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Strategic implementation as a part of strategic management

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Abstract

The article is dedicated to the problem of strategic implementation as a part of strategic management. It has become necessary to formulate vision and mission of the company in business plan. Strategic management, formulation of the strategy and its implementation are important tools of the company for its future development and for maintaining competitiveness. Achieving defined strategy in an effective way is basic factor for company future success. Evaluation of effectiveness of the strategy is conditioned by a number of decisions concerning its modification and actualization.

Keywords: strategy; implementation of the strategy; company; strategic management; Model „7S"; Balanced Scorecard.

1. Introduction

Strategic management has become important part of companies in today´s dynamic and competitive environment. Strategic management consists of three separate processes which are interconnected together and influence each other. These processes are – strategic planning, strategic implementation and strategic control. Researches in companies showed that the most important and the most underestimated part is *strategic implementation*.

Implementation of the strategy is a part of strategic management which success is conditioned by managers, employees, their organization, as well as by the transformation of company´s culture. The main task of implementation of the strategy is to bring the strategy into the life as a part of everyday decision making process of the company. It is necessary to find appropriate indicators characterizing company activities and a system for

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measurement to eliminate deficiencies in the implementation of the strategy. Strategic implementation was firstly introduced on scientific conference held on the University in Pittsburg in 1978.

In connection with strategic implementation is important to define strategy as a basic element of strategic management of the company. The strategy translates into the functional politics which specify how should be allocated resources and which way should be implemented goals of the company (Cisko & Klieštik, 2009).

The strategy was considered in the past as the science about planning and defining directions of military actions, while the birth of company strategy occurred in 60´s by publication of Alfred Chandler (1962) who pointed out the problem solving by managers in American companies connecting with long-term objectives, allocating resources and creating a structure to enable and support their implementation.

Gradually the concept of strategy has become more relevant and has been expressed by several authors. Quinn (1980) considers a strategy as a model or plan that integrates objectives of the company, as well as policies and activities into a coherent whole. On the other hand Glueck (1980) sees strategy as a single, comprehensive and integrated plan that is designed to ensure the achievement of the basic objectives of the company.

Currently the strategy is one of the key factors of the company and with its definition may be encountered in a number of domestic and foreign literatures dealing with strategic management.

According to Sadler (2003) strategy is a complex process defining activities need to be undertaken to achieve company objectives and prefers medium-and long-term goals before operational solutions.

The proposed strategy is defined by Grunig & Kuhn (2006) as a managerial directive or declaration, which serves as decision support providing the possibility of appeal.

2. Strategic implementation

Strategic planning was considered as an effective way of implementation of the strategy in the past. As Figure 1 shows strategic planning is involved in process of preparation of the strategy, it supports implementation and develops strategy into detailed strategic plan, which is part of the implementation of the strategy. Strategic planning also coordinates the process of development of strategic plans at lower hierarchical levels. (Papula & Papulová, 2009)

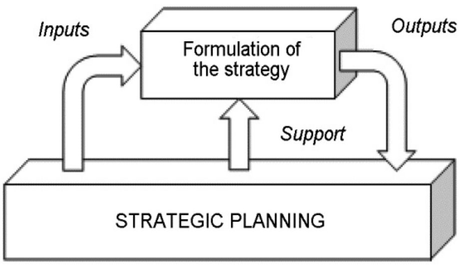

Fig. 1. Relationship between strategic planning and formulation of the strategy.
Source: Papula, J., & Papulová, Z. (2009)

Through the last period of years have been developed and created other opportunities and insights to enable effective implementation so strategic planning is nowadays not only one option for strategic implementation. Table 1 provides a brief overview of views and tools of implementation of the strategy based on the review of recent domestic and foreign publications. From the Table 1 we can see organizational elements which provide basic and long – term institutionalization of company´s strategy. These elements are management of the company, company´s culture, organizational structure and the main tools of implementation represent control, rewarding and administrative tools.

Control is used not only for the review of the process but primarily as a process of regulation and the emphasis is on receiving concrete measures and on adaption to new circumstances. Rewarding is considered as the most effective tool for implementation while administrative tools help to harmonize actions of employees with the strategy. Administrative tools include plans, budgets, policies, procedures and rules. (Slávik, 2009)

We can define that strategy will not be successful in the case of the absence of implementation of the strategy through the whole company. This is based on the research of relevant literature. Table 1 shows views and tools of implementation of the strategy such as critical factors of the implementation.

