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HOW TO IMPLEMENT A STRATEGY
(A PRACTICAL GUIDE FOR THE LITTLE
RABBIT)

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ABSTRACT

Several articles have recently reported a growing disenchantment with strategic planning. More and more corporations feel that strategic planning has failed to provide its expected benefits.

This disenchantment with strategy can be attributed primarily to the problems corporations face when it comes to implementation.

This article proposes a step by step procedure for the implementation of strategy.

INTRODUCTION

Among the several anecdotes shared by hunters, there is one about a young rabbit which was running about frantically at the beginning of the hunting season.

An older rabbit, passing by, noticed the youngster's troubled behavior, and stopped to ask what the matter was. The younger one paused in amazement and blurted, "Don't you know that the hunting season has just begun?"

The old rabbit gazed paternally at the young one and replied slowly, "Young fellow, if that's all that's bothering you, I have the solution. Transform yourself into a tree. The hunters will pass by and won't shoot at you, because they will take you for a tree".

"Excellent idea", replied the young rabbit! Why didn't I think of it before? That's a great idea. The hunters will pass right by without noticing me at all. Thank you so much".

The old rabbit was on his way down the road when the young one, struck by a doubt, called after him nervously! "But ... but what do I have to do to change myself into a tree? How do I do that?"

The old rabbit stopped, and replied drily over his shoulder, "Young fellow, I handed you a great idea. Be grateful and don't bother me about details. You can work it out.

This anecdote represents rather well the present situation

regarding strategic planning literature. Although much has been written in the last few years about strategic planning, the emphasis has been on strategy formulation rather than implementation. Indeed, if one looks at the literature, implementation seems to be treated as a mere detail of the planning process.

This is an unfortunate situation because it has led to a growing disenchantment with strategy and to the appearance of several articles in past years which have reported that strategy has failed to live up to its promises [1].

The difficulties which corporations face when implementing a strategy stem not only from the lower attention which has been paid to strategy implementation, but also from the complex form most modern organizations have assumed. They market a multitude of products, serve various needs, target several types of clients and operate in diverse geographical areas.

Implementing a strategy is as important as formulating it. A well formulated but badly implemented strategy will provide effectiveness, (doing the right things) but not efficiency (doing things right). The correct implementation of a badly formulated strategy will give efficiency, and not effectiveness. Both effectiveness and efficiency are necessary for optimal organizational performance.

Bellow is a step by step method for correctly implementing a strategy.

The First Step in Implementing a Strategy:
Design the General Framework of The Organization

Let us suppose that a corporation has a strategy which encompasses different markets. That is, it offers various products/needs, targets several types of clients and operates in diverse geographical areas.

Between products/needs, clients and geographical areas, several types of relationships can exist. For instance, one product/need may serve more than one type of client. This is the case with household appliances, which can be sold directly to households (couples) or to construction companies. The importance of service, the timing of delivery, durability, low price, image, etc. varies depending on whether a firm is serving the first type of client or the second.

In women's footwear there is evidence that the importance of image, price and comfort vary with the age of the client. In the computer industry, one can find organizations targeting various types of clients such as households (Spectrum), professionals and small firms (Tandy), universities and research centers (Cray computers), the finance sector (Unisys) and so on.

Also, a single product need can be offered in various geographic areas. One of the reasons advanced by Unisys President, Michael Blumenthal for the merger of Burroughs and Sperry is that they operated in complementary world areas.

Consequently, the first step a corporation must take in implementing its strategy, is to list, in very precise terms,

all of

- the products/needs the organization offers;
- the types of clients it serves;
- the distinct geographical areas it operates in (Japan? USA? South America? etc.)

The corporation must then ask itself, "In which dimension - product/need, client, geographical area, or function (marketing, finance, production), is there the greatest DIVERSITY? That is, where is the greatest heterogeneity to be found - among products/needs, among (the various) clients, among the several geographical areas, or among the functional departments?

Diversity in terms of what? In terms of the "modus operandi", the way of doing business in a given market. This includes the distribution system, the type of advertising needed (message and media), the psychology of the client, the raw materials and equipment to be used, and so on.

Three types of answers are possible.

A) ONE OF THE MARKET DIMENSIONS (product/need, client or geographical area) has greater diversity than all of the others. In such a case this dimension should be used as the first criteria upon which to build the organization's structure. If, for instance, the dimension with greatest diversity is the client dimension, then the structure should be DIVISIONAL, and divided by clients, where each division specializes in handling a specific type of client. This is the type of structure used by many computer firms which have divisions specialized in industry, commerce, government, public and the finance sectors.

The same logic applies if the dimension with the greatest diversity is that of product/needs or geographical area. The structure should then be divisional, divided by products or geographic area, respectively.

Once the main departments (by type of clients, product or geographical area) are chosen, each of these should be structured according to the diversity (heterogeneity) to be found in the remaining dimensions. This means that the second and third hierarchical levels can differ from one division to another division. For instance, a division handling a specific type of client can be structured first in terms of geographical area and then within each geographical area in terms of product, while the division handling another type of client can be structured first in terms of product and then within each product (if need be) in terms of geographical area.

B) Another possible answer is that TWO DIMENSIONS HAVE EQUAL DIVERSITY/HETEROGENEITY. In such a case a MATRIX STRUCTURE should be adopted, the dimensions of the matrix being those with greatest equal diversity. That is the reason why many multinational corporations which operate in distinct areas of the world and handle a diverse line of products, opt for a matrix structure where one dimension is the (various) geographic area the firm operates in and the other dimension is the (several) products it markets.

