



對外經濟貿易大學
UNIVERSITY OF INTERNATIONAL BUSINESS AND ECONOMICS

Chapter 7

Building a capable Organization

Learning Objectives

- **A Framework for Executing Strategy**
- **The Principal Managerial Components of the Strategy Execution Process**
- **Matching Organization Structure to Strategy**

Objective 1

A Framework for Executing Strategy

Crafting vs. Executing Strategy

Crafting the Strategy

- Primarily a **market-driven** activity
- Successful strategy making depends on
 - Business vision
 - Perceptive analysis of market conditions and company resources and capabilities
 - Attracting and pleasing customers
 - Outcompeting rivals
 - Using company resources and capabilities to forge a competitive advantage

Executing the Strategy

- Primarily an **operations-driven** activity
- Successful strategy execution depends on
 - Good organization-building and people management
 - Creating a strategy-supportive culture
 - Continuous improvement
 - Getting things done and delivering good results

Objective 2

The Principal Managerial Components of the Strategy Execution Process



What Are the Goals of the Strategy Implementing-Executing Process?

- **Unite** total **organization** behind **strategy**
- See that **activities** are **done** in a manner that is conducive to **first-rate strategy execution**
- **Generate commitment** so an enthusiastic crusade emerges to carry out strategy
- **Fit** how organization conducts its **operations** to **requirements of strategy**

Putting Together a Strong Management Team

- Assembling a capable management team is a cornerstone of the organization-building task
- Find the right people to fill each slot
 - Existing management team may be suitable
 - Core executive group may need strengthening
 - **Promote from within**
 - **Bring in skilled outsiders**

Selecting the Management Team: Key Considerations

- Determine mix of
 - Backgrounds
 - Experiences and know-how
 - Beliefs and values
 - Styles of managing and personalities
- Talent base needs to be appropriate
- Picking a solid management team needs to be acted on early in implementation process

Recruiting and Retaining Talented Employees: Implementation Issues

- Assemble needed human resources and knowledge base for effective strategy execution
- Biggest challenge facing companies
 - How to recruit and retain the best and brightest talent with strong skill sets and management potential
- Intellectual capital, not tangible assets, is increasingly being viewed as the most important investment
 - Talented people are a prime source of competitive advantage

Key Human Resource Practices to Attract and Retain Talented Employees

- Spend considerable effort in screening job applicants, selecting only those with
 - Suitable skill sets
 - Energy and initiative
 - Judgment and aptitudes for learning
 - Ability to adapt to firm's work environment and culture
- Put employees through training programs throughout their careers
- Give promising employees challenging, interesting, and skills-stretching assignments

Key Human Resource Practices to Attract and Retain Talented Employees (continued)

- Rotate employees through jobs with great content, spanning functional and geographic boundaries
- Encourage employees to
 - Be creative and innovative
 - Challenge existing ways of doing things and offer better ways
 - Submit ideas for new products or businesses
- Foster a stimulating work environment
- Exert efforts to retain high-potential employees with excellent salary and benefits
- Coach average employees to improve their skills

Building Core Competences and Competitive Capabilities

- **Crafting** the **strategy** involves
 - **Identifying** the desired **competences** and **capabilities** to build into the strategy and help achieve competitive advantage
- Good **strategy execution** requires
 - **Putting** desired **competences** and **capabilities in place**,
 - **Upgrading** them as needed, **and**
 - **Modifying** them as market conditions evolve

Three-Stage Process of Developing Competences and Capabilities

1. Develop **ability** to do something
2. As experience builds, **ability** can **translate** into a **competence or capability**
3. If **ability** continues to be **polished and refined**, it can become a **distinctive competence**, providing a potential **competitive advantage!**

Managing the Process of Building Competences: Four Key Traits

1. Competencies are **bundles of skills** and **know-how** growing from **combined efforts** of cross-functional departments
2. Normally, competences **emerge incrementally** from various company efforts to respond to market conditions
3. Leveraging competences into competitive advantage requires **concentrating more effort** and **talent** than rivals on **strengthening competences** to create valuable capabilities
4. Sustaining competitive advantage requires **adjusting competences to new conditions**

