

Strategic Management: Concepts and Cases

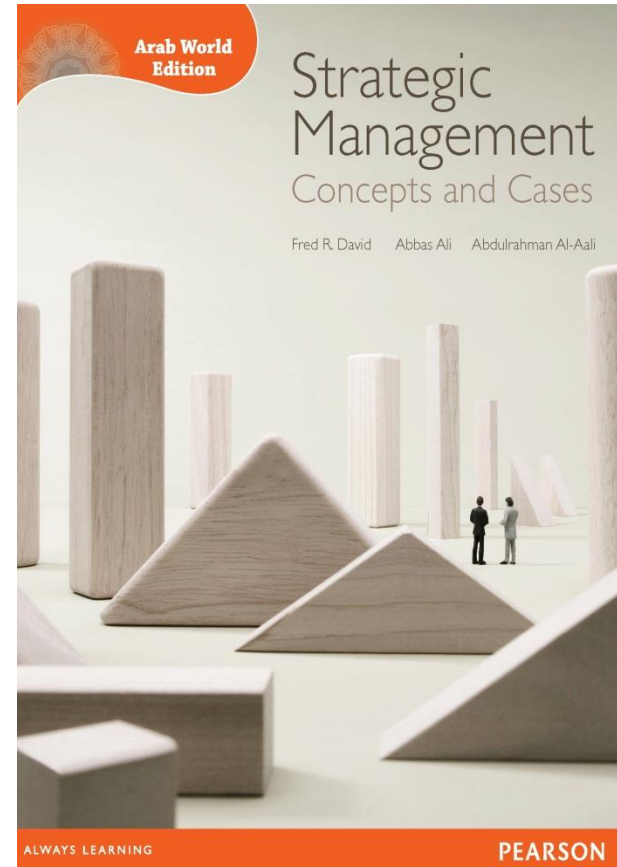
Arab World Edition

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Chapter 8: Implementing Strategies: Management and Operations Issues



Chapter Outline

- The Nature of Strategy Implementation
- Annual Objectives
- Policies
- Resource Allocation
- Managing Conflict
- Matching Structure With Strategy

Chapter Outline (cont'd)

- Restructuring, Reengineering, and E-Engineering
- Linking Performance and Pay to Strategies
- Managing Resistance to Change
- Managing the Natural Environment
- Production/Operations Concerns When Implementing Strategies
- Human Resource Concerns When Implementing Strategies

Implementing Strategies

Management and Operations Issues

"The region's family businesses are all reaching maturity and need to move away from family ownership and management."

