

CHANGE MANAGEMENT IN THE STRATEGY IMPLEMENTATION PROCESS

Piotr MARKIEWICZ

Cracow University of Economics, 31-510 Kraków, ul. Rakowicka 27,
E-mail: piotr.markiewicz@uek.krakow.pl

Abstract. In this article, a discussion on the strategic management process was presented, paying special attention to issues relating to strategy implementation. The selected paradigms and models of strategic management were discussed. Concentrating on an organic approach, the meaning of change management in the process of strategy implementation was presented. Implementation of the strategy has been treated as the relocation of model of a “dead” system, that is strategic plan, into a “live” system, that is, an organization achieving its defined strategic goals. It requires not only changes in the static organizational structure, but, above all, changes in the methods of approach to employees functioning in the organization. These changes require creativity, innovation and perception of an organization in the categories of processes implementation.

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Reikšminiai žodžiai: strategija, strateginė vadyba, strategijos diegimas, pokyčių vadyba.

1. Introduction

For a few dozen years the strategy has been treated as one of basic instruments of management, thanks to which, one can provide the organization with development in friendly environment or survival in unfavourable conditions. The popularity of the strategy caused that, next to the economic organizations, attempts to make use of this instrument were made also by organizations of a different nature (e.g. local government bodies, foundations). However, their interest in the strategy usually ends at the formulation process of principles development direction with long time horizon. On the other hand, little attention is paid to the implementation process of these intentions. This problem concerns both economic organizations and organizations of different nature. The aim of the presented study is paying attention to the role and position of the change management in the effective implementation of drawn up strategic plans.

2. Formulations and definitions of strategy

The term strategy comes from Greek word “strategos”, which means army guidance from the position of general commander. The use of this notion dates to at least 400 years B.C, however, along with the development of writing it appears no sooner than in the late XVIII century (Jeżak 1990). From this period until more or less the 1960s, this category referred, above all, to the military terminology, according to which the strategy was a division of art of war, including preparation and running of war as a whole. Prussian general and military theoretician Karl von Clausewitz claimed that strategy-concerned creation of the war plan and determination of particular war campaigns and individual undertakings under their scope (Pszczółowski 1976).

The term “strategy” gains popularity in other fields of human activity, especially in politics and, considerably later, in economy. However, already in the 2nd half of the 19th century, along with development of the U.S. economy, phenomena of strategic dimension occurred. Economic strategies caused acceleration of economic development and resulted also in the shaping of the modern management (Gliński *et al.* 2000). They led also to spreading of strategy as the basic category of corporate management.

There is no definition of strategy, which would be commonly accepted. Both particular authors and practitioners of management differently use the term of strategy. The strategy can be identified as a main scheme of present and planned development of resources and interactions with the environment that presents how the organization wants to achieve its goals. This definition emphasizes the following elements (Kirkebaum 1997):

- The strategies in the company, change depending upon conditions of the environment. They can change these conditions or be subject to them within the framework of the adaptation processes,
- Strategies show how own resources can be used to meet entrepreneur’s intentions,
- Strategies give overall direction of the development of the company,
- The aim of the strategy is to create and develop long-term possibilities of success through the competitive advantage.

However, one should remember that the process of creating of strategic corporate vision is supposed to be result of its intentions, in relation to the management philosophy of the company, as well as coherence with external conditions.

Considering above-presented characteristics of the strategy and, in particular, elements in which the role of the resources of the organization is emphasized, we present two definitions, stressing aspect interesting for us.

- According to K. Ohmae, a strategy is an approach aiming at the most favourable distinction of the company on the background of its competitors (Stabryła 2001),
- R. W. Griffin—well thought-over strategy focuses on four basic factors: market range, way of product distribution, distinctive competences and synergy (Griffin 2002).

In the first case the distinction of the company is possible due to resources that are unique and difficult to imitate. While according to the second definition, we are interested in distinctive competences whose source are resources of organizations and synergy arising from the method these resources are used.

3. Strategy implementation as a stage of strategic management

Strategic management is a field of knowledge idea of management and practical operation. Includes general principles and detailed methods and techniques. Because of the complexity of the company's potential, in the strategic management two very diversified approaches and research methods are applied (Stabryła 2000).