C) A third possibility is that no market dimension (product/need, client, geographical area) is more heterogeneous than the heterogeneity to be found among the FUNCTIONAL AREAS. In such a case, the appropriate structure is FUNCTIONAL. This means that the functional structure should be used either by specialist firms which have one

type of product/need, client and geographical area or by firms where the similarity among the various products/needs, clients and geographical areas, is large. In the latter case a functional structure is adequate as long as the marketing department has managers which specialize in the different clients, geographical areas and products/needs (product managers).

To summarize, the first step in implementing a strategy is to disaggregate the organization in terms of the dimensions with the greatest diversity (heterogeneity). The principle here is to first separate what is most diverse, in order to allow for specialization. If one dimension (client, product/need, etc.) is very diverse, it means that handling that type of dimension requires specialized knowledge, (knowledge of the psychology of the client, or the distribution channels, etc.). While designing the general structure of the corporation, in order to allow for specialization, divisions handling each type of (client, product/need etc.) should be created right at the top. Exhibit 1 summarizes this section.

The Second Step: Select the Strategic Business Units

After designing the organizations's general framework, one must decide upon the number of strategic business units (SBUs) that the corporation will have(A). Let us suppose that a corporation operates in the following markets:

	<u>Product/need</u>	<u>client</u>	<u>geographical area</u>
1st market	metal tubing/ building structures	construction firms	USA
2nd market	metal tubing/ building structures	construction firms	HOLLAND
3rd market	wood/interior furnishings	construction firms	HOLLAND
4th market	watches/status (luxury)	top 3% of the social structure	USA
5th market	fur coats/status (luxury)	top 3% of the social structure	USA
6th market	fur coats/status (luxury)	top 3% of the social structure	JAPAN

(A) SBUs are divisions handled by a general manager which is evaluated by a profit or investment budget and which enjoys a large degree of autonomy (decentralization).

We thus have four products/needs:
metal tubing/building structures; woods/interior
furnishings; watches/luxury status; and fur coats/luxury
status - two types of clients: construction firms and top
3% of the social structure - and three geographical areas
of operation: USA, Holland and Japan.

Let us suppose further that after analyzing the differences
(in terms of operations between the three geographical
areas, the two types of clients and the four types of
products/needs) we arrive at the conclusion that the
greatest heterogeneity exists in the client dimension and
that within the construction firms division, the greatest
diversity is first among products/needs and then among
geographical area. Finally, let us also assume that within
the division handling the top 3% of the social structure,
the greatest diversity is between geographical area and
then among products. In such a case the structure of the
corporation would be as shown in Exhibit 2.

The maximum number of SBUs would be six. The real number of
SBUs would depend upon how different each of the six potential
SBUs are in terms of:

- the way of doing business (type of sales force needed,
equipment utilized, etc.);
- the competition each SBU faces; and
- the lack of reciprocal impact of tactical decisions, such
as changes in prices, changing suppliers, etc..

Depending upon the differences in these three points one
can have one, two, three, etc. SBUs. If, for instance, the
differences (of operations and competition) and the lack of

reciprocal impact of tactical decisions among units 1, 2 and 3 in Exhibit 2 are great, but among 4, 5 and 6, are low one would have four SBUs (1, 2, 3 and one SBU handling all watches and fur coats in the USA and fur coats in Japan) (4, 5 and 6 in Exhibit 2).

To summarize, each SBU should focus on a distinct market. When two or more markets are similar (in terms of competition, operations and reciprocal impact of tactical decisions such as pricing, selection of suppliers, etc.), then those markets should be handled by the same SBU. The principle to be respected is that of AUTONOMY, meaning that each SBU must be relatively autonomous regarding the other SBUs in the corporation.

The Third Step: Centralize some Functions

The fact that a corporation has several SBUs does not mean that each of the SBUs must perform every function (marketing, personnel management, production, etc.).

A functional department should be placed within an SBU when ADAPTABILITY is important. If the marketing of one SBU is quite different from the marketing which another SBU must do, then both SBUs should have their own marketing department. When the type of operation of a functional department does not vary from one SBU to another, that department can be common to both of those SBUs and located higher up in the corporate structure, (not below the SBUs). How high a functional department should be placed depends on the number of SBUs it will serve. It is related to the level of ECONOMIES OF SCALE present in that department and to the need for UNIFORMITY in its decisions and actions.

In personnel, for example, it is frequently advantageous that policies regarding holidays, pay increases, selection processes and so on, be uniform throughout the corporation, and this function tends to be centralized as a result. Because economies of scale at the production level are large, aluminum firms tend to centralize production, while the marketing function is located under the SBUs, each specializing in a given type of client. In the marketplace one can find all types of arrangements. General Foods, for instance, has six SBUs: breakfast foods, beverages, meats, fish, desserts and pet foods. Under each SBU there are two functions: pricing and promotion - while finance/accounting, distribution, personnel and production

are centralized at a higher level and serve all SBUs, gaining uniformity and economies of scale. The sharing of these four departments among all six SBUs allows for synergy in terms of reduced costs and transfer of knowledge and experience across markets (from breakfast foods to desserts, from desserts to beverages, etc.).

In summary, the need for SPECIFICITY/ADAPTABILITY in the operations of a given department pushes its place down within the general framework. ECONOMIES OF SCALE and the need for UNIFORMITY push the department up. How high a department should be within the general structure depends upon the relative weight of these three factors.

