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Hrebiniak's reasons why strategy implementation fails.

(points 1–5 are from Hrebiniak's account of his personal experience; points 6–11 are from his survey research):

1 **Managers are trained to plan, not to execute**. This criticism could be levelled at many training consultancies and business schools, but it explains the emphasis that the OU Business School places on practice-based learning (i.e. the priority given to students' own experience in the learning process).

2 **Implementation has low status**. Customer service is often one of the lowest-status roles in an organisation (if pay and conditions are anything to go by). But it can make the difference to retaining and developing business. It is odd that more organisations do not reflect this in their thinking about status.

3 **Failure to realise that planning and execution are interdependent**. In rehearsal (and even during the run of a play), a director will often cut lines and stage props which might make sense on the page, but prove cumbersome in performance. Similarly, part of the art of playwriting is knowing what 'works' on stage.

4 **Implementation takes longer than planning**.
5 **Implementation involves more people**.
Points 4 and 5 mean that there is more time and opportunity for things to go wrong, or for complications to develop. Any long-term or large-scale project has the potential for delay, distractions and defections (think of preparations for major sporting events, for example: a favourite topic of adverse media reporting around the world).

6 **An inability to manage change**. We all have experience of the unsettling nature of change and our tendency to resist it. We tend to be more comfortable with things as they are, but staying in the same place too long can lead to problems.

7 **Poor or vague strategy**. Perhaps it is too easy to blame the planners for coming up with unrealistic targets and timescales. This is the other side of the interdependence of planning and execution – plans need to be feasible (as in the example from the theatre).

8 **Lack of guidelines or a model to guide implementation efforts**. Hrebiniak suggests strategists need to be much more detailed in their instructions, and he devotes part of the rest of his article to outlining just such a model. Without clear guidelines on implementation, and faced with the unfamiliar, managers (or consultants) may be tempted to fall back on methods which have worked in the past but are no longer relevant.

9 **Poor or inadequate information sharing**. With the pressure to achieve results, often in a situation where there are a number of actors (as in a major civil engineering project, for example), it is not surprising that coordination gets overlooked.

10 **Unclear responsibility and accountability**. This can be seen as a consequence of the lack of guidelines to support implementation mentioned earlier.

11 **Working against the organisational power structure**. Managers need to choose their ground carefully when driving change. There are examples of managers recruited from outside an organisation to manage change, who fall foul of internal political forces.

Summary: strategy and culture

These are the points to emphasise on the relationship between strategy and culture:

- To paraphrase Whittington (2003), structures and systems primarily rely on people, and work only as well as those people are capable of doing.
- Culture shapes the people and, therefore, the behaviour, personality and practices of the whole organisation.
- Culture enables the organisation to work as a social system and exerts a powerful influence on the whole strategy process.
- Culture forms a tacit feature of an organisation's operational effectiveness, and makes imitation by competitors more difficult.
- As with systems and structure, there is no one best culture that fits all organisations and their strategies. To be an organisational strength, culture must support strategy.
- Often, change in strategic direction requires adjustments to culture.

Four Schools of Strategy

Classical

This perspective assumes that 'rational economic man' is in charge, seeking to maximise profits through rationally planned activity with perfect knowledge and freedom to act. Theoretically, all firms in an industry should be doing the same thing as there can be only one right 'rational' answer in a given set of circumstances. The only way to explain differences between firms from this perspective would be to argue that there are conditions in the environment which prevent firms from following the optimum rational path. E.g. some may be more vulnerable to the effects of a badly run banking sector which does not administer loans rationally and therefore hampers their performance. This is an example of 'the economist's view' of inter-firm variability – seeing it as caused by external factors.

Evolutionary

According to this view, the market selects the winners – just as in the natural world natural selection ensures the survival of the fittest. This process requires there to be a variety of species (or firms) from which to select. So the differences between firms in an industry come about not from imperfections in the system (as suggested by the Classical view) but from the natural emergence of variety from which the market will select. By doing something different from the rest, firms in a particular industry are betting on the likelihood that an unpredictable future environment will select them from the variety available.

Processual

This perspective takes a different view of human nature than the Classical perspective. Rejecting 'rational economic man', it sees people having limited ability to obtain and use information they need to make a decision. Unlike the Evolutionary perspective, it does not expect the market to select the best from what is available, pointing out that some firms (often because they are first into a market and thus have a stranglehold on distribution) can win out over competitors whose products are actually better. According to the Processual perspective, firms differ simply because of largely unpredictable events resulting from compromises, experiments and learning which characterise corporate life.

Systemic
Systemic theory emphasises the systems (cultural, political, social, etc.) in which decision makers are embedded. This is in contrast with the Classical perspective, which imagines managers as perfectly rational and floating free of the situations about which they need to make decisions. The Systemic perspective sees the differences between firms as the result of the different social and economic systems in which they are embedded.