Abdel Hamid Shoman, CEO and Chairman, Arab Bank

Implementing Strategies

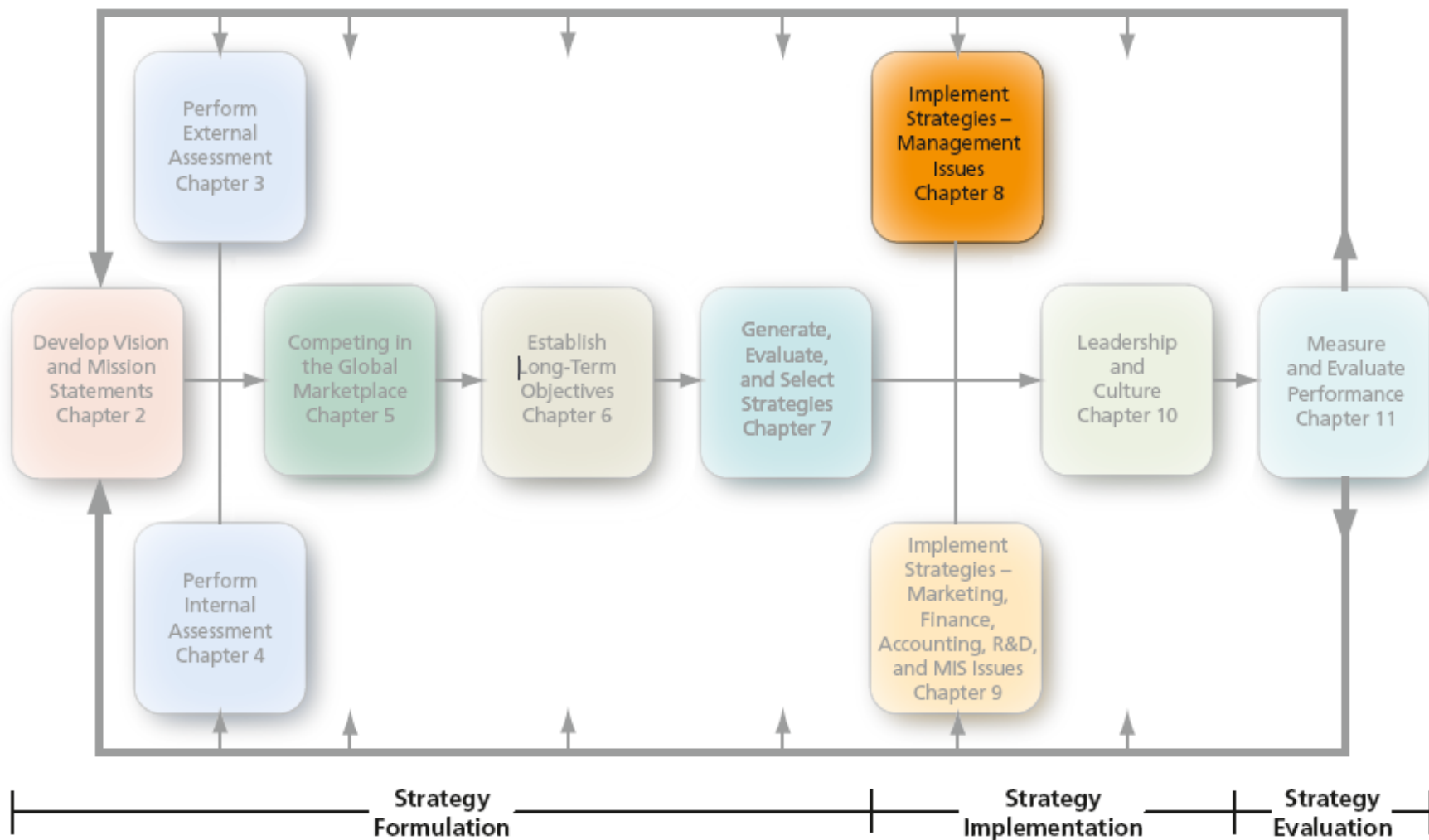
Management and Operations Issues

"The old guaranteed recipe for growth is no longer workable."

Mohammad Omran, Chairman, Etisalat

FIGURE 8-1

A Comprehensive Strategic-Management Model



Source: Adapted from Fred R. David, "How Companies Define Their Mission," *Long Range Planning* 22, no. 3 (June 1988) 40.

Nature of Strategy Implementation

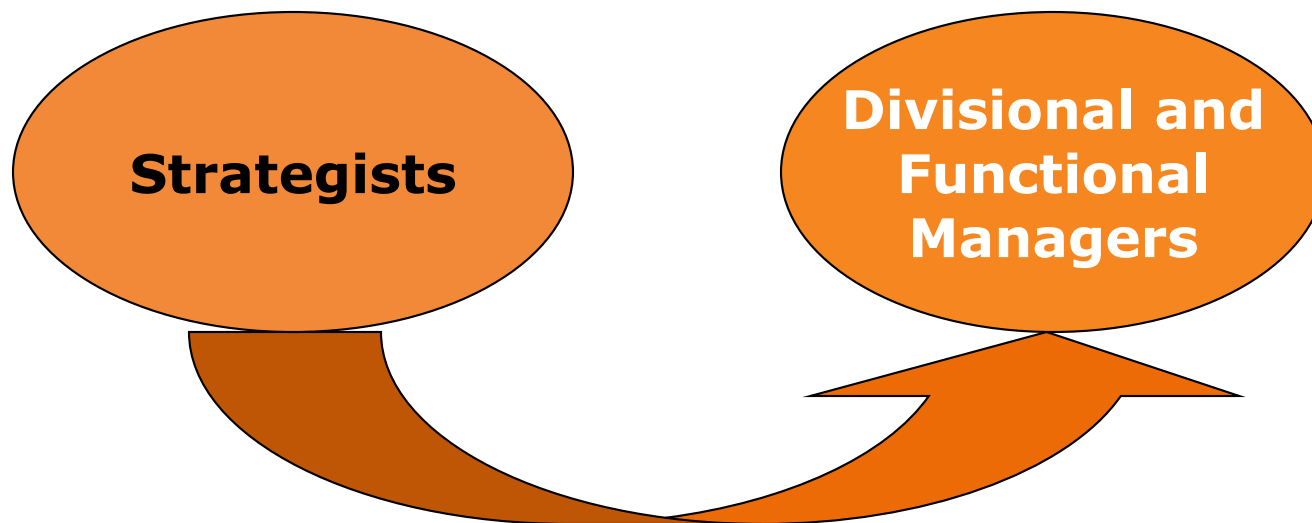
Formulation vs. Implementation

- Strategy implementation is different from strategy formulation
- Formulation focuses on effectiveness
- Implementation focuses on efficiency