Approaches to Developing Competences

- **Internal development** involves *either*
 - Strengthening the company's base of skills, knowledge, and intellect **or**
 - Coordinating and networking the efforts of various work groups and departments
- Partnering with key suppliers, forming strategic alliances, or maybe even outsourcing certain activities to specialists
- **Buying a company** that has the required capabilities and integrating these competences into the firm's value chain

Building Competences: Keys to Success

- Selecting capable employees
 - Training
 - Cultural influences and peer pressures
 - Cross-department cooperation and collaboration
 - Motivating employees to strive for operating excellence
- Empowerment
 - Attractive incentives
 - Organizational flexibility
 - Short deadlines
 - Good databases

Objective 3

Matching Organization Structure to Strategy



Matching Organization Structure to Strategy

- Few hard and fast rules for organizing
 - **One Big Rule:** *Role and purpose of organization structure is to support and facilitate good strategy execution!*
- Each firm's structure is special, reflecting
 - Prior arrangements and internal politics
 - Executive judgments and preferences about how to arrange reporting relationships
 - How best to integrate and coordinate work effort of different work groups and departments

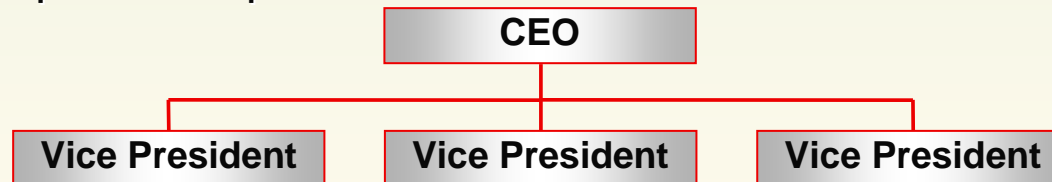
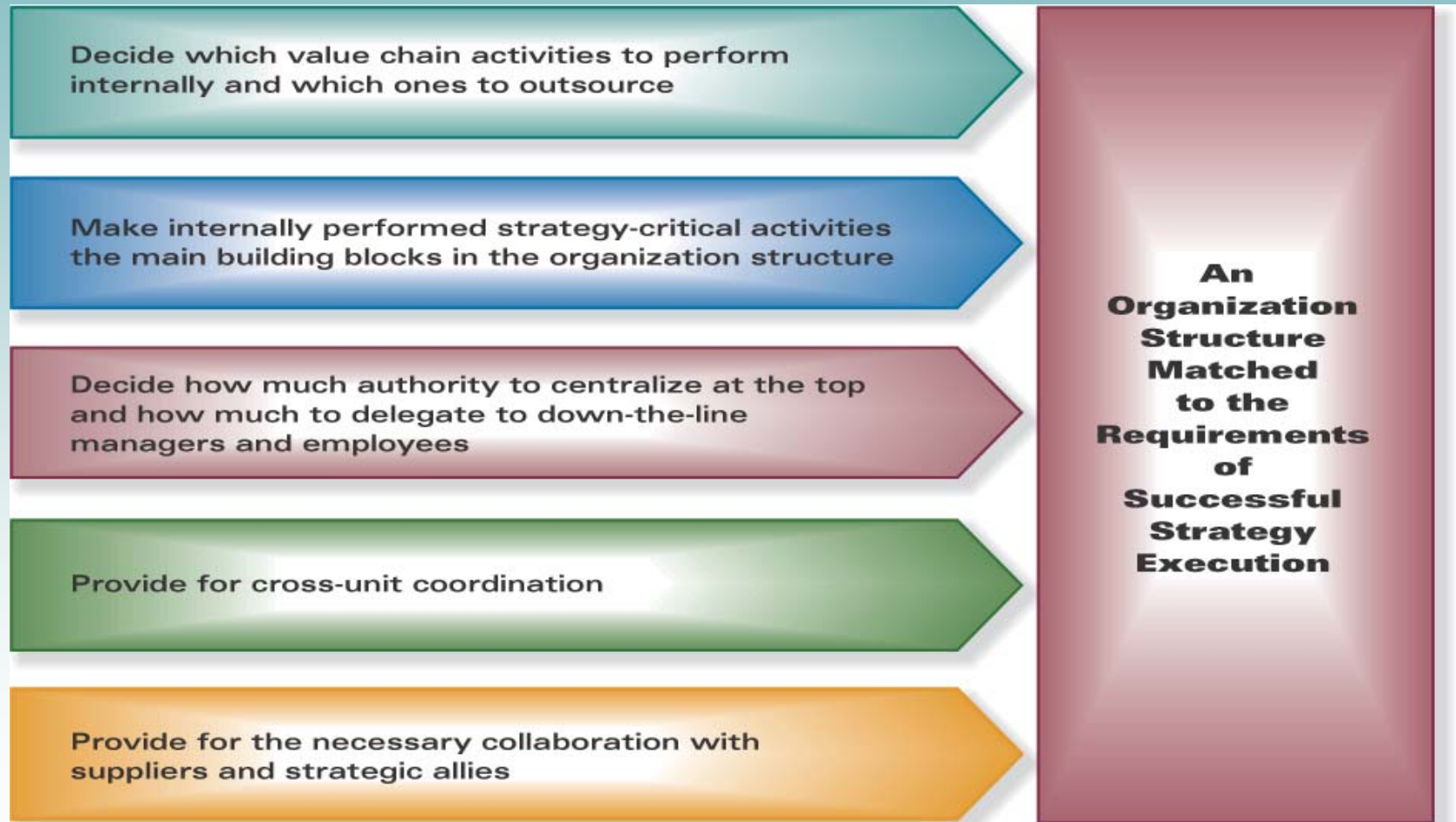