This means that a well elaborated structure reveals quite a lot about the operations of a corporation. It reflects the extent of diversity which exists among its products, geographical areas and clients. It tells us about the number of distinct markets (competitors, inter-relation of tactical decisions and ways of doing business) the firm operates in. Finally, it informs us of the level of economies of scale, the advantage of uniformity and the need for adaptability to each market within each of the several functional departments (marketing, personnel, etc.).

The Fourth Step: Define Each SBU's Objectives

Objectives are those areas where performance must be excellent. Merely satisfactory performance is sufficient in all other tasks.

Without clearly defined objectives, all tasks will receive equal attention and the outcome will be global mediocrity. Equal attention and effort in all tasks is inadequate for obtaining a competitive advantage since we know that in every market there are some tasks which are more important than others. Those tasks which are the most important are designated "critical success factors"(A). For instance, in small batch air compressors, (of 1000 horsepower or more), the critical success factors are service, product research and development, the technical knowledge of the sales force, the technical knowledge of the manufacturing department workforce and image [2].

It is vital therefore that each SBU (specialized in a given market(B) defines its objectives, (the areas where excellence will be required) in very clear and precise terms. These areas should become the focus of most of the budget, most of the top management's efforts and the work of the best people in the organization. These objectives are of four types:

(A) Critical success factors have been defined as those tasks or variables which must be performed particularly well for an organization to outperform its competition.

(B) In the case of a specialized firm with a functional structure, the whole firm can be seen as a single SBU.

A. The critical success factors

If, for example, service, the quality control system, image and distribution are critical for success in a given market, the SBU must strive to excel in those areas. To offer better service have better quality control systems, etc. than the competition, will mean that one has strengths (superiority over competition) in the areas which are critical for success. A competitive advantage will arise, as a result.

B. Market Share

Due the existence of size effects (economies of scale, market power, input price discounts, etc.) and experience effects (learning curve, etc.) it is equally important to set targets in terms of market share.

A market share objective can be to increase, decrease or maintain a certain share of the market. It will depend upon:

- 1 - The phase of the product life cycle. The earlier the phase, the more ambitious a market share objective can be, since market growth allows corporations to increase their sales without taking sales away from competitors (and consequently provoking a strong reaction from them);
- 2 - The extent to which economies of scale, and other size and experience effects are present;
- 3 - The relative position of the organization and its competitors in terms of market share. For instance, if one SBU has 60/70% of the market, to increase its share may

provoke antitrust action. Any increase of market share in such a situation is an incorrect objective. An objective of share increase is most feasible when there is superiority over competitors in terms of market share but no risk of antitrust action. This must be evaluated case by case.

C- Profitability

The maximization of profits can be seen as the long run objective of any corporation. It is important, however, that a certain level of return on investment be set as an objective to be achieved. This will place a check on expenses in programs such as advertising, improvement in quality control systems, increase of the sales force, etc. which implement the success factors and market share objectives, but which, if taken too far, can compromise the profitability of the SBU in the very near future, and consequently its long run viability.

Programs such as these are in the interest of the medium and long run welfare of the SBU, but may have a negative effect on its short run profitability. Therefore, the profitability objective (a certain ROI to be achieved) restrains excessive expenses in the pursuit of other objectives.

The profitability objective should be set according to the past profitability of the SBU; the pecuniary implications of programs established to achieve market share and success factor objectives; and what is both realistic and ambitious in light of market behavior, past and predicted.

D- Bottlenecks

When the countries belonging to the Warsaw Pact met in

1967 to decide upon the advisability of invading Czechoslovakia, Walter Ulbricht, leader of the East German Communist Party argued in favor of the invasion by constantly repeating that a chain is only as strong as its weakest link.

The same applies to organizations. If a task (e.g. distribution) is not a success factor in a given market, then excellence is not required in the performance of that task. However, if performance in the task goes below a certain minimum acceptable level, that task can constitute a bottleneck which may threaten the survival of the organization.

For example, the physical distribution system is not a critical success factor in standard valves, as compared to the quality control system and process research [2]. However, if physical distribution goes below a minimum acceptable level and threatens to disrupt the operations of the whole organization, then restoring it to a satisfactory level becomes a priority objective.

By the same token, image is not critical for success in markets such as iron ore and coal. However, if the recent past has brought events such as anti-trust actions, problems with consumer groups, strikes etc, then improving the image of the firm becomes a priority target. The same applies to all markets and to all variables which are not critical success factors in those markets.

To summarize, the objectives of an SBU are the success factors of the market which the SBU is in, market share, profitability and bottlenecks. In order to be useful, the objectives must be managed and must possess certain characteristics.

The Characteristics That Objectives Should Have

Objectives should be:

1) Multiple (all success factors, plus market share, plus profitability, plus the bottlenecks) but as few as possible. Usually in any market, there are at most four or five success factors and only one or two bottlenecks which should be considered as objectives. Otherwise, there will be a large number of targets to aim at and dispersion will result. Setting objectives is an act of courage. It is necessary to be able to draw the distinction between what is more important, and what is less. Otherwise, everything appears to be important, but nothing is really treated as such, more than anything else.

2) Quantified with regard to the level one aims at (e.g. 10% of market share) and with a time limit (by the end of the next year, or two years, depending upon the cycle of the planning system).

3) Ambitious but realistic. If set too high, the targets will be utopian dreams instead of objectives. If too low, they will fail to motivate effort. This is the reason why objectives such as ROI, profitability, etc. can only be set after analyzing the market which an SEU is in.

4) Specific. An objective is a target. If the target is broad it fails to direct effort. For instance, to speak of quality in footwear is meaningless. What is meant by "quality"? - longer durability? comfort? image? lightness?

impermeability? design?