Rationality in Strategy

Bounded Rationality
This is the premise, put forward by *Herbert Simon (1960)* that there are limits on human rationality which are a combination of the information available, our ability to grasp and process it and the amount of time available to do all that and come to a decision. For me this seems to be completely realistic, in the real world there is a limit on the time available to conduct analysis and very often on the data that is available to do that analysis. Not to mention the personal skill levels of those that both do the work and those that need to absorb the briefing and come to a decision. The consequence is that rather than making an optimal decision, the decision maker *satisfices* which means that they pick a solution that is good enough for their desired outcomes, even though it is likely to be sub-optimal.

Technical Rationality
Stacey (2007) quoted in the Block 2 material argues that managers make decisions based on a rational thought process that sets clear objectives first and then comes to sensible conclusions about how best to meet those objectives either maximising fulfilment or at least satisfying it. The key to this approach for Stacey is that the decisions are made using reason and evidence rather than by reference to customs, norms or emotion. This is a structured approach to setting strategy and works best in a relatively static environment where there is time to consider all the options and the available facts and come to a decision. Where the environment is changing then it is less useful, and other options, such as sense making (see below) may be more appropriate.

Sense Making
In its purest form this is what we do as humans all the time, we use the information that is available to us to draw meaning about what is going on in our environment. In the strategy context it is the process of using either limited information or limited time to process copious information to make decisions. In other words we are making our own story from the information that we have. It tends to rely more on rules of thumb than detailed rational analysis, although it can still be rational. It works better in fluid environments than the technical rationality because of its essentially sub-conscious nature and lack of reliance on having sufficient data before a decision can be made. (section 2.4, OU 2009B)

Porter's Five Forces

The five forces are:
- Power of Suppliers
- Power of Buyers
- Threat of entry to the industry
- Substitutes for products
- Internal rivalry within the industry

Criticisms of Five Forces
Porter's Five Forces has several acknowledged limitations quoted in the course material

(OU,2009C,pg.36-41). In this case, principle drawbacks were that:

- each category (e.g. suppliers) is seen as homogeneous rather than multifarious. This could be overcome by looking at players in each category individually;
- Another criticism suggests that it lacks dynamism – i.e., that it is a static model. This criticism is magnified by the increased dynamism of the environment, and the speed with which industry boundaries are seen to shift. It may be that industry boundaries are fluid at the best of times, making analysis of industry rivalry troublesome. Possibly a way round this is to draw the boundaries of the 'industry' widely enough to accommodate all the activities of a company and its key rivals.
- criticism concerns the tendency of Porter's model (and similar frameworks) to encourage analysts to group various suppliers, buyers, and so on together, when not all suppliers or buyers are alike. This is analyst failure, not Porter's model.
- Barriers to entry can be viewed narrowly by some analysts, however this is analyst failure rather than model failure because Porter (2008) is clear that this is a framework to allow the analyst to identify what is happening in the industry.
- Grant (2008) suggested that the complexity of relationships between organisations requires adding a new force – that of the complement. He argues that an organisation is often so interconnected with other organisations that they may have merged value chains, so that to exclude complementors from a five forces analysis is to risk underestimating their importance to an organisation's understanding of its industry structure. Porter says this should simply be factored into the other forces.

Criticisms based on the RBV, that the assumptions around heterogenity are wrong (RBV believes in heterogenity whereas Porter says it doesn't last long), do not devalue the requirement for detailed observation of the operating environment; they simply say that this is not the whole story. For an organisation to build effective strategy, there is a requirement to look inside itself to ascertain that it has the appropriate portfolio of resources to enable it to take advantage of any opportunity it identifies, or to develop and exploit new opportunities as yet unfulfilled within a market.

Generic Strategies

Corporate strategy is about where an organization wants to operate. Competitive strategy is how a firm competes in the market.

Porter's generic strategies (1985) are intended for looking at competitive strategy. Porter describes three generic strategies (cost leadership, differentiation and focus) in terms of two variables. Firms either try to be low-cost or have a unique offering (NB low cost is not the same as low price). Additionally they compete either broadly (across the entire industry space) or narrowly (a specific market segment). These strategies are described as 'generic' because they can be applied regardless of the industry

Porter's Generic strategies

	Low cost	**Unique offering**
Broad spectrum	Cost leadership	Differentiation
Narrow segment	Focus (low cost)	Focus (differentiation)

Porter acknowledged in his work, that some firms could be 'stuck in the middle'. This could be from trying to follow two competitive strategies simultaneously (e.g. low cost and differentiation) or being unable to properly compete.

The two choices suggest a binary state for each factor, but there is a subjective range of choice. Companies could compete in 95% of the range of their industry, but does that make them narrow? Similarly companies exist to maximise shareholder value, so they should be pursuing low cost, but also have unique selling points to make customers choose their offering over their competition's. That said Porter's strategies are useful for indicating to staff where the emphasis should be if trade-offs are required.

