

Chapter 2

Adapt: A Critical Pillar of Strategy Execution Process

Amit Srivastava and S. Sushil

2.1 Introduction

The issues of strategy execution have been highlighted at every stage of evolution of strategic management (Dufty and Taylor 1962; Cohen and Cyert 1973; Hrebiniak and Joyce 1984; Alexander 1985; Wooldridge and Floyd 1992; Kaplan and Norton 1996; Beer and Eisenstat 2000; Zagotta and Robinson 2002; Bossidy and Charan 2002; Higgins 2005; Neilson et al. 2008; Franken et al. 2009). Still the strategy formulation research has been more prominent than the execution (Noble 1999a; Hrebiniak 2006). The debacle of heavy weight corporations pushed both the scholars and practitioners to rethink on the improving success of strategy execution. Responding to the challenge, the last decade witnessed significantly high attention paid to strategy execution.

With the increasing pace of change, both within and outside the organization, the challenges of execution is multiplying. The literature of strategic management, in general, pointed out the issue of 'Adapt' for competitive performance and advantage. Various aspects of adapt such as flexibility (Eppink 1978; Adler 1988; Volberda 1997; Sushil 2000, 2005) and learning (Senge 1990; Prahalad and Hamel 1990; Ortenblad 2004) have been discussed. However, these research learning have been used to formulate superior and competitive strategy and the thought on strategy execution was somewhat missed.

The literature has been using terms 'implementation', 'execution' and 'actualization of goals' as interchangeable to each other (Sashittal and Wilemon 1996). Most of the authors do not differentiate strategy implementation from strategy execution. Consequently, this study also treats strategy implementation as strategy execution.

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This study focuses on Adapt aspect of strategy execution process, considering the gaps in literature, opinion of experts and practitioners and its significance in strategy execution success. The study is divided in two stages. The first-stage of the study is exploratory and qualitative in nature, while the second-stage of the study is conducted to validate the framework of Adapt. Finally, the chapter discusses the implications of research findings and future scope of research.

2.2 Literature Review

The early stage of strategy execution research was attributed to the issues of organization management (Miles et al. 1978; Grinyer et al. 1980; Drazin and Howard 1984; Galbraith 1986). Later on researchers underlined activities and barriers in strategy execution (Alexander 1985; Heide et al. 2002; Hrebiniak 2006) and facilitators/success factors of strategy execution (Bhide 1986; Hambrick and Cannella 1989; Giles 1991; Zagotta and Robinson 2002; Higgins 2005; Neilson et al. 2008). Due to the contribution of scholars of different management streams, the research on strategy execution became eclectic in nature (Noble 1999a). The lack of strategy execution framework integrating diverse perspectives led to the situation where most of the managers are unaware about how to execute the strategy (Hrebiniak 2006). Reflecting on this challenge, the last decade shifted its research focus to the development of comprehensive and integrated framework of strategy execution (Okumus 2001, 2003; Aaltonen and Ikavalko 2002; Miller et al. 2004; Higgins 2005; Hrebiniak 2006; Pryor et al. 2007; Sull 2007; Kaplan and Norton 2008).

The challenges of strategy execution multiply with the pace of changes. Today organizations are facing rapid changes both within and outside the organization. During 1960s, scholars started to link the business with its surrounding environment (Cohen 1973; Mintzberg 1978; Grinyer et al. 1980). However, the focus was given to organization management issues (Dufty and Taylor 1962; Taylor 1973; Miles et al. 1978; Peters and Waterman 1980; Grinyer et al. 1980). Some of the authors have also indicated the importance of change management (Mintzberg 1978; Taylor 1973). Managing change is among the biggest threats and absolutely critical for successfully executing the strategy. Execution often involves change in structure, incentives, people, objectives, responsibilities etc. The inability to manage change and reduce resistance to new decisions can create disaster for execution efforts (Hrebiniak 2006). Managing change and employee resistance requires clear attention to detail, a focus on objectives, measurement of performance, and a strong commitment to the execution task. Therefore, organizations should incorporate its learning in selecting and executing a strategy (Aspesi and Vardhan 1999). Organizations experience both adaptive and generative learning, however, the processes of such learning, particularly the latter, have not been widely analyzed and incorporated into the organizational learning process (Chiva et al. 2010). Companies should have a formal and regular process of collecting, discussing, and incorporating

inputs from important stakeholders so as to match best practices, creating innovative approaches to capture new business and realize incremental improvements.