In the initial stage of development of strategic thinking two aspects of strategy formulation were exposed, which was expressed along with the development of principles and techniques of strategic planning. Along with further development of environment and companies, growing attention was also paid to the problem of the strategy implementation. At present, planning and strategy implementation are treated as elements of the same process, that is of the strategic management process. It means that accents may be spread differently in this process: greater emphasis on planning or on creating conditions for correct plan implementation. Such an approach to relations between strategic planning and strategic management is reflected in the definitions of strategic management, proposed by authors dealing with these issues.

L. L. Byars assumes that strategic management consists of making decisions regarding future directions of the operations and implementation of these decisions. According to what was stated above, two phases of the strategic management can be distinguished: of strategic planning and strategy implementation (Byars 1987).

In the opinion of A. Stabryła, the sense of strategic management should be understood as information and decision process (assisted by functions of planning, motivation, organization and control), whose aim is solving of key problems relating to company's operations, its survival and development, with particular focus on impacts of the environment and nodal factors of own manufacturing potential of the company. R. R. W. Griffin. defines strategic management as a management process, focused on formulation and implementation of the strategy that is favourable to a higher degree of compatibility of the organization with its environment and achievement of strategic goals (Griffin 2002).

S. Certo and J. Peter (1988) reduce the model of strategic management to the following sequence of stages:

- Strategic analysis (internal and external),
- Determination of directions of company's operations (mission and tasks),
- Strategy formulation,
- Strategy implementation,
- Strategic control

It results from the analysis provided above, as well as from other definitions, that this idea of management combines two, content-wise separate but operationally correlated, processes of strategic planning and strategy implementation (Jeżak 1990).

The role of strategy implementation is stressed by financial analysts who more and more often highlight the relations between the strategy of organizations and its intangible assets (Becker *et al.* 2002). The table below presents the most important, non-financial variables, taken into consideration by analysts in making investment decisions.

Table 1. The most important, non-financial variables, taken into consideration by analysts (Low, Siesfield 1998)

Variable	Rank
Implementation of strategy of the company	1
Management credibility	2
Quality of the company strategy	3
Innovations	4
Capacity to attract and maintain the best employees	5
Market share	6
Management knowledge	7
Convergence of payment with the interest of shareholders	8
Leading position in research	9
Quality of the basic organizational processes	10

It is interesting that two elements of strategic management, as discussed, appear very high-ranked: the quality of the company's strategy relating to process of strategic planning and implementation of the strategy that occupies first place. Thus, the authors of this ranking present the idea that implementation of the company's strategy is more important than preparation of the strategy itself.

The term implementation is in the Polish literature used interchangeably with the term application. It means putting into practice of theoretical solutions and various kinds of projects, realization of ideas and intentions. In our case this solution, idea, conception is strategy that has been drawn up within the framework of the previous stage of strategic management.

In a broader meaning that takes into consideration relations with diagnosis and strategic control, implementation means a continuous process of organization, motivation and strategy application (Banaszyk *et al.* 2004). This process includes the whole of preparing and implementing works, which are associated with operations of the organization: improvement in organizational structure, rationalization of operating process, human capital management, creating of reputation, etc.

Strategy implementation in the narrow sense, means undertaking activities directed to its instantiation and that lead to its implementation. Thus, we will have to do with activities that assist by the creation of conditions which influence positively on strategy implementation as well as leadership actions and motivational actions relating to human resources of the organization.

One can say that the essence of implementation is transformation of strategy included in the strategic plan to set of actions, applied in different organizational cells and units, and putting in order of the hierarchy, functional, technical and informational relations between these cells and units. Mutual relations between strategy formulation and implementation are presented in Table 2 below.

Table 2. Relations between strategy formulation and its implementation
(Banaszuk, Urbanowska – Sojkin, Witczak, p. 375)

Strategy formulation	Strategy implementation
Consists in creating and making use of entrepreneurship	Consists in administration
Positioning of forces between actions	Managing of forces during actions
Concentration on effectiveness	Concentration on effectiveness
Mainly intellectual process	Mainly organizational process
Requires good analytical skills and intuition	Requires particular motivation and leading skills
Requires coordination between designers of the strategy	Requires coordination between many people

The course of implementation is determined by many factors, among which we can pay special attention to:

- special character of operations of the organization,
- financial condition,
- character of selected strategy (development or restriction),
- the range of changes in comparison to previous strategy,
- character of intangible resources of the organization.