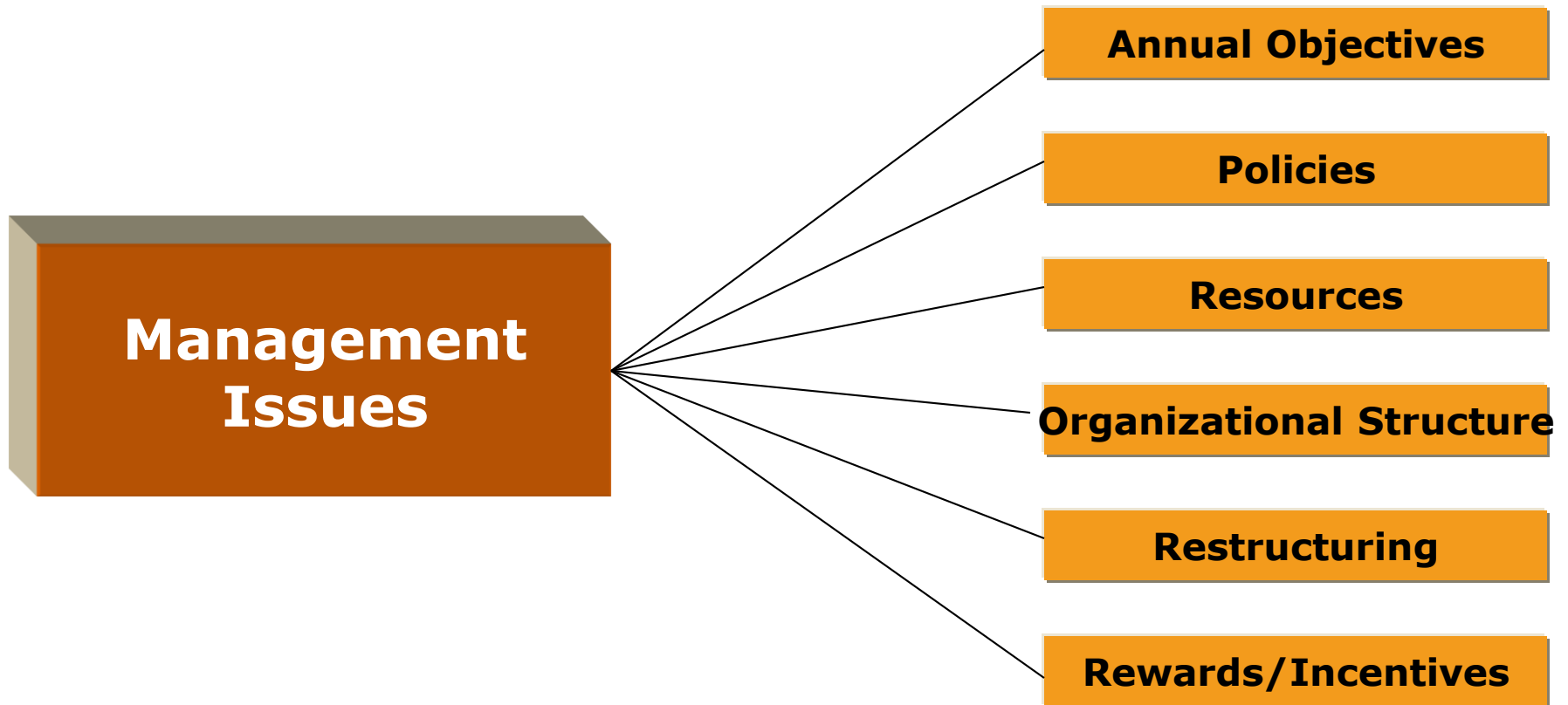
Nature of Strategy Implementation

Management Perspectives

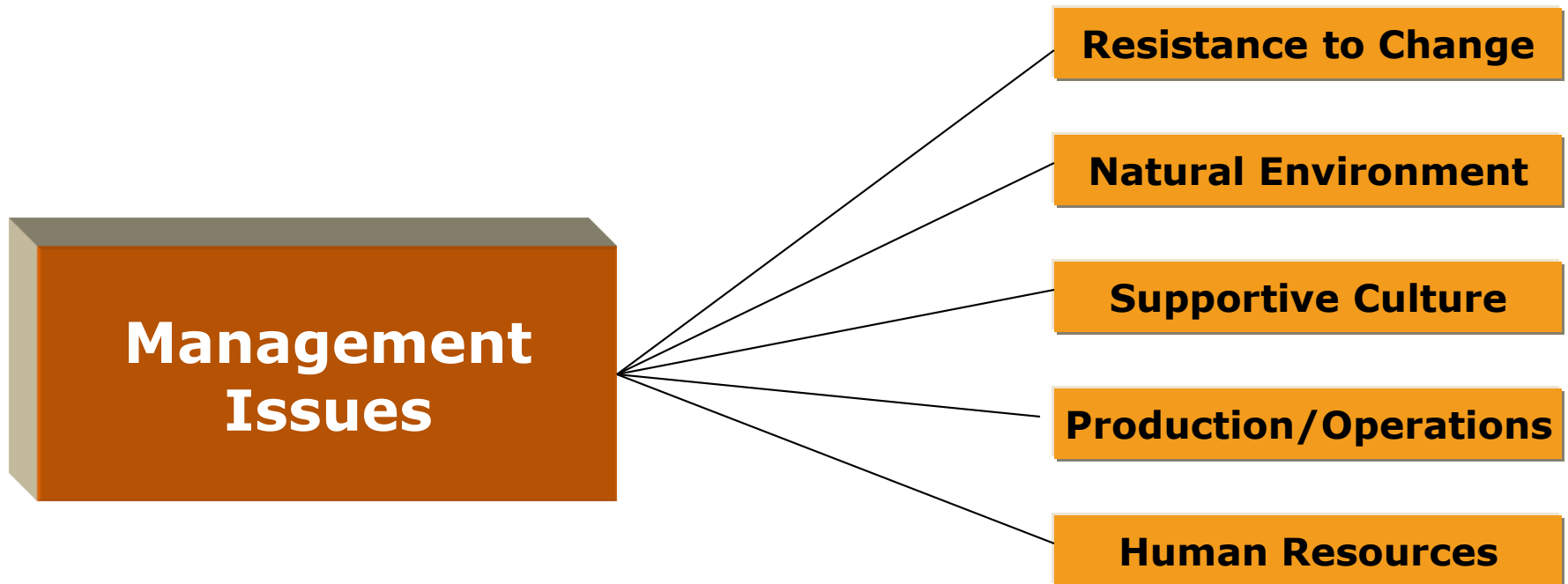
Shift in responsibility



Management Issues



Management Issues (cont'd)



Annual Objectives

Purpose of Annual Objectives

- Basis for resource allocation
- Mechanism for management evaluation
- Metric for gauging progress on long-term objectives
- Establish priorities (organizational, divisional, and departmental)

Resource Allocation

- A central management activity
- A process of allocating resources consistent with priorities indicated by approved annual objectives

Resource Allocation

There are four types of resources:

1. Financial resources
2. Physical resources
3. Human resources
4. Technological resources

Managing Conflict

- Conflict not always “bad”
- No conflict may signal apathy
- Can energize opposing groups to action
- May help managers identify problems

