriate organizational systems for the selection, motivation and reward of people in accordance with the new strategy
- No provision is made for creating a close fit or coherence between the business-level strategy and the various functional-level strategies that can operationalize it
- There are factions in the organization which disagree with the strategy because if implemented it would reduce their power and influence, so they sabotage it by deliberate actions or inactions
- No attempt is made to analyze the culture of the organization and identify aspects which would be barriers and facilitators to change and manage change accordingly

The Complexity of Change and Approaches to Implementation

In-depth studies of strategic change which have tracked such processes for years portray their complexity; the political battles, the cultural barriers, the inertia of organization structures and systems, and the bounded rationality of managers (Johnson, 1987; Pettigrew, 1985). But there are frameworks which can provide managers with useful recommendations in such complexity, for example those which show that different change management styles (intervention, persuasion, participation or edict for example) are effective in different situations (Nutt, 1989), and suggest implementation tactics likely to be more effective given the particular context.

There has been an evolution of approaches to strategy implementation, from more autocratic to more participative ones (Bourgeois & Brodwin, 1984):

Figure 6. Various roles of the CEO in strategy implementation

CEO as a:	**The CEO's strategic question:**
Commander	How do I formulate the optimum strategy?
Architect	I have a strategy in mind; now how do I implement it?
Co-ordinator	How do I involve top management to get commitment to strategies from the start?
Coach	How do I involve the whole organization in implementation?
Premise-setter	How do I encourage managers to come forward as champions of sound strategies?

(Source: Adapted from Bourgeois, L. and BrO.D.win, D. (1984). Strategic implementation: Five approaches to an elusive phenomenon)

We know that in more turbulent and fast-moving environments, CEOs should act less as commanders or architects and more as co-ordinators, coaches and premise-setters. The reason is that the first two roles separate thinking and acting, strategy formulation and implementation. A strategy or change program formed in the mind of one individual is much more problematic to implement than one, which encompasses the input of people who have to live with it, as initially demonstrated by Lewin (1952). Implementation is achieved with much less difficulty if middle managers feel that they have contributed to the strategy's emergence, and if the employees in general feel that their concerns have been heard in its development. In this sense, implementation has already begun from the moment lower-level managers and employees are involved in thinking about the future of the company.

After careful strategic planning using various techniques of industry and internal analysis, senior managers often have a clear strategic direction, but stumble in the implementation process because this strategic direction remains at an abstract level and is not brought down to the day to day realities of the organization. 'Objective' strategic planning often blinds managers to the softer issues that are critical to successful strategy implementation. There may, for example, be insufficient attention to the organizational culture and its implications for strategy implementation. The organization may be highly individualistic and loosely-structured for example, but the new strategic plan may call for more teamwork and co-ordination than is the norm. Unless the norm of individualism and personal freedom is made explicit and addressed, the implementation is likely to stumble on potent cultural barriers, as shown empirically by Heracleous & Langham (1996). In addition to culture, there may be issues such as political resistance or insufficient understanding of the human resource competency implications of a new strategic direction.

Both socio-political as well as more technical considerations point to the importance of the concept of fit, that is critical to strategy implementation efforts. There should be a clear fit or coherence between the strategy and the operational and organizational arrangements that will make the strategy real and relate it to employees' daily work. In other words, the business level strategy must have close correlates in the various functional-level strategies of the organization. Specifying for example that the company will strive for differentiation, cost-leadership and/or focus on particular product/market segments is only the first step in a complex chain of unique organizational configurations that ideally must be instituted for the organization to achieve the

Figure 7. Ten questions for the reflective practitioner.

- What is your organisation's strategic orientation? Is it generally reactive (acts after the event), proactive (anticipates environmental changes and prepares for them), or pre-active (actively shapes its future and its markets)?
- What, if any, ways does your organisation have to monitor its business environment? What use is made of such information?
- Has your organisation failed to implement strategic changes in the past? Do you recognise any of the potential reasons given in figure 3 above?
- Has your organisation succeeded in implementing strategic changes in the past? What were the criteria for success? Were they clearly linked to long term strategic goals?
- What were the downsides of past successes in strategy implementation? How do you think these could have been avoided?
- Were you ever cynical about the chances of your organisation to successfully achieve major changes? Why? What could be done in the future to avoid such feelings?
- How did you or other change agents see their role in implementing strategy in previous implementation efforts (e.g. commander, coach, pace-setter etc.)?
- With hindsight, was this the best approach? How should future implementation efforts be lead?
- What have your learned from past experiences in implementing strategy? Does your company have any ways to cO.D.ify and share such learning?
- How will you ensure that a close fit and coherence is created between your organisation's business-level strategy and its various functional strategies?

(The term 'reflective practitioner' is used after Schön, 1983).

holy grail of strategy, sustainable competitive advantage (Porter, 1996).

Figure 7 below presents some key questions that O.D. practitioners might use to help senior executives reflect on their past experiences on implementing strategy, as well as on current strategically relevant issues, and to gain some insights that can improve the chances of implementation success in the future.