This section reviews some of the important frameworks of strategy execution in the context of adapt. Delisi (2001) highlighted that the superior execution itself can be a strategic advantage of the firm, though a solid strategy is an obvious prerequisite for strategic success. He unearthed that the strategy execution fails from people, cultural, organizational as well as from pure strategy reasons. His study helps managers avoiding common mistakes in execution, however, he did not come up with a clear roadmap to strategy execution and neglected the adapt aspect of execution. Taking more process oriented perspective, Noble (1999b) organized strategy implementation framework around four major stages of the implementation effort and five managerial levers for these implementation phases. The focuses has been given to organization and HR issues but adapt aspect is compromised. Beer and Eisenstat's (2000) "six strategy killers" also does not reflect on the adapt issues and limited to team composition, management style, communication, and leadership issues. According to Bossidy and Charan (2002), strategy execution process includes developing the mechanisms for changing assumptions as the environment changes and upgrading the company's capabilities to meet the challenges of an ambitious strategy. Though, not commenting directly on the role of Adapt in execution, Higgins's (2005) "8S" framework of strategy execution underlines the importance of monitoring and assessing the cross-functional execution of strategies. Qi (2005) also proposed 'seven factors for successful strategy execution', which highlights the importance of feedback system and organization culture. The 'Balanced Scorecard' (BSC) and 'Management System' frameworks (Kaplan and Norton 1996, 2008) highlighted the reflection and incorporation of learning to make changes in strategies, strategic plan, operational plan, capabilities and finally the targets. Sushil (2008) pointed out that there is need for a more integrative tool so as to cover the whole cycle of strategy formulation and implementation in a seamless manner. He proposed Adapt as one of the most important enablers of superior strategy execution process (Sushil 2009).

2.3 Research Questions and Objective

The review of literature and initial discussion with the experts and practitioners led to following research questions to be undertaken in this study:

1. What are key variables of Adapt in strategy execution process?
2. How the variables of Adapt are inter-linked?

The above mentioned research questions helped in setting research objective as:

To develop the framework for 'Adapt' in the context of strategy execution.

Table 2.1 Profile of the respondents of TISM

SN	Organization	Management area	Years of experience	Designation
1	Leading B school	Strategy management	30	Professor
2	Leading B school	Organization management	40	Professor
3	Management consulting firm	General management	20	Managing Director
4	Leading Government Information Organization	System software management	28	Senior Scientist
5	Central Government Ministry	Administration	23	Deputy Registrar
6	Major automobile company	Human resource management	28	DGM HR
7	Major FMCG company	Supply chain management	25	Vice President

2.4 Stage 1: Identifying the Variables of ‘Adapt’ and Developing Their Linkages

2.4.1 Methodology

To support the research objectives of the study, following exploratory research has been conducted to identify the variables of Adapt, followed by their linkages.

The first logical step followed in this study is literature review on strategy execution in the context of role of adapt in the execution process. The literature review has been conducted using electronic databases: EBSCO, Science Direct, Proquest and Google Scholar. Search terms that were used independently or in combination are: strategy, execution, implementation, translating strategy into action, framework, adapt, and flexibility. This exercise was continued to identify further articles using the references sections of the previously retrieved articles. As a final selection criterion, those articles were included which had at least 10 citations on Google Scholar database. Additionally, articles of last three years and some other important articles of significance were included. Following the literature review, a four-hour brainstorming session was conducted with 43 corporate practitioners in India to further explore the possible variables of adapt, which influence the strategy execution process. The average years of experience of the participants was 9.3 and they represent 12 industries. The depth of experience of participants and breadth of industry covered helped in making the exploratory exercise more comprehensive.