Managing Conflict

Approaches for Managing Conflicts

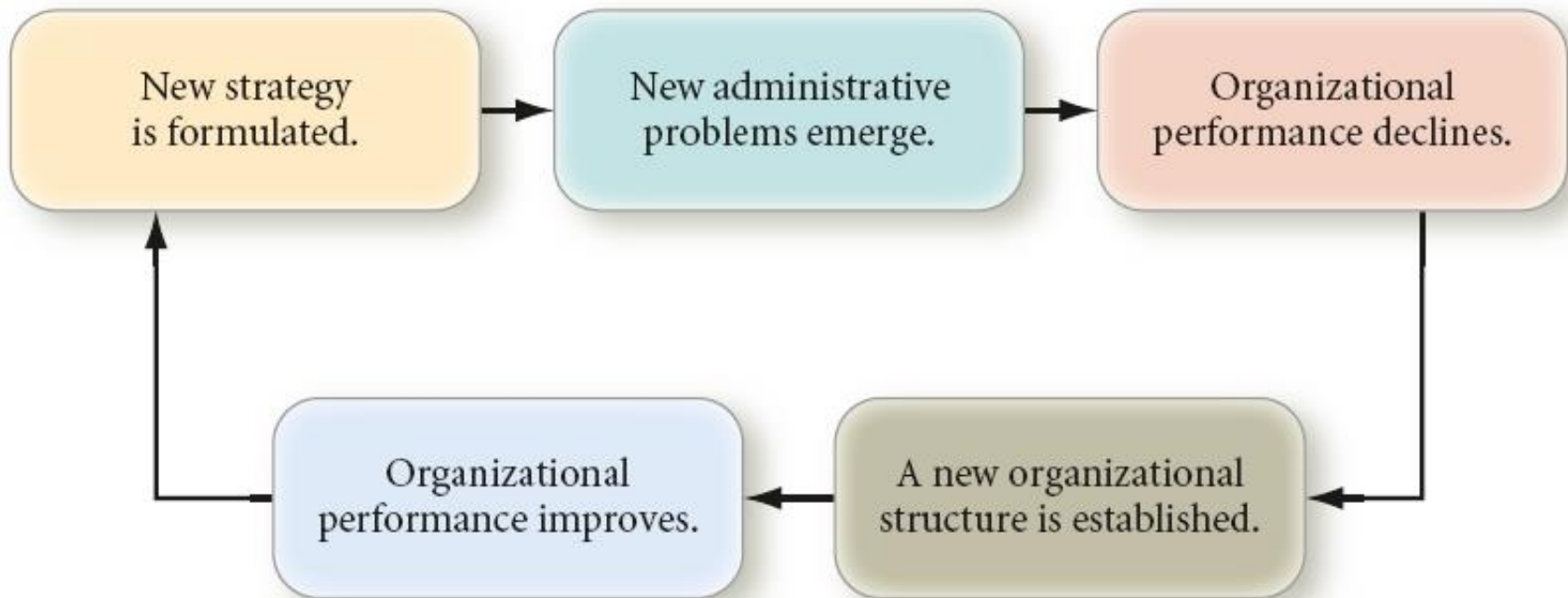
Avoidance – ignoring the problem in hopes that the conflict will resolve itself

Defusion – playing down differences between conflicting parties

Confrontation – exchanging members of conflicting parties

FIGURE 8-3

Chandler's Strategy-Structure Relationship



Matching Structure with Strategy

- Changes in strategy lead to changes in organizational Structure
 - Structure largely dictates how objectives and policies will be established
 - Structure dictates how resources will be allocated

Matching Structure with Strategy

Basic Forms of Structure

- Functional Structure
- Divisional Structure
- Strategic Business Unit Structure (SBU)
- Matrix Structure