Table 1. Summary of views, tools and critical factors of implementation of the strategy

Author	Views and tools of implementation of the strategy	Critical factors of implementation of the strategy
Slávik (2009)	*Formal activities*: • Administrative tools (plans, budgets, policies) • Balanced Scorecard • Control systems and Rewarding *Informal activities*: • Strategic Leadership • Company´s Culture • Interests and power • Internal conflict	• Communication, • Creation of an appropriate organizational structure, • Implementation of administrative support systems, • Assemble of control systems, • Creation of systems of rewarding and stimulating, • Formulation of company´s culture, • Strategic leadership.
Vološin(2003)	1. Creation of adequate organizational structure 2. Creation of mechanisms for control of the strategy, motivation and rewards 3. Formation of the overall favorable environment for the implementation of the strategy	• Inadequate organizational structure, • Disregard the specifics of the company and activities, • Strategy, structure and control are not aligned.
Majtán *et al.* (2007)	*Administrative activities:* *Hard tools* – communication, organizational structure, administrative agenda, control and rewarding *Soft tools* – company culture and leadership	• Employees – their motivation and organization, • Company´s culture, • Discrepancy between strategy and real company´s activities.
Keřkovský & Vykypěl (2003)	1. Creation of organizational conditions – plans, budgets, powers and responsibilities 2. Company climate 3. The role of top management 4. Information to employees about roles and responsibilities 5. Control and revision of strategies and plans	• Lack of appropriate resources required for the implementation of the strategy, • Lack of control and adaptation to changes of the company´s environment, • Employee's resistance.
Mallya (2007)	• Strategic leadership • Organizational structure • Company culture • Business ethics and strategic management • Motivational system of the company • Resource allocation	• Inadequate monitoring and implementation of information, • Employee's resistance to change • Rewarding system based on past successes and not related to the future objectives • Critical factors are also strategic leadership, company´s climate and culture, resource allocation
Šmída (2007)	Implementation of the strategy is done through: • projects – single, non – recurring activities, resulting in a step change • processes –recurring sequence of interrelated activities	• critical success factors of implementation of projects • critical success factors of implementation of processes

End of Table 1

Author	Views and tools of implementation of the strategy	Critical factors of implementation of the strategy
Niven (2002)	• Balanced Scorecard	• *Vision Barrier* – only 5% of the workforce understands the strategy • *People Barrier* – only 25% of managers have incentives linked to strategy • *Management Barrier* – 85% of executive teams spend less than one hour per month discussing strategy • Resource Barrier – 60% of organizations don´t link budgets strategy
Kassay (2010)	• Administrative tools • Inspection • Remuneration • Leadership • Company culture	• The unclearly formulated strategic objectives and their inconsistency, • The unsuitably stated strategy and subsequent partial or full inability of realization, • The insufficiently worked out strategic operations, • The lack of determination of the top management to enforce the strategic objectives to life "by all possible means", • The continuing climate of indifference of the middle management and working team resulting from low –quality work of the top management with employees, • The professional inability of the company employees to realize the strategic operations, • Underestimating the need of resources and an insufficient continuity between the strategic operations and creation of the resources necessary for their realization, • The insufficient inspection system during the strategic operation, • The weak motivation of the employees and the team of workers to realize the strategic operations consequently and in a creative way.
Gurowitz (2012)	Implementation of the strategy is inseparable from effective leadership and communication within the company.	• Formulation and effective communication of vision and values, • Formulation and effective communication of mission, • Generation of enthusiasm and buy-in at all levels, • Commitment to projects and business results that will fulfill on the mission, • Design of organizational architecture that allows for empowerment and communication, • Creation of tactics and short-term goals at the local level, • Effective Action in a context of accountability.
Beer & Eisenstat (2000)	*Not defined*	• Top – down or laissez – faire senior management style, • Unclear strategy and conflicting priorities, • An ineffective senior management team, • Poor vertical communication, • Poor coordination across functions, business or borders, • Inadequate down – the – line leadership skills and development.

Based on the Table 1 we can see different views of authors on critical factors of implementation of the strategy. Factors which required the most attention understand of the strategy, its acceptance by employees and implementers of the strategy, effective communication and coordination of company´s activities.

