

**MAJSKA KONFERENCIJA O  
STRATEGIJSKOM MENADŽMENTU**

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STRATEGIJSKOM MENADŽMENTU**

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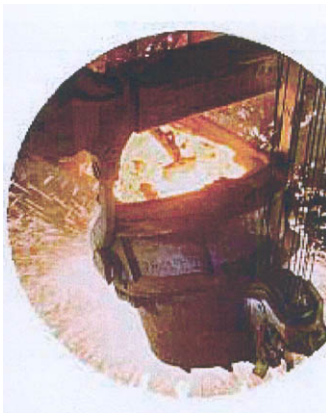
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# STRATEGIC THINKING AND MANAGEMENT ELEMENTS FOR STRATEGY EXECUTION POSITIVELY AFFECT ON BUSINESS PERFORMANCE

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## Abstract

Business leaders are under pressure from stakeholders to comply with their demands while maintaining the organization's competitiveness in increasingly complex markets. So, leaders are striving to continuously formulate strategies with management elements that will help them deliver more value to their customers and stakeholders.

Strategic thinking is important to guide for examining all markets which are relevant to the core business of interest. Also, its necessary for analyse the relevant forces creating new markets as identifying business strategy requirements.

Therefor, are used management elements, management models as guides for managerial activity in the business world for increasing a firm's competitive advantage.

Business management tools positively affects business performance and a strategic management orientation for formulating and implementing objectives, policies and performance.

Companies confirms that integrated management model will result in dramatic benefits. In this way, strategy thinking enable company to determines its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, as defines the range of business the company is pursue and positively affects business performance.

**Keywords:** *strategic thinking, strategy execution, management tools, business performance*

## 1. INTRODUCTION

A strategic thinking framework is need to guide for examining all markets that are relevant to the core business of interest. Also this is important to determine the strategic implications for the relevant markets.

Strategic thinking in changing markets requires developing a revised conceptual perspective and new thought processes concerning market analysis and targeting and positioning strategy formulation. The intent of strategic thinking is to more fully capture and analyse the relevant forces creating new market opportunities and business strategy requirements. In reality some markets are stable, but many are changing rapidly. Signals may be given by shifting customer value requirements, emerging technologies, new competition, and new business models resulting from industry and value chain modifications.

Many companies and industries are confronted with an array of changes in their core markets, presenting strategy researchers and executives with complex challenges but also exciting opportunities. These new challenges are driven by demanding customers with altered value requirements, aggressive global competition, market turbulence, rapid emergence of new technologies, and the escalating globalisation initiatives of many companies (5).

In this context, researchers define strategic thinking as a marketing strategy analysis and decision making guided by a revised strategic framework. The processes for analysing and

interpreting the impact of changing market structures and buyers' value requirements need to be critically examined and revamped to assist strategic thinking in changing markets.

## 2. IMPORTANCE OF STRATEGIC THINKING

Building competitive advantage in markets increasingly requires strategic thinking. Researchers explain that this process consists of four inter-related stages. An organisation should develop three market-based strategic capabilities: a market oriented culture and processes, well developed market sensing and learning competencies and customer centered processes.

The lack of these organisational strengths may account for many companies' failure to identify rapidly changing markets and the strategic implications. The nature and scope of market changes and their impact on customer value requirements must be identified. Gaining an understanding of what is happening in fast changing markets requires determining if new market space has emerged, applying strategic segmentation analysis, and examining the resulting customer value requirements. Market-focused strategies must be developed for the relevant markets. So, strategic thinking in changing markets is a continuing process. Markets are impacted by new customer value requirements, new technologies, new competitors, and new business designs. Market changes can be predicted and strategies adapted to the expected conditions. In some situations unstable and unpredictable markets may occur, demanding responsive actions involving strategic risks and rapid shifts that are improved over time, guided by learning and experience.

Characteristics that are necessary to effective strategic thinking in rapidly changing markets are creating a market-oriented culture and capabilities for providing superior customer value; developing effective market sensing and learning processes, and becoming customer centred (27). Market-based capabilities are used to determine the nature and scope of market changes and to identify and analyse new markets and competitive space. Also, perceptive strategic thinking requires determining the nature and scope of market changes. Indications of fast changing markets are: new forms of competition, new business models, and creativity and innovation.

In this context, the future belongs to new types of competition and new business models, which both drive market growth and attack the existing customer base of incumbents' markets. When new business models are mentioned, the sense is that they are likely to impact existing firms and industries by offering buyers alternative customer value options. A market-driven company may identify a new business model opportunity that appears promising. New business models may emerge that pose potential threats to existing firms. So researchers conclude that the challenge in strategic thinking by a company is to identify new business model opportunities and decide whether to pursue them.