FIGURE 8-4

Arabian Pipes Company Organizational Chart

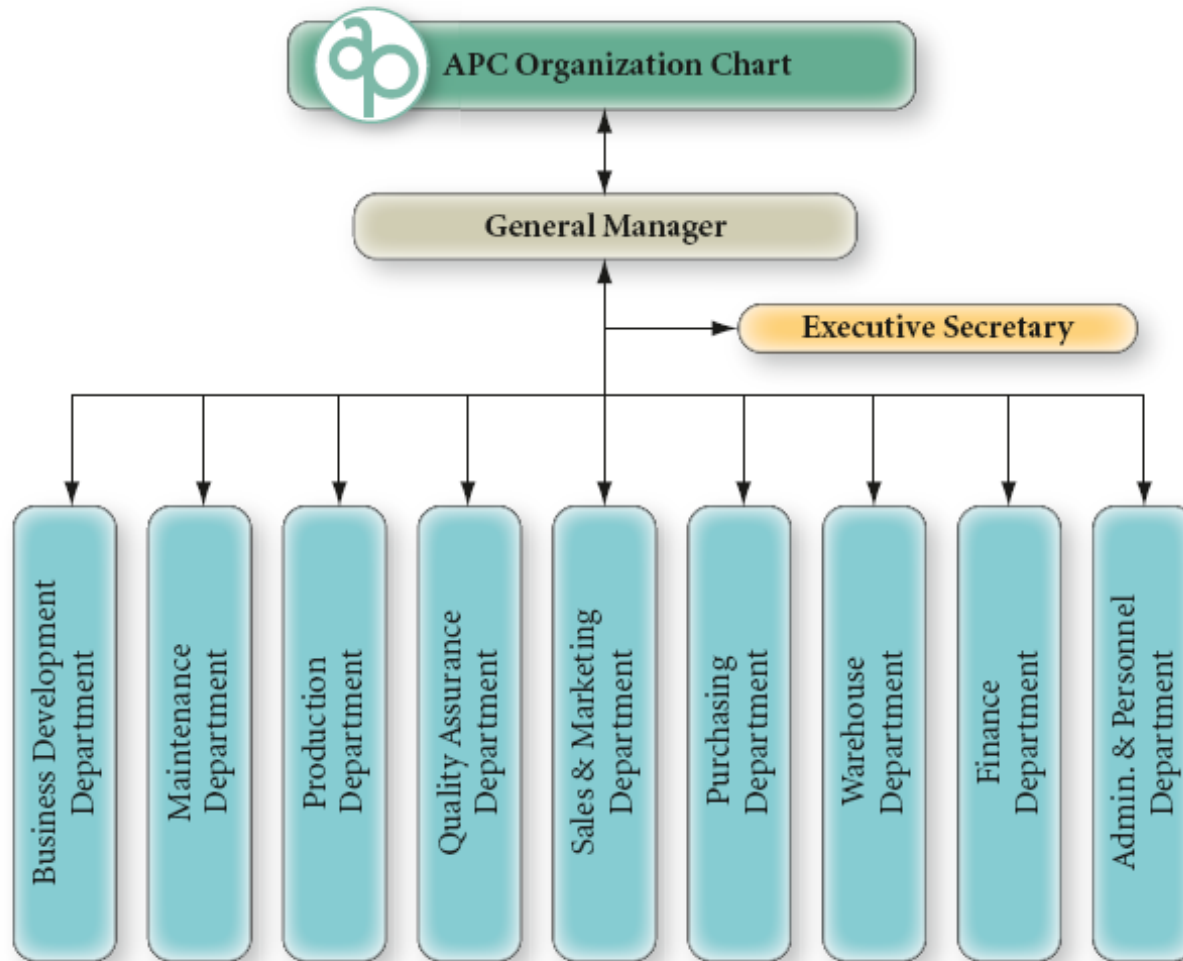
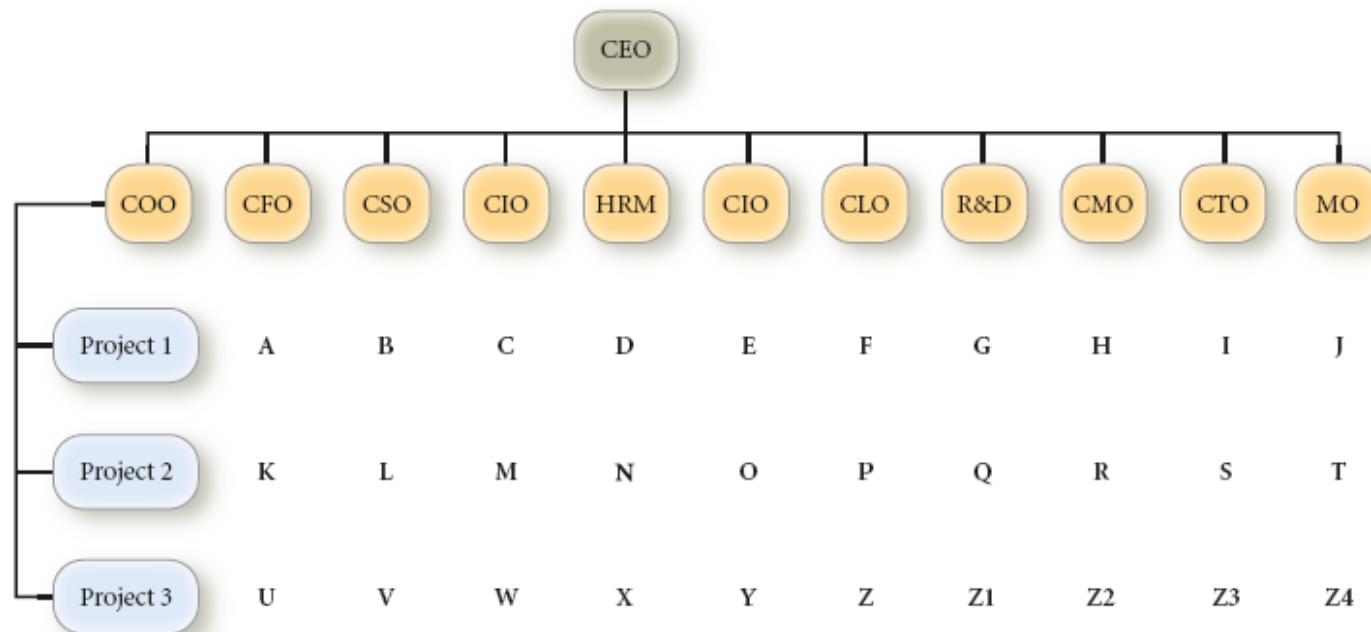