After identifying the variables of ‘Adapt’, the ‘Interpretive Structural Modeling’ (ISM) is made to establish the linkages among the variables of Adapt. For this an ISM survey was conducted taking the detailed expert views from five corporate practitioners and two senior academicians (Table 2.1). The participants were also asked to provide the interpretation of the linkages they suggest in the TISM questionnaire (Appendix 2.1). This process enriched the ISM by depicting the how part of the linkages (Corley and Gioia 2011). The framework was further supported by the 14 live caselets (Lewis 1998; Eunni et al. 2005) and developed a ‘Total Interpretive Structural Model’ (TISM) of Adapt for empirical validation (Nasim 2011; Sushil 2012).

2.4.2 *Results and Discussion*

There has clearly been consensus in literature and among the practitioners and experts that organizations need to proactively read the changes and shifts in environment to continuously update the strategies so as to ensure high organization performance. For example, digital music technology brought a threat to cassette and CD-based Walkman. But with adaptive approach Sony took it as an opportunity to come up with MP3 player. Adapting the organization can be difficult, but successful execution depends on it. The inability to manage change and reduce resistance can result in disaster for execution efforts. Successful strategy execution necessitates changes in many areas and it can be an indicator of effective management of change. Therefore, there are multiple aspects or variables of adapt in the context of strategy execution. Considering the literature and opinion of practitioners and experts, we identified seven variables of Adapt—adapt the targets (A1), modify strategies (A2), reformulate strategic plans (A3), redefine operational plan (A4), reassess capabilities (A5), adaptive culture (A6), and incorporating reflections (A7).

There are also logical linkages among the variables of adapt. For example, changes in strategies may not be enough for long-term growth. Organizations may have to develop the adaptive culture so that they can continuously incorporate the learning and update the strategies. The EDS case can be classical example to understand it. After joining as CEO at EDS in 1999, Brown reviewed EDS' operations and found that strategy is sound but the execution is poor. To address the problem, he proposed new EDS' beliefs, changed the performance measurement and compensation system. The outcome of the exercise brought great success for Brown (Bossidy and Charan 2002). Unfortunately, Brown could not sustain the success for long. Brown failed to read the signals of industry downturn in early 2002 and repeatedly project high performance. In September 2002, the stock price of EDS fell to 20% of its high. Later, Brown tried to improve the adaptive capabilities, but it was too late. By March, 2003 Brown had to go. The case shows that the focusing on one aspect of adapt (e.g. changing the strategy) while ignoring other aspects (e.g. adaptive culture) bring no success to organizations on a sustainable basis. The following section discusses the TISM model of Adapt to explain the linkages of variables of Adapt (Fig. 2.1).

Adaptive Culture The TISM study reveals that 'adaptive culture' is the most important driver influencing all other variables of adapt. This initiates that without having adaptive culture in the organization it is difficult to execute change in the organization. Without adaptive culture, the change may be superficial or temporary in nature. The adaptive culture can be a valuable competitive asset, which is sometimes a necessity; especially in fast-changing environments. The firm with adaptive approach use environmental changes as strategic advantage by responding better and quickly to changes (Wei and Jiang 2005). There should be robust dialogue among the people of the organization and leaders to develop the adaptive culture in the organization (Bossidy and Charan 2002). For example, to make British Petroleum (BP) an adaptive organization, John Browne deliberately raised the creative tension