Innovation is critical to growth and performance in the marketplace. That's why innovation is a key contributor to rapidly changing markets. Initiatives may result in new goods and services, organisational processes, and business models. Identifying changes in markets and competitive space requires monitoring emerging technologies as well as pursuing innovation opportunities by companies. Successful firms must develop business processes to identify and pursue promising innovation ideas. There is substantial research support that creativity and innovation create competitive advantage and value for customers (6). For any further success must be understand fast changing markets. For understanding, it's necessary to identify new market space and customer value requirements, and to make strategic segmentation analysis.

After these activities could be make strategies for changing markets. These means that strategy development requires forming a strategic vision and selecting and implementing the market targeting strategy, and positioning strategy for each market target. In this way, the vision provides the basis for developing strategic targeting and positioning changes based on the implications of the vision. Targeting and positioning matches customer value opportunities against the firm's



distinctive core capabilities (new product management, customer relationship management, and/or value chain management) (14;25).

The implementation challenges for strategy researchers and executives in developing and refining the strategic thinking process are considerable. So, achieving the potential benefits requires several initiatives. This initiatives include - making the challenge for new vision explicit across and throughout the organisation; challenge the definitions of markets and segments used by consultants and executives who produce marketing and business plans, and actively pursue “what if” questions about new types of customers and new types of competition. Other important initiatives are encouraging executives to consider the entire value chain and the changing pattern of profit pools within it, as a basis for long-term business development and investment choices.

Further, researchers mention initiatives as - questioning the logic and process of market segmentation pursued and determine whether segmentation is based on traditional demographic classifications or understanding of value-seeking differences between customers; identifying and pursuing efforts to enhance market sensing and learning capabilities as a source of competitive advantage and strategic vision; and examine the possible need to establish new business models, separate from the core business, to pursue emerging business initiatives.

### 3. THE MEANING OF STRATEGY EXECUTION

There is ten generic elements identified for developing an inclusive approach for strategy execution.

These cluster around three capabilities: *strategic change portfolio alignment*, i.e., the identification and prioritization of an agreed collection of programs that will deliver the strategy; *strategic change execution*, i.e., actually delivering the benefits of the strategic change through implementing the programs in the change portfolio; and *change capability improvement*, i.e., continually improving the ways in which change programs are identified and undertaken.

In cluster *strategic change portfolio alignment* are four elements:

Element 1- Engendering and reinforcing an organizational culture of continuous change. This element helps to make a contribution for realization of business benefits. It increases the confidence employees and other key stakeholders have in management’s ability to deliver change programs, because the link between leaders’ words, behaviors, and commitments is explicit. Additionally, when people are comfortable working in an environment of continuous change, they will be in a better position. They will be motivated too, to manage adverse impacts on operational business when delivering change programs (10).

Element 2 - Understanding the drivers and content of each change program at an early stage of the lifecycle - helps to understand the strategic goals, success criteria, drivers and urgency for each program at an early stage of the lifecycle, as defining the initiative outline, overviewing the scale of benefits and resources involved (22).

Element 3 - Aligning and filtering programs in relation to the strategic goals, thus creating the change portfolio as third element is known as element for understanding the capacity for change, change funds, people availability, skills and culture; filtering programs in relation to the strategic goals; creating a change portfolio of strategically aligned programs (21).

Harmonizing the strategic leadership team to support the change portfolio, as element 4, helps for identifying and motivating a strategic leadership team to support and communicate the portfolio of change programs

In cluster :Strategic Change Execution are:

-Developing the detailed business case and obtaining approval/refusal for each change program as element number five is need to understand in detail the vision, benefits, costs and

process changes of each change program; to defining the projects that will deliver the business changes require; obtaining approval/refusal; allocating responsibilities and resources (11).

-Establishing accountability and governance of each change program (element 6) contributes for creating governance bodies for each change program (i.e., steering committees); clarifying roles and accountabilities; monitoring ongoing progress of programs against the business case.

-Executing each change program and realizing the intended benefits as element number seven, helps for planning detailed change execution; delivering each change program; undertaking benefits realization (J. Peppard, J. Ward, and E. Daniel, 2007).

-Managing the ongoing change portfolio, conflict resolution, resources and interdependencies (element 8) is necessary for control ongoing programs, including conflict resolution, resources and interdependencies; and balancing resource allocation vis-a-vis ongoing operation.

-Coordinating the elements of the change capability ensure the effectiveness of information sharing during each step of the change process.