FIGURE 8-8

An Example Matrix Structure

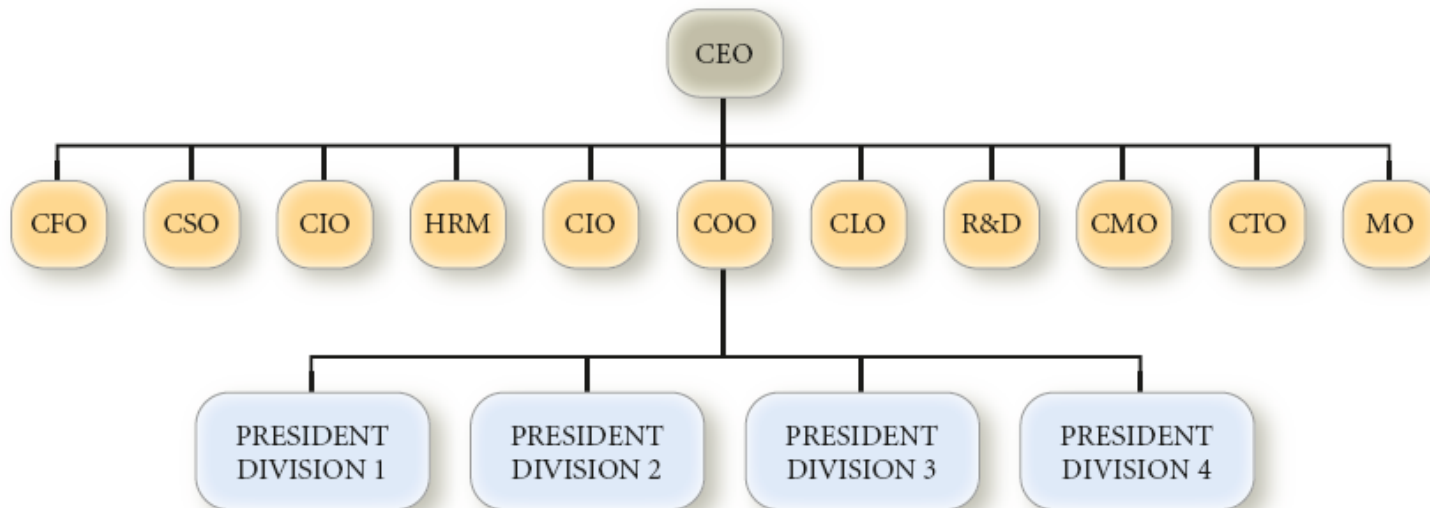


Notes: Titles spelled out as follows.

Chief Executive Officer (CEO)
Chief Finance Officer (CFO)
Chief Strategy Officer (CSO)
Chief Information Officer (CIO)
Human Resources Manager (HRM)
Chief Operating Officer (COO)
Chief Legal Officer (CLO)
Research & Development Officer (R&D)
Chief Marketing Officer (CMO)
Chief Technology Officer (CTO)
Competitive Intelligence Officer (CIO)
Maintenance Officer (MO)

FIGURE 8-9

Typical Top Managers of a Large Firm



Notes: Titles spelled out as follows.