The examined managers indicated that strategy implementation is the most significant factor determining the value of a company. It resulted from the questionnaire conducted among management consultants in the 80s that less than 10% correctly formulated strategies had been effectively implemented (Norton *et al.* 2001). Thus, correct strategy (correctly drawn up) does not guarantee success. It is the first and indispensable step. Today, the problem of the most companies is not lack of vision and strategy, but its execution. The Figure 1 below presents success of an organization as mutual relations between quality of the strategy and the way of its implementation.

Process of strategy formulation	The correct	LOST OPPORTUNITIES	STRATEGIC SUCCESS
	Incorrect	DEFEAT ON START	THREATEN SUCCESS
		Incorrect	Correct
	Strategy implementation		

Fig. 1. Success as relations between strategy formulation and its implementation
(Source: prepared by the author on the basis of *Execution: The Discipline of Getting Things Done*, Larry Bossidy, 2002)

Where do these difficulties with implementation of the correctly formulated strategy come from? Approach to strategy formulation evolved—as a result there is such a great number of strategic management models. However, approach and tools of strategy evaluation have not undergone changes. Financial indicators were continuously in use, due to which one could record what was happening with fixed assets, inventory and machines. Even in the 1982 research conducted by Brookings Institute indicated that book value of industrial companies contributed to 62% of their value market. At the end of the twentieth century book value of material resources was just 10-15% of the market value of these companies (Webber 2000). In the time when the main source of competitive advantage are intangible assets, new demand for tools of evaluation of strategy implementation has appeared, thanks to which these assets can be measured and described.

Also a demand for new view and new approach to strategy implementation has appeared. As previously, an attempt was made to implement drawn up strategy through “forcing it” into the so far organizational structure, in the conditions of top-down control and inspection.

In conditions of dynamic changes in the areas of technology, legal regulations, growing competition, the strategy formulation and implementation must become continuous process, in which all the employees are involved.

4. Change Management as instrument for strategy implementation

Management process of strategy implementation has to result in filling the gap between strategy formulation and its implementation. A gap between these processes is relating to use of traditional management systems and presence of four specific barriers in strategies implementation:

- mission and strategy are unrealizable,
- goals of particular cells, teams and employees are not connected with the strategy,
- mechanisms of resource allocation are not connected with the strategy,
- feedback are of operating (tactical), and not strategic character.

The first barrier appears when the organization cannot relocate mission nor strategy for goals that are comprehensible and realizable. In this case, we often have do with following some fashion—it is not right to have no mission—since each organization tries to formulate it. For this reason, we try to formulate mission that shall distinguish our organization. Unfortunately, very often this mission remains only in the sphere of declarations. In many organizations, employees do not even know how the mission is formulated in their organizations, let alone how it goes and what, relating to this mission, results for their everyday work.

Goals placed to individual employees should be a derivative of the mission, goals and strategy of the whole organization, what results from hierarchy of planning process. This allows the employees to understand association between their everyday work and intentions of the organization. Achievement of this compatibility between objec-

tives and tasks of rank and file employees and of the organization enables obtaining high degree of employee motivation. It is possible through observance of fundamental principles of goals and tasks formulation:

- goals should be specific (within area of tasks performed by the employee within the framework of professional duties),
- goals should be measurable (determination of the criteria of time, quantities and/or quality, according to which level of tasks execution shall be determined),
- goals should be realizable (requiring from the employee some effort, but within range of possibilities),
- goals should be objective (assessment of realization should be maximally impartial minimization of partiality of his or her superior).

In the event when formulated objectives do not comply with the aforementioned principles, one can have to do with dispersion and sub-optimization of activities—in different places of the organization diversified tasks are undertaken—improvement in the quality, continuous improvement, decentralization of management, introduction of chosen methods in e.g. reengineering. But as we perfectly know from the basic features of system-based approach, the improvement in one element of the organization (sub - optimization) does not have to automatically mean improvement in the system as a whole.