In cluster Change Capability Improvement are the last elements -Reviewing, learning and improving the change capability. This means ongoing assessment of the effectiveness of the change capability and reviewing, learning and implementing improvements (16).

#### **4. RELATIONSHIPS BETWEEN ELEMENTS AND BUSINESS BENEFITS**

Management elements are essential to understand for achieving successful strategy execution. This is strongly associated with the realization of four business benefits. Four elements that play a key role in achieving successful strategy execution are(16):

-engendering and reinforcing an organizational culture of continuous change,

-managing the on-going change portfolio, conflict resolution, resources and interdependencies,

-establishing accountability and governance of each change program, and

-harmonizing the strategic leadership team to support the change portfolio.

Each of the business benefits is dependent for its realization on at least one of these four elements. The relative influence of these elements in securing each business benefit is typically greatest. So, to realize business benefit, there must be an organizational culture in which accountable managers balance their optimism and motivation with realism. The strategic leadership team must encourage and support such behavior, and it must be prepared to act decisively in eliminating non-viable programs. Also this demonstrates the strong influence the strategic leadership team's behavior and organizational culture have on an organization's ability to abort ill-conceived change programs during execution.

Increasing confidence in management's ability to deliver change programs is business benefit that is unique in a way it is the only one out of the other business benefits that is dependent for its realization on the effective performance of all four key elements of strategy execution. Another important business benefit is speedy delivery of change programs. The "speedy delivery of change programs" is dependent on the effective performance of the management elements.

Minimizing variance of actual to forecast cost as business benefit is important in means that realization of this business benefit is determined by the effectiveness with which the elements "engendering and reinforcing an organizational culture of continuous change" and "harmonizing the strategic leadership team to support the change portfolio" are performed. Upon reflection, this is understandable: the forecasted costs are determined in the planning stage and, as our focus group discussions indicated, the honesty of these estimates can be questionable as they are significantly affected by the organizational culture and the "togetherness" of the leadership team.

## 5. MANAGEMENT TOOLS

Strategic thinking and strategic management elements are not enough for business success. In this context, it is necessary to understand and so implement and use strategic management tools. Researchers propose integrated implementation model of strategic planning and strategic-management tools. In this way, to make the business successful and realize business benefits, it is need to be implemented an integrated strategic model of strategic planning, BSC (Balanced Scorecard) and Hoshin management.

Management by objective (MBO), Hoshin management and strategic planning have all been widely adopted as strategic-management tools for some time by many researchers. More recently, the Balanced Scorecard (BSC) has become extremely popular, and is increasingly being used by commercial industries and non-profit organisations to improve business performance (23).

The BSC provided a new framework for describing value-creating strategies that linked intangible and tangible assets across four linked perspectives: financial, customers, internal processes; and innovation and learning (17). There are two shortcomings in the strategic framework of the BSC. The first is that the adopters might not be aware of how to conceive their strategies from a SWOT analysis and how to identify the key performance indicators (KPIs) in their critical success factors (CSFs) (18). The other problem is the deployment of the overall vision, strategies and strategic objectives to the organisation's units or departments in order to link individual efforts and accomplishments to business objectives. However, this deployment is very important in the implementation of the BSC.

Strategic planning is a process of determining the mission, vision, major objectives, strategies and policies that govern the acquisition and allocation of resources to achieve organisational aims (7).

The main steps in the strategic-management system are developing a mission and vision, conduct an environmental analysis and SWOT analysis, identify the organisation's objectives, conceive the strategies to achieve the related objectives, develop budgets and allocate the resources to the strategies. Also, essential steps are deploying the strategies into implementation programmes and action plans, implementing these plans; review the schedule of the action plans and evaluate the performance of the objectives and making corrective adjustments to ineffective programmes.

With a view to obtaining such guidance, it has been asserted that Hoshin Kanri (which is also called 'Hoshin management' or 'Hoshin planning' in the Western world) is a navigational system (3). Hoshin management requires senior managers to select the few capabilities that will move the organisation as quickly as possible towards its vision. Hoshin management recognises and distinguishes two kinds of annual contributions (3):

- incremental improvement to existing processes or methods ('kaizen', or continuous improvement); and

- activities aimed at making dramatic or breakthrough improvements or re-engineering in strategically vital business systems and processes to achieve new levels of growth or performance (breakthrough change or re-engineering).

Hoshin management is usually a process of focus and alignment.