Gavurová (2010) in her publication defines basic principles which could help to achieve an effective implementation of the strategy of the company:

- *communication of the strategy through the whole company*: employees are not inclined to organizational changes that accompany the implementation of the strategy so there is a need for effective communication of strategic goals, their achievement as well as their influence on daily activities of employees,
- *involving employees in the implementation of the strategy:* keeping initiative on employees to find effective way for achieving strategic goals allows company to eliminate employee´s resistance to changes,
- *assignment of responsibilities for strategic projects*: defining responsibilities and financial involvement of employees have a significant impact on success of strategic goals,
- *adaption of the organizational structure*: company should adjust the organizational structure to company´ s processes in connection with outputs from employees and control systems,
- *implementation of effective controls*: control is in the process of implementation of the strategy necessary and the problem is content and methodology of control, it is necessary to focus not only on control of the implementation of the strategy but also on the relevance of the strategy given by changing internal and external environment of the company.

Strategic management system that implements company´s strategy can benefit from several methods. Their success depends on the accuracy and appropriateness of the method for the company emphasizing its specifics. In the article are further analyzed methods: *the Balanced Scorecard* and *Model „7S"*.

3. Model „7S”

One comprehensive approach used to implementation of the strategy was developed by Peterson & Waterman at McKinsey & Company in the early 80th. The model is based on seven internal company factors that must be aligned together for successful implementation of the strategy in the company.

The Model „7S” can be used in a wide variety of situations where an alignment perspective is useful (mindtools.com):

- *Improve the performance of a company.*
- *Examine the likely effects of future changes within a company.*
- *Align departments and processes during a merger or acquisition.*
- *Determine how best to implement a proposed strategy.*

Based on the figure 2 we can see that Model „7S” consists from *„hard and soft”* factors. *Hard* elements are easier to define and management can directly influence them. The three *hard* elements of the model are (Mallya, 2007):

- *Strategy* – express how the company achieves its vision and how responds to opportunities and threats from environment, means awareness of the strategy, its explanation to external subjects not only to internal,
- *Structure* – the way how the company is structured, inferiority and superiority relations, organizational structure supports the implementation of the strategy,
- *Systems* – formal and informal everyday activities and procedures carried out by employees, it is about systems of planning, control and information that support the implementation of the strategy.

On the other hand *soft* elements of the model are more difficult to define, they are less specific and influenced by company´s culture. Despite the soft elements are as important as hard if the company wants to achieve success. Soft elements of the model are (Papula & Papulová, 2012):

- *Style* – style of leadership and choice of the appropriate style of leadership of the company belong to important factors affecting the implementation of the strategy,
- *Staff* – employees and their basic skills are key factors of the success, companies should have right people on the right place,
- *Skills* – actual skills and abilities of company´s employees, companies should focus on the development of the skills in the future, extension of knowledge and acquisition of experiences,
- *Shared values* – values enforced in the strategy are based on shared interests and are included in the mission of the company, they are a key element that influences the effectiveness of all other factors, it is an important feature of company´s culture that supports the creation and implementation of the strategy.

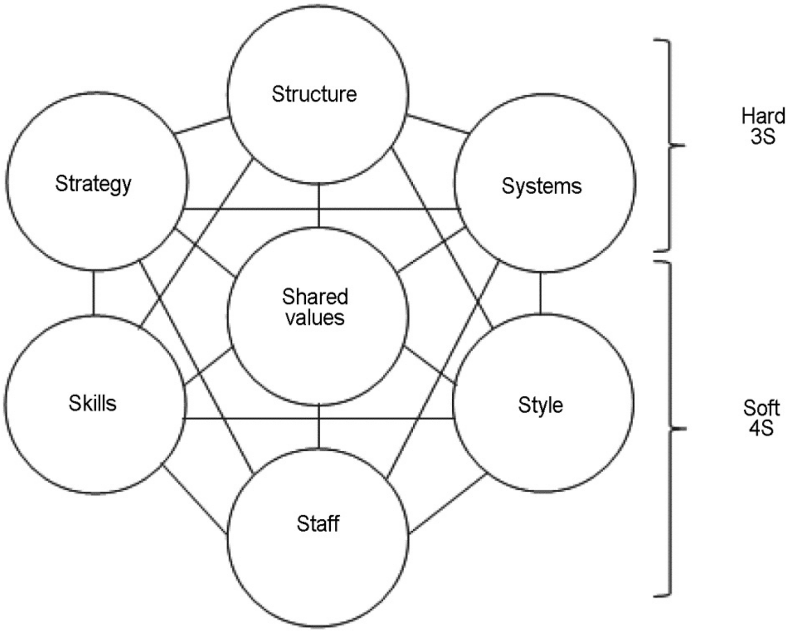

Fig. 2. Model „7S" by McKinsey company.
Source: Mallya, T. (2007)