Examples of well defined objectives are: to obtain 10% market share by the end of next year; or for the same period, to decrease the number of hours through with absenteeism and lateness by 20%; or still, (for a non-profit institution such as a school) to increase the gifts of alumni by 15% over a two year period [9].

5) Specify how the objectives will be measured. Data can be obtained from the accounting department and trade associations (in the case of market share); from questionnaires to customers (for variables such as service, comfort, etc.) from company records in the case of turnover, absenteeism, etc.

6) Periodically reviewed (every year or two depending upon the cycle of the planning system). Some success factors change over time, though slowly. Indeed experts in the bearings and valves industries have reported that in the last few years the technical sophistication of the equipment has become a success factor in these industries. Two things have contributed to this. First, U.S. manufacturers of valves allowed their equipment to become old and lag behind that of Japanese competitors in sophistication. Consequently, overcoming that gap has become a priority.

Second, industries such as bearings and valves were traditionally only mechanized very simply, automation being applied mostly to process technology industries (iron ore, coal, etc.) Recently, however, with the great changes occurring in the machine tool industry [4] where manually operated machinery is being replaced by computer and numerically controlled machinery, automation has come to be

applied more and more to bearings and valves and other mass technology industries. This increases the importance of equipment considerations in the short run [5].

Market share, profitability and bottleneck objectives change more rapidly within a one year or two year period, since they depend on more mutable factors such as the number and strength of competition in the market, past profitability of the SBU, the performance of the various SBU sections in the last year(s), etc. The divisions of General Motors, for instance, are reported to have changed their market share objectives from an increase up to 40% to maintaining its present level of 37%, because of changes in the predictions of future automobile demand and the continuing strength of Japanese firms in the U.S. market. Due to similar factors, the light truck and van divisions of General Motors have set 24% as their market share objectives [5].

It is interesting to note that some objectives are determined solely by the market (the success factors), while others depend on both the market and SBU characteristics (market share and profitability objectives depend on factors such as the phase of the product life cycle, the average market profitability, past profitability of the firm, relative financial strength of the SBU compared to competitors, etc) and still other objectives (the bottlenecks) are entirely specific to the SBU.

This means that two SBUs competing in the same market will have some objectives which are equal (the success factors), others which are similar (market share and profitability) and finally, others which are distinct (the bottlenecks). In any case, objectives can only be set after knowing the strategy, that is, the market which an SBU is in. Only after defining in

very precise terms an SBU's market, (which requires a definition of product/need, clients and geographic area), does one know the success factors and the levels of profitability and market share (both ambitious and realistic) to be aimed at.

The Fifth Step: Develop the Programs
to Achieve the Objectives

Once the objectives have been set, the next step is to develop the programs to achieve them. Programs are groups of activities coordinated to achieve certain targets. Examples are: to change the distribution channels; to set up a cost control system; to train the sales force; to enlarge a factory building; machinery maintenance; an advertising campaign; and so on.

In general, programs will vary depending upon the objectives. For instance, the Forklift truck division of Toyota in Japan found out that the quality and speed of repairs were critical success factors, since a broken-down Forklift truck causes a considerable delay in the production schedule and a large number of idle personnel in ancillary activities.

In order to excel in repairs, Toyota set up an immense service network which guarantees that within two hours a service car can be at any place in Japan. As a result, the Forklift truck division of Toyota has outperformed competition although its price and product are standard. The service network is a simple program to achieve the objective of speed and quality in repairs.

As another example, Scandinavian Airlines Systems (SAS) chose to focus on the executive segment of the air travel industry, whereas other companies opted for other segments (Nouvelles Frontières for low budget tourism, Air Freight Co. for cargo, etc.). SAS considered that in the executive segment, the critical success factors were: time (speed and punctuality);

safety; individuality(A); and comfort both on land and in the air. Programs were then developed to excel in each one of these areas (objectives)

For example, to achieve the objective of comfort in the air, meals are prepared by the best "chefs" of Gutenberg, Copenhagen and Oslo. They are served on porcelain and with a selection of excellent wines. The music program was re-evaluated, leading to a better selection of music (a new technical system was purchased); and classical music is performed by the famous ex-opera singer, Birgit Nilsson. The aircraft interiors were re-designed (including new fabrics and design schemes for the seating, new color schemes and more space). New uniforms were chosen for the cabin attendants. Duty free shopping aboard the aircraft was improved and only top quality aircraft are presently used. Older models were phased out and SAS has a program in which they work jointly with airplane builders to develop new airplanes with improved cabin atmosphere, comfort, safety, etc.

As mentioned above, programs will generally vary depending upon the objectives to be achieved, but between objectives and programs, there is not a one-to-one relationship. More than one program can be directed towards the same objective. For instance, improvement in the quality control system, increase in the training of the manufacturing department workforce and the acquisition of a certain type of machinery, could all be programs directed towards the objective of improving the durability of a product.

(A) JAM Carlson, CEO of SAS defined the objective "individuality" as meaning that each client should be treated as an individual. That means "living up to the individual's needs and expectations at any given time" [7].

Conversely, a single program can have an impact on more than one objective. It so happens that an advertising campaign can influence both market share and the image of an SBU.

Replacement of a certain type of machinery can have an impact on costs as well as speed up the delivery of a product, and so on.

The Sixth Step: Structure the SBU's

Having set the SBU objectives and the programs to implement them, the SBU must be structured.

In order to do this, one must first decide what the critical tasks for success in the SBU's market are - service? purchasing? engineering? etc.. Then, with respect to those critical tasks one should isolate them, that is, establish a department or section whose sole mission is to execute the particular critical task.