The practices of Hoshin management are checking the organisation's principles and set up a quality policy, develop the vision and direction (Hoshin), identify the long-term and mid-term objectives, determine the priorities and conceive the strategies, drive the annual objectives and develop the annual plans, allocate the resources and develop a budget to support the department's objectives and plans (3; 19; 20; 28). Another practices of Hoshin management as strategic management tools are conducting a 'catch-ball' deployment, and convert mandatory objectives and strategies set by senior management into employees' own self-set targets, forming departmental objectives and action plans, execute an action plan through daily management and self-audits,

review progress, including evaluation, investigation and results and undertaking an annual review, including performance evaluation, problem analysis and future plans.

Many organisations will implement Hoshin management, BSC or strategic planning. If organisations implement these tools simultaneously, without proper integration and guidance, staff members will face significant confusion and numerous problems.

Researchers propose that Hoshin management, strategic planning and BSC are all linked to the vision and strategies of organisations; moreover, significant parts of their implementation programmes overlap. The best way to achieve an optimal result in these circumstances is to integrate the systems. Although such integration is difficult, but really provide business success. Achieving integration is possible by identifying their similarities and differences. So, as an example integrated model of strategic planning, BSC and Hoshin management has been provided which has been adopted and implemented by several companies in Taiwan. The success of an integrated model in these companies confirms that this integrated model is feasible and effective.

## 6. CONCLUSION

An important benefit obtained as the team advances through the strategic thinking, strategic elements and strategic tools is the chance to develop a better understanding of what outcome can realistically be achieved in business.

Updating the strategic objective at regular intervals throughout the process allows the team to incorporate a better understanding of the probable outcomes of the issue. Effective issue management involves the use of the right tools combined with the right approach.

Right combination of strategic thinking, strategic elements and strategic tools can provide a methodology and allow teams to overcome any initial bias and mindsets. This approach aids a team in dissecting an issue and then building to a targeted strategic objectives and tactical plan.

Executives and strategy researchers need a strategic thinking framework to guide how they examine all markets that are relevant to the core business of interest and how to determine the strategic implications for the relevant markets. Strategic thinking in changing markets requires developing a revised conceptual perspective and new thought processes concerning market analysis and targeting and positioning strategy formulation. The intent of strategic thinking is to more fully capture and analyse the relevant forces creating new market opportunities and business strategy requirements. Strategy initiatives may require altering market target and positioning strategies, adopting new business designs, and entering new markets. The conceptual logic underlying strategic thinking in rapidly changing markets has failed to keep pace with the rapid alterations in markets and competitive space.

So it could be defined that strategic thinking is marketing strategy analysis and decision making guided by a revised strategic framework. The processes for analysing and interpreting the impact of changing market structures and buyers' value requirements need to be critically examined and revamped to assist strategic thinking in changing markets.

Strategic management tools as BSC, strategic planning, Hoshin management are also important for business success. The common practices in all three systems are the development of vision, objectives and strategies, and an evaluation of execution performance.

Strategic planning and BSC involve a strategy analysis, and identification of the linkages between objectives and strategies. To support the execution of strategies and action plans, both strategic planning and Hoshin management impose action plans and resource allocation. BSC and Hoshin management emphasise goal-setting and the identification of milestones, and the measurement of progress towards strategic objectives.

Strategic planning focuses on a strategic approach to business development, and the enhancement of competitive advantage; environmental analysis and SWOT analysis are thus very

important. BSC emphasises an organisation's long-term development. Hoshin management involves a company's entire workforce. Senior management leads the way in stimulating energy and enthusiasm among all employees (19). The organisation then pays significant attention to daily execution and performance management.

A strategy map and scorecard enable an organisation to describe and illustrate, in clear and concise language, its objectives, initiatives and targets – and the measures that will be used to assess its performance (18). These objectives, measures and targets must be linked to the objectives, measures and targets of the various departments or business units respectively.

The strategic thinking, strategic management elements and strategic tools show the importance of self-diagnosis in assessing targets and processes by organisations. Problems are detected promptly, and corrective action can then be implemented. This helps for a consideration of a future plan for the organisation.

So, researchers conclude that an important challenge to implementing strategic changes is determining the extent and structure of organisational design adaptation. Depending on the nature of strategic change a new type of organisation may be necessary to navigate the competitive landscape and build competitive advantage (15). In turbulent environments, traditional hierarchy structures constrain implementation; cross-functional process-oriented structures may be essential. Shifting emphasis toward innovation, pro-activeness, and risk taking is necessary in responding to the innovation challenges and speed requirements of strategic change initiatives.

In this context, developing a strategic management elements, strategic thinking and implementing strategic management tools is process that is essential for business success. Their integration helps to the company resulting in dramatic benefits.

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