Model „7S" represents a model that can be applied in any company and if something does not work in the company probably is there a conflict between some elements listed in the model. After identifying these discrepancies and their re-harmonization company proceeds to the outlined objectives and values. Experiences of companies showed that these elements support the implementation of the strategy and contribute to the long – term success of the company.

4. Balanced scorecard

Strategic Management System *Balanced Scorecard* was developed by Kaplan & Norton in 1992 and was firstly introduced in the journal Harvard Business Review. In 1996 was published the first book devoted to this issue, entitled *Balanced Scorecard: Translating Strategy Into Action* (Kaplan & Norton, 1996).

Balanced Scorecard translates mission and strategy of the company into a comprehensive set of performance indicators that provide a framework for assessing company´s strategy and management system. It represents a multidimensional system that is used to define and implement organizational and management strategies at all organizational levels of the company to maximize the process of value creation. Balanced Scorecard is a management system used in companies which provides efficient utilization of resources for shareholders. BSC in companies facilitate the formulation and subsequent implementation of strategic mission through whole company and employees (Kaplan & Norton, 2000).

Although there are several methods and approaches used to implement company´s strategy there are several reasons to use the Balanced Scorecard. These reasons include for example orientation towards the learning organization, highlighting the status of human resources in the company and orientation to the future (Gavurová, 2010).

Horvath & Partner's (2002) indicate the main reasons for the implementation of BSC in company:

- necessity to enforce the strategy,
- criticism of the classical system of indicators,
- the need for transparency of reporting,
- the need to simplify the planning process.

Balanced Scorecard maintains traditional financial indicators of past performance that are complemented by new indicators of future performance. Goals and indicators of Balanced Scorecard are based on the vision and strategy of the company and follow the performance of the company from four perspectives (Marinič, 2008):

- *customer perspective,*
- *internal perspective,*
- *learning and growth perspective,*
- *financial perspective.*

Four Balanced Scorecard perspectives and their derivation from vision and strategy is shown in Figure 3.

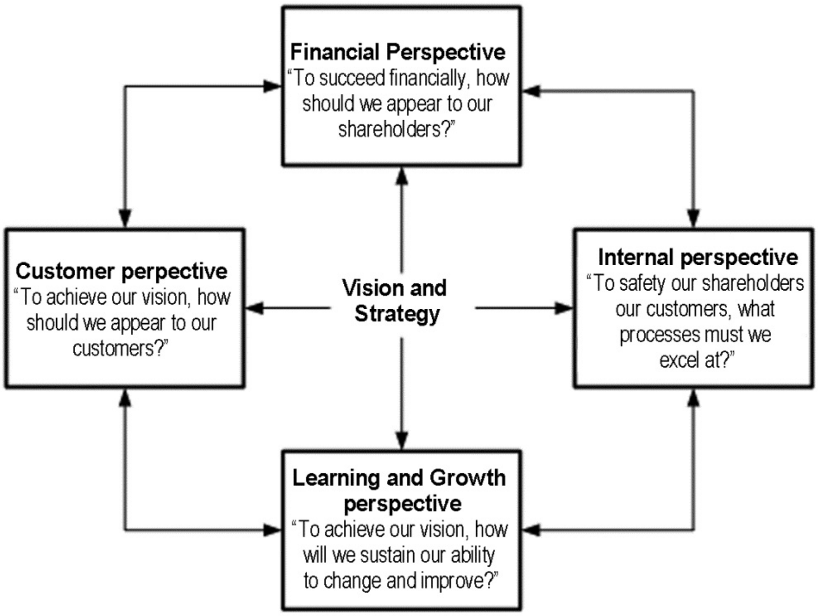

Fig. 3. Four perspectives of Balanced Scorecard and their derivation from vision and strategy.
Source: Wagner, J. (2009)

Balanced Scorecard expands the set of objectives of the company beyond the normal financial measures. Management of the company can measure how the business units create value for current and future customers as well as how to change the quality of systems, procedures and human resources to improve future performance of the company. Although BSC captures short-term performance through a financial perspective, it reveals the value-drivers which lead to higher long-term financial performance. It is management system of the company and system for the implementation of the strategy (Kaplan & Norton, 2001).

