



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

# Chapter 8

## Managing Internal Operations

# Learning Objectives

- Allocating Resources to Support the Strategy Execution Effort
- Instituting Policies and Procedures that Facilitate Strategy Execution
- Adopting Best Practices and Striving for Continuous Improvement
- Installing Information and Operating Systems
- Tying Rewards and Incentives Directly to Good Strategy Execution

# Objective 1

Allocating Resources to Support  
the Strategy Execution Effort



# Allocating Resources to Support Strategy Execution

- **Allocating resources** in ways to **support effective strategy execution** involves
  - Funding strategic initiatives that can make a contribution to strategy implementation
  - Funding efforts to strengthen competencies and capabilities or to create new ones
  - Shifting resources — downsizing some areas, upsizing others, killing activities no longer justified, and funding new activities with a critical strategy role

# Objective 2

Instituting Policies and  
Procedures that Facilitate  
Strategy Execution



# Creating Strategy-Supportive Policies and Procedures

- **Role** of **new policies**
  - Channel behaviors and decisions to promote strategy execution
  - Counteract tendencies of people to resist chosen strategy
- **Too much policy** can be as **stifling** as
  - Wrong policy or as
  - Chaotic as no policy
- Often, the **best policy** is **empowering employees**, letting them **operate between the “white lines”** anyway they think best

# Objective 3

Adopting Best Practices and  
Striving for Continuous  
Improvement



# Instituting Best Practices and Continuous Improvement

- Searching out and adopting **best practices** is integral to effective implementation
- **Benchmarking** is the backbone of the process of identifying, studying, and implementing best practices
- **Key tools** to promote **continuous improvement**
  - TQM
  - Six sigma quality control
  - Business process reengineering



# What Is a Best Practice?

- Any **activity** that at least one company has proved **works particularly well**
- A **path** to **operating excellence**

# Characteristics of Best Practices

- The **best practice** must have a **proven record** in
  - Significantly lowering costs
  - Improving quality or performance
  - Shortening time requirements
  - Enhancing safety *or*
  - Delivering some other highly positive operating outcome
- To be **valuable and transferable**, a **best practice** must
  - Demonstrate success over time
  - Deliver quantifiable and highly positive results *and*
  - Be repeatable

# What Is *Total Quality Management*?

- A ***philosophy of managing*** a set of ***business practices*** that ***emphasizes***
  - Continuous improvement in all phases of operations
  - 100 percent accuracy in performing activities
  - Involvement and empowerment of employees at all levels
  - Team-based work design
  - Benchmarking ***and***
  - Total customer satisfaction

# What Is Six Sigma Quality Control?

- A **disciplined, statistics-based system** aimed at
  - Having not more than 3.4 defects per million iterations for any business practice -- from manufacturing to customer transactions
- **DMAIC process (Design, Measure, Analyze, Improve, Control)**
  - An improvement system for **existing processes** falling below specification and needing incremental improvement
  - A great tool for improving performance when there are wide variations in how well an activity is performed
- **DMADV process (Define, Measure, Analyze, Design, Verify)**
  - An improvement system used to develop **new processes** or products at Six Sigma quality levels

# Objective 4

## Installing Information and Operating Systems



# Installing Strategy-Supportive Information and Operating Systems

- Essential to promote successful strategy execution
- Types of support systems
  - On-line data systems
  - Internet and company intranets
  - Electronic mail
  - E-commerce systems
- Mobilizing information and creating systems to use knowledge effectively can yield
  - Competitive advantage

# What Areas Should Information Systems Address?

- Customer data
- Operations data
- Employee data
- Supplier/partner/collaborative ally data
- Financial performance data



# Objective 5

Tying Rewards and Incentives  
Directly to Good Strategy  
Execution





# Gaining Commitment: Components of an Effective Reward System

## Monetary Incentives

- Base pay increases
- Performance bonuses
- Profit sharing plans
- Stock options
- Retirement packages
- Piecework incentives

## Non-monetary Incentives

- Praise
- Constructive criticism
- Special recognition
- More, or less, job security
- Stimulating assignments
- More, or less, autonomy
- Rapid promotion

# Approaches: Motivating People to Execute the Strategy Well

- Provide attractive perks and fringe benefits
- Rely on promotion from within when possible
- Make sure ideas and suggestions of employees are valued and respected
- Create a work atmosphere where there is genuine sincerity and mutual respect among all employees
- State strategic vision in inspirational terms to make employees feel they are part of something worthwhile
- Share financial and strategic information with employees
- Have knockout facilities
- Be flexible in how company approaches people management in multicultural environments

# Linking the Reward System to Performance Outcomes

- *Tying rewards to the achievement of strategic and financial performance targets is management's single most powerful tool to win the commitment of company personnel to effective strategy execution*
- *Objectives in designing the reward system*
  - *Generously reward* those achieving objectives
  - *Deny rewards* to those who don't
  - Make the desired *strategic and financial outcomes* the *dominant basis* for designing incentives, evaluating efforts, and handing out rewards

# Key Considerations in Designing Reward Systems

- Create a **results-oriented** system
- **Reward** people for **results, not** for **activity**
- Define jobs in terms of **what to achieve**
- Incorporate **several performance measures**
- Tie **incentive compensation** to **relevant outcomes**
  - **Top executives** – Incentives tied to overall firm performance
  - **Department heads, teams, and individuals** – Incentives tied to achieving performance targets in their areas of responsibility

# Guidelines for Designing an Effective Compensation System

- 1.** Payoff must be a major, not minor, piece of total compensation package
- 2.** Incentive plan should extend to all employees
- 3.** Administer system with scrupulous fairness
- 4.** Link incentives to achieving only the performance targets in strategic plan
- 5.** Targets a person is expected to achieve must involve outcomes that can be personally affected
- 6.** Keep time between performance review and payment short
- 7.** Make liberal use of non-monetary rewards
- 8.** Avoid ways of rewarding non-performers



# Summary

In this chapter we discuss five additional managerial actions that facilitate the success of a company's strategy execution efforts:

1. Marshaling resources to support the strategy execution effort.
2. Instituting policies and procedures that facilitate strategy execution.
3. Adopting best practices and striving for continuous improvement in how value chain activities are performed
4. Installing information and operation systems that enable company personnel to better carry out their strategic roles proficiently
5. Tying rewards and incentives directly to the achievement of strategic and financial targets and to good strategy execution.