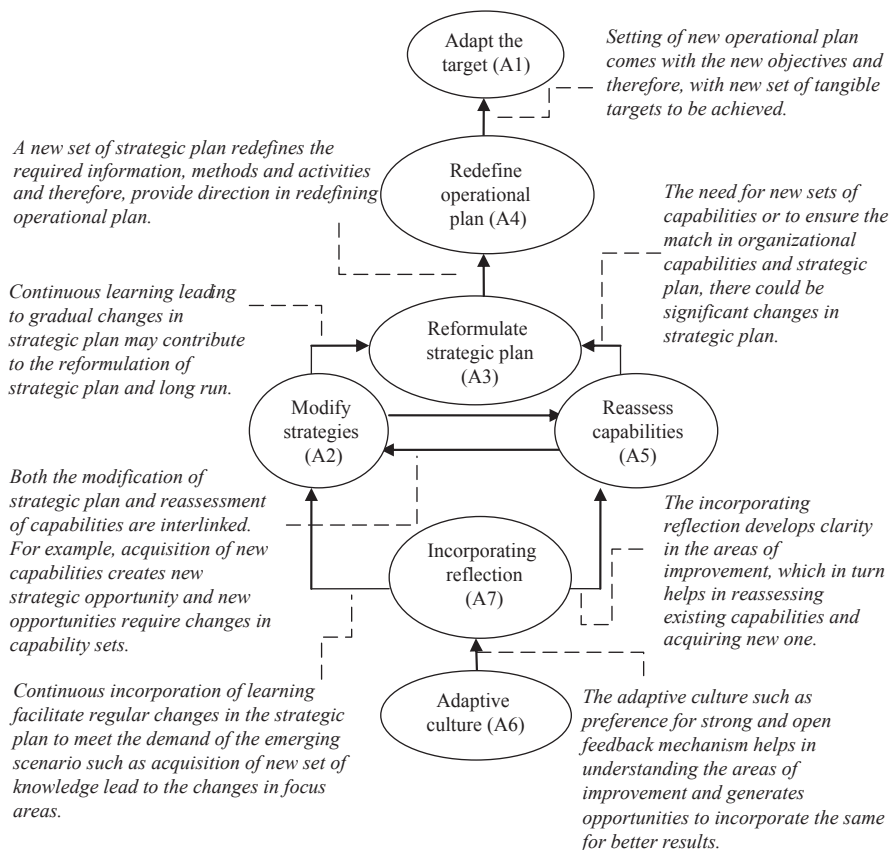


Fig. 2.1 TISM framework of adapt

in the organization so that it cannot only survive but also prosper in uncertain and turbulent times. To promote the adaptive culture, the chief executive of an international oil exploration business, started rewarding individuals acting in an innovative fashion. Besides monetary reward, he also gave the winners his most limited resource, namely, his time. He symbolically accompanied the “winners” around the golf course. This message of the criticality of change, and the extent to which it was valued by the chief executive had a significant impact upon all staff (Franken 2009).

Developing the adaptive culture is more crucial for the organizations operating in high-speed and rapidly changing environments such as technology sector. For example, the emergence of the Internet was viewed as a threat by many organizations but successful organizations saw it a great opportunity. E-Bay visualized that internet companies can respond and cope with change much faster than other companies. Therefore, it used Internet as new source of immense business opportunity. Another success story is Walt Disney, which embraced television when most movie studios resisted it at the earlier stage. ‘Zenon Environmental’ acquired the ability

to develop an innovative water treatment process at lower cost than its rivals. Zenon educated its employees, about the cost reduction strategies, through regular meetings and discussion. This approach impacted all the activities of the organization including employees' teamwork and dealing with suppliers. Zenon's success is manifested by the fact that GE acquired it in 2006 at a 60% premium above its stock price (Sheehan 2006).

Incorporating Reflections The concept of learning for organizational growth is not new; though it got momentum with the work of Senge (1990) when he detailed out the concept of learning organization as a necessary condition for continuous and sustained growth. Thompson and Strickland (2001) also highlighted the need for incorporating reflections and adapting the organizational activities and direction as per the need of the time. Bossidy and Charan (2002) also talked about the need of incorporating reflections in the context of strategy execution. Many organizations continuously measure and monitor performance matrices. Organizations need to go beyond this and should meet, interact and take the input of employees at different levels. Reflections help in understanding what is changing and how the changes are going to influence the strategies and strategic plans (Sheehan 2006). For example, British Petroleum promoted a framework of knowledge management for continuously incorporating the learning. The framework had three components—a learning cycle (before, during and after any event), the lessons discussed and refined through practice, and lessons incorporated as knowledge assets on the corporate intranet. These knowledge assets further help in refining strategic and operational plans. It is also evident from the TISM framework that incorporation of reflection provides clear guideline on what to change and how to change.