Four Balanced Scorecard perspectives allow the company to achieve a balance between short-term and long-term objectives, between desired outcomes and the drivers of those outcomes and between hard and soft indicators, subjective indicators. Despite the large number of indicators used in the BSC properly assembled BSC contains only meaningful data because all indicators are directed to achieving an integrated strategy.

This system refers to a comprehensive economic activity of the company by using quantifiable financial as well as non-quantifiable indicators of quality and meets the need of the company to be competitive in long – term.

The measurement is generally seen as a tool of control and evaluation of the past performance while the indicators used in the BSC are used to formulate the strategy of the company, its adaptation to individual and company needs and also to needs of individual departments to achieve a common goal. Balanced Scorecard should be used as a system of communication and information not as a controlling system (Gavurová, 2010).

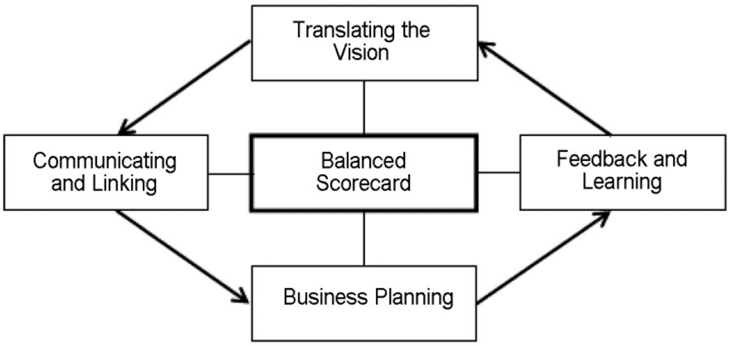

Fig. 4. Balanced Scorecard as a strategic management system.
Source: Kaplan, R., & Norton, D. (2001)

4.1. The development of the Balanced Scorecard as a strategic management tool

Concept of Balanced Scorecard in its essence remains unchanged – four groups of indicators and focus on the strategy. To the form in which we know it today has transformed over the years and there can be specified three generations of development. A brief overview of the development of BSC is processed on the basis of Cobbold & Lawrence (2002), Gavurová (2010), Niven (2002), Kaplan & Norton (2007).

First generation – BSC as a system for performance measurement:

- measuring performance of the company requires not only financial indicators but also operational (in customers, internal processes, innovation and improvement) which are incorporated into the BSC,
- BSC offers clarity – a limited number of measurements in four perspectives,
- into the center of attention goes strategy, not control,
- in the process of selection of indicators are used subjective questions about vision and strategy,
- cooperation with top managers.

Second generation – BSC as a system for implementation of the strategy:

- supplementation of the model by aligning fur perspectives on vision, mission and strategy,
- two important elements of BSC – choice of specific indicators and their classification into perspectives,
- essence of each area of indicators is caught by short sentences that are connected to the four perspectives,
- formulation of the relations between objectives and indicators with the responsible subjects,
- formation of model of strategic maps – graphic relations of goals and perspectives.

Third generation – BSC as a tool of strategic management:

- the term „destination statement" – clear statement of company´s objectives and determination of what the company wants to achieve,
- determination of cause and effect relationship between the declared goals – what needs to be done to achieve the expected results,
- development of a broader model of strategic maps and perspectives – establishment of a clear interconnection and interaction of indicators in four perspectives,
- definition of the strategic initiatives that are assigned to the indicators of strategic objective and represent projects with clearly defined duration supporting the achievement of strategic objective,
- connection of budget process and planning process with BSC,
- development of scenarios of future development.

5. Conclusion

Strategic implementation as a part of strategic management of the company plays an important role in achieving prosperity and competitiveness. The strategy reflects the fundamental ideas on which way the objectives of the company will be achieved. Definition of a good strategy is not easy. Formulation of the strategy and related objectives is a difficult process as well as the process of implementation of the strategic objectives into the business plan.

Prosperity and competitiveness of the company are conditioned also by flexible strategic management. Companies without strategic management can´t be competitive in long – term and without appropriate strategy is strategic development unsuccessful. In the article are analyzed two methods used for the implementation of the strategy. First method is Model „7S" and second one is Balanced Scorecard.

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