Fig. 7.3: Structuring the Work Effort to Promote Successful Strategy Execution



Step 1: Decide Which Value Chain Activities to Perform Internally and Which to Outsource

- Involves **deciding** which **activities** are **essential** to **strategic success**
 - Most strategies entail certain crucial business processes or activities that must be performed exceedingly well or in closely coordinated fashion if the strategy is to be executed with real proficiency
 - These processes/activities usually need to be performed internally
 - Other activities, such as routine administrative housekeeping and some support functions, may be candidates for outsourcing

Potential Advantages of Outsourcing Non-Critical Activities

- Decrease internal bureaucracies
- Flatten organization structure
- Speed decision-making
- Provide firm with heightened strategic focus
- Improve a firm's innovative capacity
- Increase competitive responsiveness

Outsourcing makes *strategic sense* when an outsider can perform an activity cheaper or better.

Step 2: Make Strategy-Critical Activities the Main Building Blocks

- **Assign** managers of strategy-critical activities a visible, influential position
- **Avoid** fragmenting responsibility for strategy-critical activities across many departments
- **Provide** coordinating linkages between related work groups
 - Meld into a valuable competitive capability

Why Structure Follows Strategy

- **Changes in strategy** typically require a **new or modified organization structure**
 - A new strategy often involves different skills, different key activities, and different staffing and organizational requirements
 - Hence, a new strategy signals a need to reassess and often modify the organization structure
- How work is structured is a **means to an end – not an end in itself!**

Step 3: Determine How Much Authority to Delegate to Whom

- In a **centralized structure**
 - Top managers retain authority for most decisions
- In a **decentralized structure**
 - Managers and employees are empowered to make decisions
- **Trend** in most companies
 - Shift from authoritarian to decentralized structures stressing empowerment

Step 4: Provide for Internal Cross-Unit Coordination

- **Classic method of coordinating activities** – Have **related units report to single manager**
 - Upper-level managers have clout to coordinate efforts of their units
- **Support activities** should be **woven into structure** to
 - Maximize performance of primary activities
 - Contain costs of support activities
- **Formal reporting relationships** often need to be **supplemented to facilitate coordination**

Step 5: Provide for Collaboration With Outsiders

- Need **multiple ties** at **multiple levels** to ensure
 - Communication
 - Coordination and control
- Find ways to **produce collaborative efforts** to **enhance** firm's **capabilities** and **resource strengths**
- While collaborative relationships present opportunities, **nothing valuable is realized until the relationship develops into an engine for better organizational performance**

Summary

The job of strategy implementation and execution is to convert strategic plans into actions and good results. The test of successful strategy execution is whether actual organization performance matches or exceeds the targets spelled out in the strategic plan. Shortfalls in performance signal weak strategy, weak execution, or both.