Modify Strategies Kaplan and Norton (2001) found that 85% of executive teams spent less than one hour per month discussing strategy, with 50% reporting that they spent virtually no time on strategy discussions. The lack of adaptive culture and practice of incorporating the learning explain such situations. Bossidy and Charan (2002) pointed out that the company needs to test whether its fundamental strategic assumptions remain valid. As comes out in TISM framework of adapt, any change in the strategy requires dialogue among the actors of the organization. The linkages of adaptive culture, incorporation of reflections and changes in strategies can be understood by the case of GE. After joining as CEO of GE, Jeffrey Immelt realized that key to sustain the success is to change how GE achieved growth. Past key success drivers were deal-making and cost cutting. Immelt focused on launching new products and improved services as important drivers of growth. While Welch as CEO of GE, tried to match best talent with the most promising opportunities, Immelt focused on continuous interaction with executives to analyze and develop innovation ideas for GE's growth targets (Sheehan 2006).

Reassess Capabilities Consistent reassessment of capabilities is necessary to effectively execute the strategy. Bossidy and Charan (2002) emphasize that organizations should develop the leadership pipelines through continuous improvement succession depth, and reducing retention risk and talent review. Gautam and Batra

(2007) proposed self-renewal process, where an organization changes the configuration of its personnel while maintaining its identity. The self-renewal process may be reactive or proactive. Any changes in capabilities should be in congruence with the strategy. As Ulrich (1998) pointed out that HR activities are usually disconnected from the real work of the organization. He emphasized that HR should become partner in strategy execution by taking the role of—defining an organizational architecture, developing detail plans and performance matrices and taking charge of continuously monitoring the progress. Galbraith's star model (1986) and Higgins's (2005) "8-S" model can be useful in this regard. The case of Enron amply shows the linkage of strategy and capability. Enron adopted the transformational strategy, which fits well with its skills in risk management, deal making, and finance. For filling any gaps in capabilities in executing the strategy, Enron was poaching talent from other companies, which helped Enron support its visionary strategies.

Reformulating Strategic and Operational Plans A large IT organization decided on strategic alliances as future growth driver. However, the performance matrices of the organization were strictly focusing on delivery of sales targets, and therefore restricting the employees from exploring innovative alliances. To tackle this, top management ensured that all the control systems of the organization became congruent, contributing towards the establishment of strategic alliances (Franken 2009). A company ABC was leader in various industry segments but was facing tough competition (Frigo 2004). The CEO of the company motivated the management teams to develop a new strategy and strategic plan. The strategic plan was developed quickly, and management started developing the performance measures and targets for execution. However, they also realized the need of a mechanism of strategy and execution reviews, which would be deeply grounded in the foundations of the strategy. This helped the company to review the planning process, the strategic plans, and execution processes. These case examples underline that to respond to the environmental changes an organization not only has to focus on the changes in culture and strategy but also on the strategic and operational plans of the organization. Following through is important to make execution process to be on track. The information on changes in the environment and new ideas/opportunities suggested by organizational actors can show the way to superior execution. The operational dashboards and monthly Balanced Scorecard metrics can be useful to review the strategic plans.

The practitioners should also analyze the risks involved in operational plan and should instill flexibility in case new opportunities arise or the plan fails. Some issues, which should get attention are sound assumptions about the situation, a balanced trade-offs as per the need of the time, clearly defined outcomes, continuously following through and developing contingency plans. For example, company XYZ, which was using a three-year strategic planning cycle, developed a strategic plan in 2003 based on return strategy. CEO of the company found results better than what was the target. Still, realizing the future opportunities and challenges, CEO felt that the company needs a process for continually refining the strategic plan and its execution. He viewed that a strategy and execution review process should be developed so as to reenergize the planning process (Frigo 2004).

Table 2.2 Profile of respondent for confirmatory questionnaire survey

Criteria	Respondents' profile
Sectors	ICT (27.1 %), power (12.5 %), consulting (10.4 %), banking (8.3 %), construction (8.3 %) and others
Functional areas	Operation (33.3 %), IT (14.6 %), planning (10.4 %), marketing (10.4 %), HR (4.2 %), consulting (4.2 %) and others
Hierarchical level	Lower management (35.4 %), middle management (35.4 %), top management (29.2 %)
Total work experience (years)	Minimum (3), maximum (28), mean (13.5), SD (8)
Experience in the current organization (years)	Minimum (1), maximum (27), mean (8.5), SD (7)
Planning/coordination/execution	Planning (29.2 %), coordination (20.8 %), execution (50 %)
Leadership role	Leadership role (70.8 %), non-leadership role (29.2 %)

Adapt the Targets The managers also need to assess continuously the important milestones for execution plan. Organizations usually fall short of targets because it does not match with the changes in strategic and operational plans. The targets could be under or over estimated in the changing situation (Bossidy and Charan 2002). Therefore, the change in strategic and operational plans should lead to changes in the targets.