The second barrier is characterized by lack of compatibility between long-term strategic goals of the organization and goals of particular organizational cells, teams and employees. If we have to do with traditional process of managerial control, based on realization of the budget, the effort of teams and employees is focused on realization of short-term goals of particular cells. The managers responsible for human resources management play particular role in overcoming of this barrier. Drawn up by them reward system and motivation system should be tied to strategic goals. However, it often happens that the remuneration of managers and employees is strictly connected with the realization of annual goals of the organization and thus, the motivation system is also based on short-term, financial indicators.

The third barrier is connected with separation of strategic planning and short-term planning (operational planning). Short-term planning is based on budgeting. For this reason, monthly and quarterly reports focus on interpretation and explanation of reasons of deviations from budget, rather than on the assessment of the degree of implementation of strategic goals. Classical example of such approach is determination of one budget for organizational unit dealing with promotional operations for instruments that should increase current sales and instruments that should create image of the organization (PR). It appears natural that manager of such unit will direct financial resources and activity of subordinate employees to increase in current effectiveness at the cost of long-term activities aiming at creation of positive image of the organization.

The fourth barrier concerns information management process in the organization and, in particular, with the use of feedback at the strategic level. Lack of returnable information at this level results in the fact that managers have little knowledge about progress in implementation of the previously drawn up strategy. As it has been already

mentioned, contemporary organizations operate in very variable and dynamic environment. Change in external conditions forces the necessity for adjustments in the implemented strategy. One cannot, however, introduce these adjustments without having reliable and up - to - date information concerning effects of the implemented strategy. If the managers of the particular divisions or units of strategic business are subordinate to requirements imposed by the vice - president for finance or financial director, they focus on analysis and evaluation of operational goals rather than strategic goals.

Requirements relating to the way, time and rate of strategy implementation result from character of the selected strategy. It means that in the process of implementation actions should be coordinated with goals and tasks defined in the phase of strategy design. Issues concerning strategy implementation within the framework of the resource-based approach, are regarded as set of actions aiming at implementation of the previously prepared strategy. According to this approach, process of strategy implementation focuses on the development and improvement in own resource base. Such approach can be defined as implementation of the strategy through the internal development of the organization. The advantages of internal development are: exercising control over process and resources and the possibility of action in familiar environment.

Implementation of strategy can be treated as a process of maintaining harmony with changing environment through introducing organizational changes relating to the drawn up strategy. While using the term of introduction of organizational changes we mean organizational change management. First of all, let's try define the term of change in the context of strategy implementation. E.Masłyk-Musiał suggests to treat organizational change as transformation of the existing system (company) according to determined procedures, which forecasts, at the same time, results of this transformation focused on realization of the mission and accomplishment of strategic goals (Masły-Musiał 1996). In this perspective the term of organizational change is treated as a process of strategy implementation management. Change management is very differently situated within methodological achievements of the science of management. For some authors change management is treated as a method of management next to the strategic management, quality management or HRM (Chauvet 1997). We find the view of Z. Mikołajczyk as a closer one, according to which change management is a method of strategic management in the company (philosophy of permanent changes) (Mikołajczyk 2004).

Implementation of new strategy requires large-scale changes, which means that we have to do here with something completely different than routine actions relating to current improvement in processes. The notion of transformation is used for changes relating to strategy implementation because these changes are of a large range and relate to the whole of the organization, rather than to single functional areas. Below we will present selected approaches to change management in the process of strategy implementation.

L. Fopp proposes four approaches to organizational changes management (Zarębska 2002):

- The method "from top to bottom" consisting in drawing up a programme that introduces alterations by team comprised of key representatives of organiza-

tional departments and, next, in the appointment of leaders for each department aiming at carrying out of piloting classes and tests of the methods accepted by the team.