This will provide focus (since the only aim of the section will be to performed the task) and specialization (since the task will be perform by only one section, instead of being a shared responsibility of several sections).

Next, the department or section handling the critical task should report directly to the SBU general manager. This will ensure that the general manager is in a position to exercise direct authority and control over the department.

This is the reason why in pharmaceutical companies, one frequently finds product research and development (a critical success factor in this knowledge - intensive industry) reporting directly to the CEO, while in other industries, this department is included within the production unit. In advertising - intensive industries such as tobacco, detergents, beer, deodorants, etc., advertising and sales promotion report directly to the general managers, while in other industries, advertising and sales promotion belong to the promotion

department, which is included in the marketing unit.

In the words of John Doolle, "I can think of no justification for the president of any company to whom advertising is important to evade final responsibility for the content and quality of advertising" [8]. The same applies to all critical tasks, whatever they are: distribution, equipment management, purchasing, etc..

Regarding the activities which are not critical success factors, but which constitute important programs for the achievement of market share and profitability objectives (e.g. reduce distribution costs) or for the elimination of bottlenecks (e.g. increase the training of the sales force), one should establish task forces which report directly to the SBU general manager. These task forces should remain in existence until the objective has been achieved or the bottleneck eliminated [9].

To summarize, a section should be placed in the first hierarchical level of an organization chart of an SBU, not because of the number of people working in that section, but because the task handled by the section is a critical success factor, or because it is a critical program for achieving the market share, profitability or bottleneck objectives.

What should be the place of all other activities (programs) within the SBU structure? They should be placed within the same departments or in different departments and these departments should be located nearer or farther away from each other in the structure, depending upon their similarity (The Similarity Principle), the level of their interrelation (The Interrelation Principle), or the degree to which they contribute towards a common goal (The Contribution Principle).

The Seventh Step: Be Unequalitarian

Since some programs (and consequently, SBU's sections) are more important than others for the achievement of objectives, a well conceived budget should be profoundly unequalitarian.

The vast majority of an SBU's financial resources (the bulk of the budget) should be committed to the critical sections, all other sections receiving just enough to achieve a satisfactory level of performance. The same principle applies to quality of personnel, top management's time and the sophistication of the information control systems. The most able managers, the best trained people, the most elaborate information and control systems and the general manager's time and attention should be focused on those departments handling the activities (programs) which are critical to achieve the SBU objectives. In short, avoid global mediocrity [10] (see exhibit three).

The Eighth Step: Structure the Sections

Once the SBUs have been structured, and funds and managerial time have been allocated to the various sections, the sections themselves must be structured.

Sections are units which handle programs or parts of a program, such as service, training of the workforce in the manufacturing department, quality control, etc. In order to be implemented, all of the various tasks making up a program must be performed. For instance, service by a computer manufacturer includes product installation, client coaching, repairs, administrative support and management training.

The first thing to do in order to structure a section is to list all of tasks which must be executed within it. Next, one must decide upon the number of employees needed to perform those tasks. One task can be performed by one or more persons, two or more tasks can be handled by a single person, and so on.

The number of people needed depends upon: (1) how time consuming the tasks are; (2) the technical complexity of the tasks (in which case a task may be divided into two subtasks); (3) how similar the tasks are (introducing the possibility of one person relying on common knowledge to perform two or more tasks); (4) geographical proximity; (5) the level of training of the available employees; (6) the coordination needs among tasks; and (7) technology (e machine operated by one person can do one or several tasks). The psychological traits and expectations of the employees should also be considered when deciding upon the level of specialization or job enlargement.

After having listed all of tasks to be performed and having allocated the people to do them, one must decide upon the scope of control. Should all employees (say twenty) report directly to the section's manager? Should there be an intermediate hierarchical level with two subheads in the section? Should the intermediate levels be three instead of two? Should there be four (instead of three) hierarchical levels? - and so on.

The larger the number of hierarchical levels, the taller the structure will be and the narrower each manager's scope of control. The lower the number of hierarchical levels, the flatter the structure will be and the broader the scope of control.

A flat structure has several advantages: (1) lower overhead costs; (2) fewer mistakes and more speed in passing information up and down the structure; (3) faster implementation of decisions made in the upper echelons; (4) higher motivation, greater decentralization and better training of the workforce [7]. A tall structure, on the other hand, facilitates control and coordination.

All things considered, the balance seems to be in favor of flatter structures(A). How flat it should be depends on the characteristics of the tasks which comprise the program that the section handles. That is, (1) how similar the tasks are; (2)

(A) A well known study by Sears Roebuck concluded this by comparing department stores with low and large scope of control. When the manager of a department store had a broader scope of control they felt compelled to train their employees better and decentralize more. Consequently, employees' motivation would increase.

their geographic proximity; (3) their simplicity; (4) the level of training of employees; and (5) the leadership capacity which exists in the department.

The greater each one of these five factors is, the flatter the structure (the larger the scope of control) should be. A practical way to proceed is to start with a totally flat structure (all employees reporting to the head of the section) and then, depending upon the situation with regard to the five points mentioned immediately above, add intermediate levels as necessary. The subunits thus devised should be homogeneous within themselves and heterogeneous between themselves (in terms of similarity of tasks, proximity, etc.). This will facilitate control and coordination by the hierarchical superiors (since they will be able to specialize up to a certain extent) and thereby offset the disadvantages of flat structures.