Competitive arenas are fast moving and more complex; old ways of competing are inappropriate; the best performers are those who break and re-write the rules of the competitive game. Organizations that manage to develop strategic thinking skills so that they are more future-oriented and think in terms of 'opportunity shares' instead of simply 'market shares, as well as develop sharp implementation skills so that they can avoid the huge costs of implementation failures and their strategic plans can become reality, will be the winners of the future. O.D. practitioners have a critical role to play in this process by helping to enable successful organizational transitions. Closer interaction between the strategy implementation and O.D. fields can contribute to O.D. practitioners' stock of knowledge and thus ultimately to their task of helping organizations and individuals.

Refernces

Argyris, C. (1977). Double loop learning in organizations. Harvard Business Review, Sept-Oct,115-125.

Bourgeois, L.J. III and Brodwin, D.R. (1984). Strategic implementation: Five approaches to an elusive phenomenon. Strategic Management Journal, 5, 241-264.

Bracker, J.S. and Pearson, J.N. (1986), Planning and financial performance of small, mature firms. Strategic Management Journal, 7, 503-522.

Bracker, J.S., Keats, B.W. and Pearson, J.N. (1988). Planning and financial performance among small firms in a growth industry. Strategic Management Journal, 9, 591-603.

Dru, J-M. and Lemberg, R. (1997). Disrupt your business. Journal of Business Strategy, May-June, 24-29.

Fiol, C.M. and Lyles, M.A. (1985). Organizational learning. Academy of Management Review, 10: 803-813.

Hamel, G. (1997a). Reinventing the basis for competition. In Gibson, R., Rethinking the Future. London: Nicholas Brealey, 76-92.

Hamel, G. (1997b). Killer strategies that make shareholders rich. Fortune, June 23rd, 30-34.

Heracleous, L. (1998). Strategic thinking or strategic planning? Long Range Planning, 31 (3), 481-487.

Heracleous, L. and DeVoge, S. (1998). Bridging the gap of relevance: Strategic management and organizational development. Long Range Planning, 31 (5), 732-744.

Heracleous, L. and Langham, B. (1996). Strategic change and organizational culture at Hay Management Consultants. Long Range Planning, 29 (4), 485-494.

Johnson, G. (1987). Strategic Change and the Management Process. Oxford: Blackwell.

Lewin, K. (1952). Field theory in social science. London: Tavistock.

Miller, C.C. and Cardinal, L.B. (1994), Strategic planning and firm performance: A synthesis of more than two decades of research. Academy of Management Journal 37, 6, 1649-1665.

Miller, D. (1992). The Icarus paradox: How exceptional companies bring about their own downfall. Business Horizons, 35 (1), Jan-Feb, 24-35.

Mirvis, P.H. (1997). Human resource management: Leaders, laggards and followers. Academy of Management Executive, 11 (2), 43-56.

Nutt, P.C. (1989). Selecting tactics to implement strategic plans. Strategic Management Journal 10, 145-161.

Pearce, J.A. II, Robbins, K.D. and Robinson, R.B. Jr. (1987). The impact of grand strategy and planning formality on financial performance. Strategic Management Journal 8, 125-134.

Pettigrew, A. (1985). The Awakening Giant: Continuity and Change in ICI. Oxford: Blackwell.

Porter, M. (1997). Creating tomorrow's advantages. In Gibson, R., Rethinking the Future. London: Nicholas Brealey, 48-61.

Porter, M. (1996). What is strategy? Harvard Business Review, Nov-Dec, 61-78.

Porter, M. E., (1985), Competitive Advantage: Creating and Sustaining Superior Performance, NY: Free Press.

Porter, M. E., (1980), Competitive Strategy: Techniques for Analyzing Industries and Competitors, NY: Free Press.

Prahalad, C.K. (1997). Strategies for growth. In Gibson, R., Rethinking the Future. London: Nicholas Brealey, 62-75.

Reichers, A.E., Wanous, J.P. and Austin, J.T. (1997). Understanding and managing cynicism about organizational change. Academy of Management Executive, 11 (1), 48-59.

Rhyne, L.C. (1986), The relationship of strategic planning to financial performance. Strategic Management Journal 8, 125-134.

Schön, D. A. (1983). The reflective practitioner. NY: Basic Books.

Smith, K.A. and Kofron, E.A. (1996). Toward a research agenda on top management teams and strategy implementation. Irish Business and Administrative Research, 17 (1), 135-152.

Thurow, L. (1997). Changing the nature of capitalism. In Gibson, R., Rethinking the Future. London: Nicholas Brealey, 228-249.

Loizos Heracleous is a Lecturer in Strategic Management at Trinity College, University of Dublin. He earned his Ph.D. and M.Phil. in Management Studies from the Judge Institute of Management Studies, University of Cambridge. He conducts research within the broad areas of strategic management, organisational change and development, and organisation theory. His work has appeared in academic and practitioner Journals and he serves as a member of the editorial board of the *Asia Pacific Journal of Management.*