- The centripetal method is characterized by concentration on processes conducted within the organization. It is favourable to introducing changes in organizational structure and methods of management from the point of view of relations with customers and suppliers, as well as internal connections between different organizational units.
- The method “from the bottom till the top” is applied in organizations that reached a high degree of maturity, manifesting through reporting improvement applications by particular employees. In the event of this approach, it is necessary to orient properly commitment of the employees to strategic objectives of the organization.
- The method “step by step” is based on existing procedures, systems and instruments, gradually extending the range of activities. The indispensable step is to consolidate new awareness, to which commitment of the top management is necessary.

Basing on traditional (general) organizational approaches one can identify three classic approaches to (ways of) change management in the organization (Malara 1998).

- The diagnostic method, consisting in analysis of the existing condition, its critical evaluation and pursuit to the synthesis in the form of design solution. The starting point in this method is identification of the purpose and the object of research. The following steps include recording of the actual condition, its critical analysis and assessment from the point of view of malfunctioning (in our case it will be discrepancy with adopted strategy). The next step is generation of solution and selection of the best solution.
- The prognostic method is characterized by separation from the actual condition and making synthesis of the model solution that is then subject to analysis aiming to give it the practicable form. It is about proposition of a project based on the most advanced scientific achievements and techniques, taking into account external and internal restrictions.
- The prognostic and diagnostic method that combines two, discussed above.

Regardless of the selected approach to change management one should emphasize that the main problem in strategy implementation is relocation of the model of “dead,” system, that is strategic plan, to model of “alive” system, that is organization of carrying out defined strategic goals through rational management of resources. The stage of changes implementation is preparation for further operations of the organization, in accordance with the adopted strategy.

To sum up, we can say that strategy implementation is a process of transformation of strategic plan in actions (hierarchized bundle of actions) and obtaining confidence that such activities are carried out in the way enabling realization of goals determined

in the plan. While in planning process we determine *what and why*, in the case of strategy implementation, we indicate *who where, when and how*.

The structure and processes existing in the organization strengthen previous ways of action. Implementation of the new strategy requires changes both in static aspect (structure) and dynamic aspect (processes). These changes mean necessity for going out beyond traditional functional or divisional structure. Strategy implementation process determines perspectives of the organization and allows to state whether correct decisions were taken by selection of the strategy.

Strategy implementation consists, above all, in decisions and organizing activities that are used for absorption of the strategy by the so-called social structure of the organization (Jeżak 2004).

One should notice that in presented by us set of actions inefficiency of any of them does not determine the possibility of strategy implementation, but can lead to lifting costs.

5. Conclusions

Taking into account the above-presented discussion about implementation of strategy, one can state that the essence of strategy implementation is the relocation of the model of a “dead” system, that is strategic plan, to model of “alive” system, that is organization carrying out defined strategic goals, through rational resources management. This transition from “dead” system to “alive” system requires not only changes in the static organizational structure, but, above all, changes in the methods of approach to employees functioning within organization, consisting in creativity, innovation and perception of an organization in the categories of processes realization. Such a change requires ordered and systematic approach, based on efficient communication system.

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POKYČIŲ VADYBA STRATEGIJŲ DIEGIMO PROCESĖ

Piotr MARKIEWICZ

Santrauka. Straipsnyje pateikta diskusija strateginio valdymo proceso klausimais, specialiai atkreipiant dėmesį į strategijos įgyvendinimą. Aptariamos atrinktos strateginio valdymo paradigmos ir modeliai. Organinio požiūrio aspektu pateiktas pokyčių valdymo strategijos įgyvendinimo procese supratimas. Strategijos įgyvendinimas traktuojamas kaip „negyvos“ strategijos modelio, t.y. strateginio plano perkėlimas į „gyvą“ sistemą, t.y. organizaciją siekiančią apibrėžtų strateginių tikslų. Tai reikalauja ne tik statinės organizacinės struktūros pokyčių, bet ir, be visa ko, požiūrio į organizacijos darbuotojus metodų pokyčių. Šie pokyčiai reikalauja kūrybiškumo, inovacijų ir organizacijos suvokimo procesų įgyvendinimo aspektu.

Piotr MARKIEWICZ is Ph. D. Adjunct in Strategic Management, Internal Audit, Cracow University of Economics

Piotr MARKIEWICZ yra dr., Krokuvos ekonomikos universiteto strateginės vadybos ir vidaus audito adjunktas.