In summary, each section handles a program, or part of it. To structure the section, one must first list all of the individual tasks to be performed, allocate people to do them, and finally, decide upon the scope of control. This should be as broad as possible. The heuristic procedure is to start with a large scope of control and then narrow it as need be.

The Ninth Step: Control

As a last step, it is necessary to guarantee high levels of performance in the various SBU's sections so that the SBU's objectives can be achieved. Controls are not strategic neutral [11]: and they must therefore be adapted to the company's strategy.

For such a purpose, three main types of controls must be included: budgets, short term objectives for the employees of the sections and policies.

Sections' budgets should depend directly upon the importance of the programs they implement. Regarding short term objectives, as mentioned above, in order to implement a program, several tasks must be performed. From those tasks, objectives should be derived to evaluate how well those tasks are performed. Recalling the example of the service section of a computer manufacturer, the quality of product installation could be evaluated by the number of customer complaints and periodic inquiries to the clients; the quality of client training, by the ratings in the questionnaires distributed at the end of courses; and so on.

Policy is the third type of control which should be set. The Greek philosopher Socrates was once asked by one of his students which was more important, memory or intelligence. He replied that one knows only what one can remember. Policies are the memory of organizations. They should exist for all sections and they remind employees of what they should and should not do to implement the SBU's programs and objectives. Examples of

possible policies for salespersons are: not to accept orders below a certain level; to sell only through wholesalers; to offer special payment conditions to corporations in industry x; not to accept orders with special product requirements; and so on.

The important thing to bear in mind regarding short term objectives and policies is that they should be tied to the SBU programs and objectives which they implement. A short term objective of maximizing the profit per order, and a policy of not accepting orders outside a certain geographical area, make sense if the SBU objective is to decrease market share and a decision has been made to implement a program of concentrating on the most profitable clients. If, however, the SBU was aiming at increasing market share, then short term objectives such as the number of new clients contacted, the number of orders booked, etc., would be adequate short term objectives.

The Tenth Step: Check Steps One Through
Nine For Consistency

A well implemented strategy has a COMMON UNDERLYING LOGIC which should be evident in the given questions, one through nine

If a corporation serves several markets, the dimension (product/needs, clients, geographical areas or functions) with the greatest heterogeneity provides the first line of the corporation's structure. The second hierarchical level corresponds to the dimension with the second greatest diversity, and so on. The number of distinct markets which the corporation operates in (because of breadth in terms of products, and/or clients, etc.) should correspond to the number of autonomous SBUs.

The SBU objectives should include the market's critical success factors. The bulk of the budget should go to the same departments which will be enhanced in terms of structure, staffing and management systems. These departments are the ones which will handle the critical success factors of the market the firm is in. These success factors should match the SBU's strengths.

Exhibit 4 summarizes the nine basic questions one must ask and the nine criteria one must use to answer the questions in order to implement a strategy.

Conclusion

This article has presented a step by step approach to the implementation of strategy. First, the article has made a distinction between THREE TYPES OF STRUCTURES. The structure of the corporation as a whole; the structure of its SBUs (macro structure); and the structure of the various sections of the SBUs (microstructure).

Second, from the methodological approach presented in this article it can be clearly seen that STRUCTURE MUST FOLLOW STRATEGY (only after formulating the latter can one design the former) This is true first, because whether the structure of the corporation as a whole will be functional, or divisional (by products or by geographical areas, etc.), depends upon the corporation's having opted for a strategy of specialization or diversification (in terms of products, geographical areas, etc.) It is true second, because, depending upon the markets the corporation is in, the success factors will vary and the SBU's structure should therefore enhance some departments and not others.

Third, the unit of strategy implementation is the SBU. To achieve its mission it should have clearly defined objectives. Again, OBJECTIVES MUST FOLLOW STRATEGY and not the reverse. Objectives should be derived from a knowledge of the market's characteristics. Only after understanding the market an SBU is in, is it possible to set the success factor objectives, and the levels of market share and profitability to aim at.

Fourth, although there is an underlying logic which links

all of the implementation steps, from one through nine, it is possible to divide these implementation steps into two distinct categories according to their nature; implementation measures which regard STRUCTURE (of the corporation, of the SBUs and of the sections - step 1, 2, 3, 6 and 8); and implementation measures which regard SYSTEMS: objectives, programs, budget, personnel and control and information systems (steps 4, 5, 7 and 9).

Finally, not only are both structural and systems measures necessary to implement a strategy, but a well implemented strategy also requires CONSISTENCY, that is, a meshing of the several structural measures with the various systems measures. Consistency, in strategy implementation, is the road to success.