Chief Executive Officer (CEO)
Chief Finance Officer (CFO)
Chief Strategy Officer (CSO)
Chief Information Officer (CIO)
Human Resources Manager (HRM)
Chief Operating Officer (COO)
Chief Legal Officer (CLO)
Research & Development Officer (R&D)
Chief Marketing Officer (CMO)
Chief Technology Officer (CTO)
Competitive Intelligence Officer (CIO)
Maintenance Officer (MO)

Restructuring, Reengineering, and E-Engineering

Restructuring

- Downsizing
- Rightsizing
- Delayering

Restructuring, Reengineering, and E-Engineering

Reengineering

- Process management
- Process innovation
- Process redesign

Linking Performance and Pay to Strategies

Situation in the Arab World

- Most companies adopt a compensation system which primarily includes a base salary with annual rises.
- Increasingly in large Arab corporations there is a tendency to utilize pay systems similar to those found in western countries.

Tests for Performance-Pay Plans

- Does the plan capture attention?
- Do employees understand the plan?
- Is the plan improving communication?
- Does the plan pay out when it should?
- Is the company or unit performing better?

Natural Environment Perspective

Sustainable Development:

Young Arabs Discuss Climate in Brazil

Youths from 52 countries, among them four Arab nations, attended a conference on environment in Brazil in June 2010

Production/Operations Concerns

Production processes typically constitute more than 70% of firm's total assets.

Production/Operations Concerns (cont'd)

Production/Operations Decisions

- Plant size
- Plant location
- Product design
- Choice of equipment
- Shipping and packaging
- Technological innovation
- Equipment and resource utilization
- Kind of tooling
- Inventory / Inventory control
- Quality control
- Cost control
- Use of standards
- Job specialization
- Employee training

Human Resource Concerns

Human Resource Strategic Responsibilities

- Assessing staffing needs/costs
- Developing performance incentives
- Employee Stock-Ownership Plans (ESOPs)
- Child-care policies
- Work-life balance issues

Benefits of a Diverse Workforce

- Improves corporate culture
- Improves employee morale
- Leads to a higher retention of employees
- Leads to easier recruitment of employees
- Decreases complaints and litigation
- Increases creativity
- Decreases interpersonal conflict

Benefits of a Diverse Workforce (cont'd)

- Enables the organization to move into emerging markets
- Improves client relations
- Increases productivity
- Improves the bottom line
- Maximizes brand identity
- Reduces training costs

TABLE 8-5 Selected Influential Arab Women Executives

Name	Position	Country of Citizenship
Salma Hareb	Chief Executive of Dubai's Economic Zones World and Jebel Ali Free Zone Authority	UAE
Raja Easa Al Gurg	CEO of EASA SALEH AL Gurg Group	UAE
Lubna S. Olayan	A principal of The Olayan Group, CEO of Olayan Financing Company	Saudi Arabia
Nashwa Al Ruwaini	CEO of Pyramedia	Egypt
Nahed Taher	CEO of the Bahrain-based Gulf Investment Bank	Saudi Arabia
Safa Al Hashem	CEO, Burgan Bank	Kuwait
Afnan Al-Zayani	President, Al Zayani Commercial Services	Bahrain
Neveen Al Tahri	Chairperson and Managing Director, Delta Holding for Financial Investments	Egypt
Doha Abdelkhaleq	Managing Partner & Cofounder of ESKADENIA Software	Jordan
Leila Serhan	Country Manager, Lebanon & Other Indirect Markets, Microsoft	Lebanon
Amal Masri	Founder and Director General of Ougarit Co.	Palestine
Sheikha Al Bahar	Group General Manager of Corporate Banking, National Bank of Kuwait	Kuwait
Lujaina Mohsin Darwish	Managing Director, Mohsin Haider Darwish LLC	Oman

For Review (Chapter 8)

Key Terms & Concepts

Annual Objectives

Confrontation

Avoidance

Decentralized Structure

Benchmarking

Defusion

Conflicting

Delaying

For Review (Chapter 8)

Key Terms & Concepts

**Divisional Structure by
Geographic Area,
Product, Customer,
or Process**

**Employee Stock-
Ownership Plans (ESOPs)**

**Establishing
Annual Objectives**

Downsizing

Force Change Strategy

**Educative Change
Strategy**

Functional Structure

For Review (Chapter 8)

Key Terms & Concepts

Glass Ceiling

Policy

**Horizontal Consistency
Of Objectives**

Profit Sharing

Just-in-Time (JIT)

**Rational Change
Strategy**

Matrix Structure

Reengineering

For Review (Chapter 8)

Key Terms & Concepts

Resistance to Change

**Self-Interest
Change Strategy**

Resource Allocation

Six Sigma

Restructuring

**Strategic Business Unit
(SBU) Structure**

Rightsizing

**Vertical Consistency of
Objectives**

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