Complexity Theory

Complexity theory is a relatively new concept in strategic thinking. It has developed from the scientific complexity theory which looked at complex systems as a whole. Stacey started to write about complexity as a perspective on management & organisation in the 1990s. Usually complexity is presented as an alternative to rational models of strategy. The key differences being rational models look at cause and effect whereas complexity deals with inter-connectedness and relationships. It is looking to understand patterns rather than find causes.

Broadly Pascale (1999) discussed the development of strategy thinking as following current scientific theories and being rational/objective. Late 19th & early 20th century scientific thought was dominated by a linear Newtonian mechanic where cause and effect were dominant. However this evolved through the mid to late 20th century and in the late 1980s started to develop complexity theory. While the Newtonian mechanics are useful for much of what we experience it isn't the whole story, this is also true in strategy where those ideas were reasonable approximations for agricultural and manufacturing, but in the modern knowledge and service economies they are less appropriate.

What is a Complex Adaptive System?
Pascale (1999) shows four tests for a system to be considered complex, these are:

1. it is non-hierarchical and involves multiple agents operating in parallel;
2. it generates multiple levels of organisation and structure by re-arranging its agents;
3. the second law of thermodynamics applies (i.e. it is entropic);
4. pattern recognition allows it to learn and anticipate change.

It is possible for a system to be complex but not adaptive.

Four Bedrock Principles of Complexity

1. equilibrium = death (or at least there is a strong vulnerability when in equilibrium).
2. Complex adaptive systems can self-organise to produce new patterns and thus infinite variety.
3. complex tasks provoke complex adaptive systems to “surf the edge of chaos” (Pascale 1999). This means that once they have reached a peak of situational fitness they need to become less fit to move on to a greater peak.
4. complex adaptive systems cannot be directed, the cause and effect linkages are relatively weak. They can be disturbed, often quite easily and it can be difficult to predict what might cause a disturbance.

Resource Based View(s)

Barney’s (1991) extended the RBV in a variety of ways, but in particular his focus upon the attributes of resources and capabilities contributing to competitive advantage is worth further consideration. To offer the potential for sustained competitive advantage, Barney argues, a resource must have four attributes:

- It must be **valuable**, in the sense that it offers the firm the ability to exploit opportunities and/or neutralise threats in its competitive environment. Barney notes that this aspect of the RBV closely ties it to and complements the external analysis. Environmental analysis typically identifies opportunities and threats; valuable resources offer the potential to capitalise on opportunities or to counter threats.
- It must be **rare** – that is to say uncommon or even unique – among a firm's current and potential competitors. If many firms possess the same resource (even a valuable resource), then they also possess the opportunity of deploying it in pursuit of the same strategy, and this undermines the resource's potential to help sustain firm-level competitive advantage.
- It must be **imperfectly imitable** – i.e. it cannot be copied by potential competitors. Barney speculates that resource inimitability can develop in several ways.
    - First, the development of the resource may have been a result of unique historical conditions that would be impossible to replicate.
    - Second, there may be a degree of causal ambiguity about the development of the resource (i.e., even the owner of the resource is unsure how it was developed, making conditions of its creation impossible to replicate).
    - Finally, the process of creation is socially complex, meaning that the resource may be a product of internal characteristics such as personal interactions among managers, the organisation's unique culture, or its reputation in its industry supply chain – all of which make replication extremely difficult, if not impossible.
- No strategically equivalent **substitutes**. The extent to which a competitor, denied exactly the valuable, rare and imperfectly imitable resources at a firm's disposal, can approximate them and use this approximate set of resources to pursue a similar strategy is a determinant of the true extent of a firm's competitive advantage. Arguably, if such substitution is possible and a 'copycat' strategy can be pursued effectively, it would appear to undermine the value of the heterogeneous resource endowment enjoyed by the firm.

To Grant, the sustainability of a resource or capability's rent-earning potential is a product of a series of determinants, namely its:

- **durability** (the rate at which a firm's underlying resources and capabilities depreciate or become obsolete – hence, from the perspective of any firm with a particular resource endowment, the slower the durability deteriorates, the better)
- **transparency** (the speed at which other firms can imitate the influence of a firm's resources and capabilities on its strategy – again, the slower, the better), which may be a product of its complexity, as similar capabilities may be easier to unpack and therefore be more transparent
- **transferability** (how 'sticky' a firm's resources are or how well developed markets are in these particular resources and capabilities – the stickier/ harder to transfer between firms, the better)
- **replicability** (how easy it is for competitor firms to grow similar resources or capabilities for themselves – the harder it is, the better).

As we can see, there is a degree of similarity between Barney's views on the attributes that keep resources and capabilities valuable and those of Grant. They must be uncommon, difficult to buy or re-create, and perfectly attuned to the requirements of the market (i.e., they must satisfy key success factors).