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Exhibit One

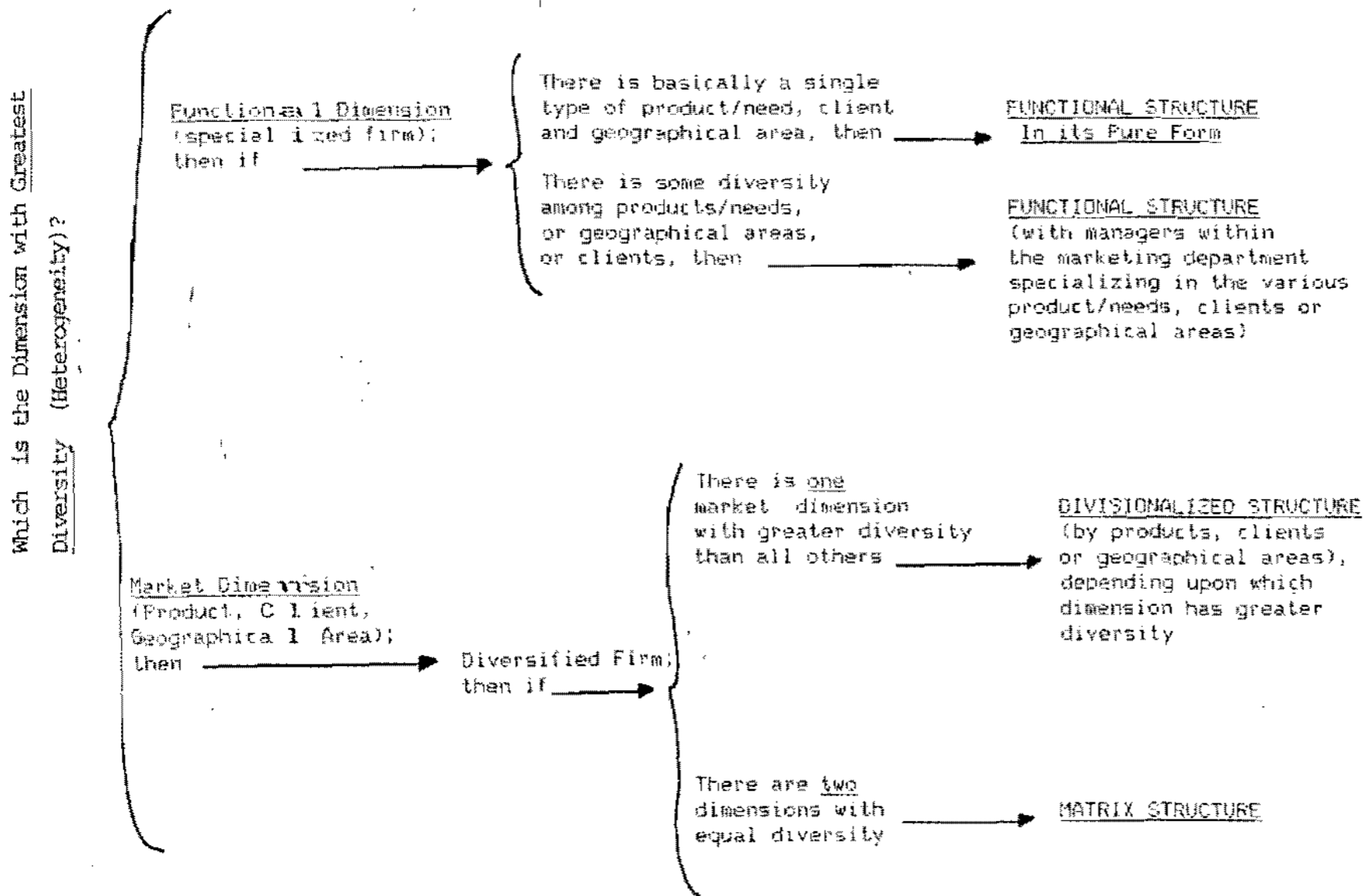
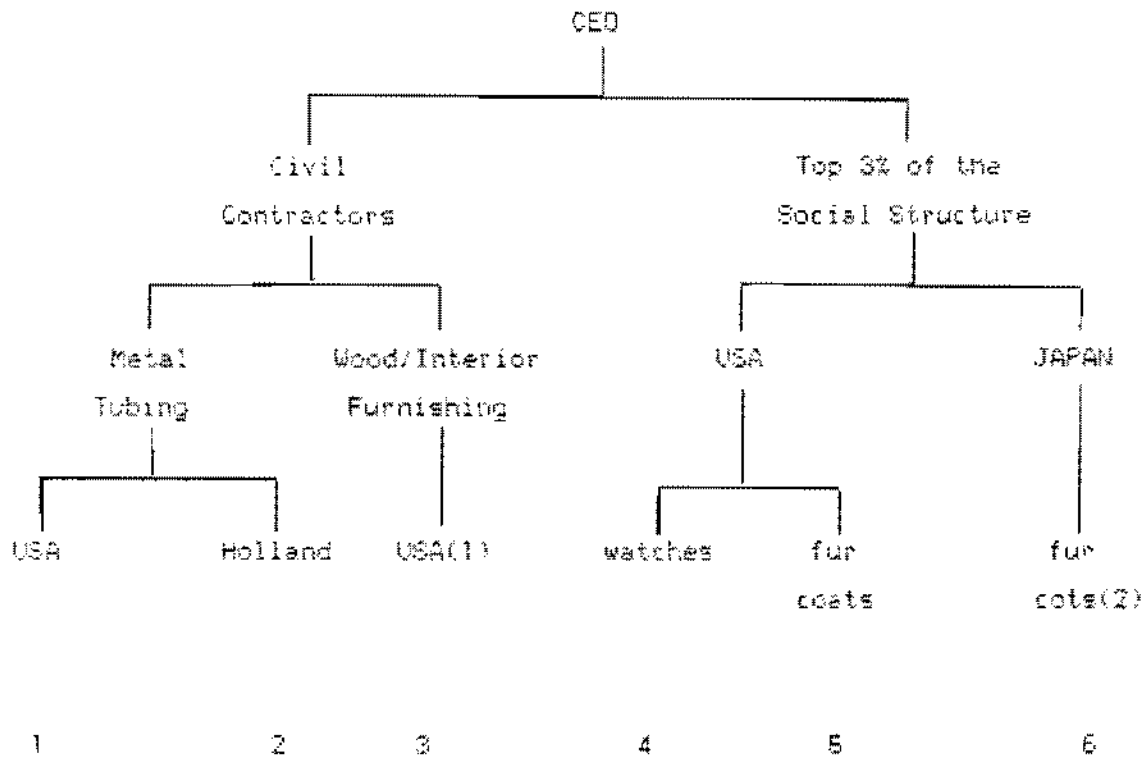