2.5 Stage 2: Confirmatory Study for Adapt Framework

2.5.1 Methodology

Second stage of the study tries to quantitatively verify the framework of Adapt by conducting a survey taking response from the practitioners. After finalizing the linkages among variables, a small questionnaire survey was administered with 48 respondents for conducting t-test (Table 2.2). The questionnaire was developed on five-point Likert scale, where 1 was strongly-disagree and 5 was strongly-agree (Appendix 2.2). The judgmental sampling technique was adopted by using criteria—variety of the sectors, coverage of all functional management areas, people from all the hierarchical levels, range of experience both total and in current company, respondents' involvement in planning/execution/coordination, and leadership role. Though, the respondents are based in India, their varied background helped in improving the generalization of the research findings and therefore, improving the acceptability of the developed framework. All the questionnaires were personally administered to improve the validity of the response. The respondents' familiarity with the authors and subject also ensures high validity of the data.

2.5.2 Results and Discussion

The descriptive statistics (Table 2.3) like a higher mean (from and above four), median (four and above), and mode (four and above) of the distribution endorsing

Table 2.3 One sample t-test (95 % confidence interval) of adapt framework

SN	Linkages	Mean	Median	Mode	SD	Test value=3	
						t	Sig. (2-tailed)
1	Adaptive culture influencing incorporation of learning	4.0	4.0	4.0	0.8	9.3	0.0
2	Adaptive culture influencing modification in strategies	4.1	4.0	4.0	0.8	9.8	0.0
3	Adaptive culture influencing reassessing organizational capabilities	4.1	4.0	4.0	0.8	9.8	0.0
4	Adaptive culture influencing changes in strategic plans	4.2	5.0	5.0	0.8	10.9	0.0
5	Adaptive culture influencing changes in operational plans	4.2	5.0	5.0	0.8	10.6	0.0
6	Adaptive culture influencing changes in targets	4.0	4.0	4.0	0.8	8.4	0.0
7	Incorporation of learning influencing changes in strategies	4.0	4.0	4.0	0.8	8.7	0.0
8	Incorporation of learning influencing reassessment of capabilities	4.2	4.0	4.0	0.8	14.4	0.0
9	Incorporation of learning influencing changes in strategic plan	4.0	4.0	4.0	0.6	12.2	0.0
10	Incorporation of learning influencing changes in operation plan	4.0	4.0	4.0	0.5	10.6	0.0
11	Incorporation of learning influencing changes in targets	4.0	4.0	4.0	0.7	10.1	0.0
12	Changes in strategies influencing reassessment of capabilities	4.0	4.0	4.0	0.7	9.7	0.0
13	Changes in strategies influencing changes in strategic plans	4.1	5.0	5.0	0.7	9.6	0.0
14	Changes in strategies influencing changes in operational plans	4.1	4.0	4.0	0.8	10.3	0.0
15	Changes in strategies influencing changes in targets	4.1	4.0	4.0	0.8	10.6	0.0
16	Reassessment of capabilities influencing changes in strategies	4.2	4.0	4.0	0.7	11.7	0.0
17	Reassessment of capabilities influencing changes in strategic plans	4.3	5.0	5.0	0.7	12.0	0.0
18	Reassessment of capabilities influencing changes in operational plans	4.2	4.0	4.0	0.7	11.2	0.0
19	Reassessment of capabilities influencing changes in targets	4.0	4.0	4.0	0.7	9.4	0.0
20	Reformulation of strategic plan influencing changes in operational plans	4.2	4.0	4.0	0.8	13.6	0.0
21	Reformulation of strategic plan influencing changes in targets	4.2	4.0	4.0	0.6	13.6	0.0
22	Changes in operational plan influencing changes in targets	4.2	4.0	4.0	0.6	11.6	0.0



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