Exhibit Two



MAXIMUM NUMBER OF STRATEGIC BUSINESS UNITS

(1) Wood/interior furnishings is not marketed in Holland

(2) Watches are not marketed in Japan

Exhibit Three

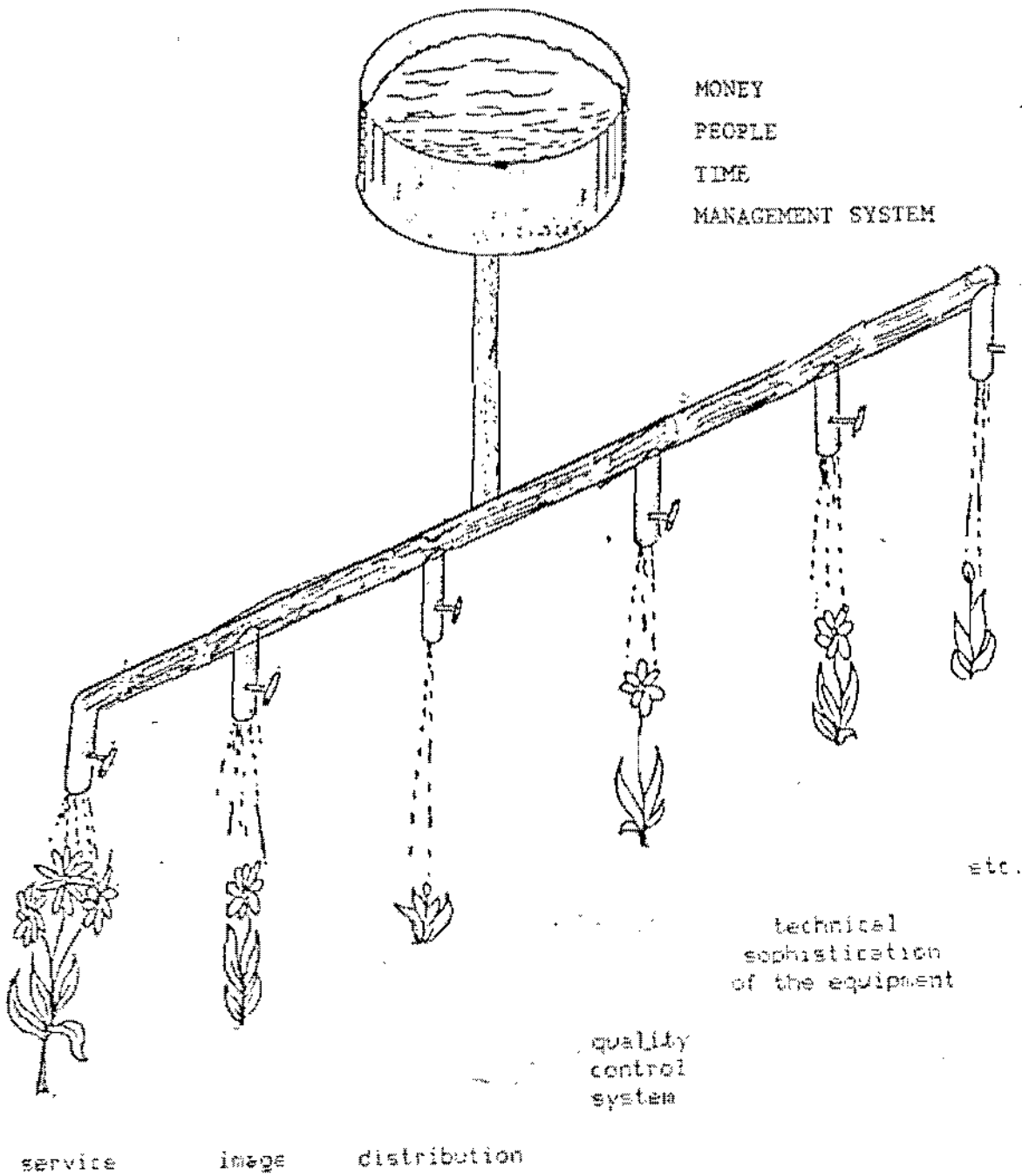


Exhibit Four

<u>STEP</u>	<u>QUESTION</u>	<u>CRITERIA TO ANSWER</u>
First	What should the general structure of the whole corporation?	<u>Diversity/Heterogeneity</u> (of the several dimensions: product/needs, clients, etc.)
Second	<u>How many SBUs?</u>	<u>Autonomy</u> (of the SBUs)
Third	<u>Which functions</u> should be centralized?	<u>Economies of scale</u> and <u>uniformity</u> versus need for <u>adaptability</u> (of the functions)
Fourth	What <u>SBU objectives</u>	<u>Critical success factors</u> , <u>market share</u> , <u>profitability</u> and <u>bottlenecks</u>
Fifth	What <u>programs</u> ?	<u>Impact</u> of the programs on the objectives
Sixth	What <u>structure</u> for the SBUs?	<u>Criticality</u> ; <u>similarity</u> ; <u>interrelation</u> and <u>contribution</u> of the programs
Seventh	How to <u>allocate</u> money people, top management's time and management system?	In an <u>unequalitarian</u> way
Eighth	How to <u>structure</u> the sections?	<u>Scope of control</u> as large as possible
Ninth	<u>Control</u>	<u>Criticality</u> (of the sections tasks).

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