IMPLEMENTATION OF STRATEGIC CHANGES: CONTENT AND SEQUENCE

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Abstract: The process of strategic change implementation causes changes in all spheres of enterprise's activities: organization structure, organization culture, motivation and control systems. This complicated process has to be organized and managed. The purpose of this article is to determine the main stages and the sequence of the process of strategic change implementation at the enterprise. The main content of each stage of the process of strategic change implementation is determined as a result of generalization approaches of the authors in the field of strategic management. The author's approach to the content and sequence of the process of strategic change implementation is submitted. Proposed sequence of strategic changes implementation at the enterprise will cover all areas of business and management; make the process manageable and consistent .

Keywords: strategy implementation, strategic change, organization structure, organization culture

Introduction

Alfred D. Chandler, Jr. (1961) showed the dependence of the organizational structure of the enterprise on implemented strategy. The findings were based on a synthesis of the experience of enterprise's development in USA. Strategic change is a change in all areas of the company related to the strategy which implemented. Strategic changes include changes in the organizational structure, changes in organizational culture, personnel, and changes in motivation system, processes and procedures.

If in the mid-1980s, experts in strategic management mostly considered procedural approach to managing the implementation of the enterprise's strategy, from the 1990s, more attention is paid to the problems of personnel management, its behavior, which is associated with increasing resistance to strategic changes in the company. The problems associated with the implementation of strategic changes in the company should be considered comprehensively, so as to cover all areas of activity, not only of organizational structure and reporting procedures. Among the most prominent approaches to sequencing the strategy implementation process are the following.

Samuel C. Certo and J. Paul Peter[1] proposed next stages of strategy implementation: 1) determining the level of strategic change; 2) analyzing the compliance of organization structure to the implemented strategy; 3) analyzing the compliance of the organizational culture to the strategy which is implemented; 4) choosing the management approach to the strategy implementation; 5) evaluating and control.

Thomas L. Wheelen, J. David Hunger[2] focused on the procedural aspects of the strategy implementation: for each strategy policies, programs, budgets and procedures should be developed, and then strategic monitoring and control should be carried out.

Lourence J. Grebiniak[3] believes that strategic changes should be made in the following order: 1) complying the organizational structure in line with the strategy; 2) determining the need for integration, coordination and distribution of information; 3) changing motivation system and control; 4) changing the organizational culture; 5) using the power and influence; 6) evaluating and control.

In addition, there is a well-known 7 «S» model, in which the authors point out that the change of strategy is changing not only the organizational structure, but also a system of incentives, organizational culture, skills, etc. Moreover, this model states that there is no starting point and final destination: at the different periods of time some of the components may come to the fore and be the most significant[4].

Roger Dickhout[5] emphasizes on the management and cultural aspects of change implementation: feedback, adjustment, and leadership. Marco Gardini, Giovanni Giuliani, and Marco Marricchi[6] stressed on the role of proficient leadership in change management. Michael Beer[7], John P. Kotter[8], David A. Garvin and Michael

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A. Roberto[9], Gary L. Neilson, Karla L. Martin, and Elizabeth Powers[10] pay more attention to the behavior of employees in the process of change, but also show the importance of institutionalization of change process by formal policies, systems, and structures.

Results and Discussion

Based on the mentioned developments, we propose the following order of the implementation of strategic changes in the company (Figure 1):

Identification the level / deepness of strategic changes	Identification the components / elements of changes	Analyzing the compliance of the components of changes to the implemented strategy	Identification the necessary changes in each component of changes	Development the plan of change implementation

Figure 1. Sequence of the process of strategic changes implementation at the company

Source: Author's own elaboration

1. Identification the level of strategic changes. There are zero, routine, limited, radical changes and change the direction of movement (see Table 1).

Table 1. Levels of strategic changes in the company

Levels of strategic changes	Industry	Enterprise	Product	Market
The continuing strategy	The same	The same	The same	The same
Routine strategic changes	The same	The same	The same	New
Limited strategic changes	The same	The same	New	New
Radical strategic changes	The same	New	New	New
Change the direction of movement	New	New	New	New

Source: S.C. Certo, J.P. Peter, *Strategic Management: Concept and Applications*, Random House Business Division, New York 1988

The strategy that continues assumes zero strategic change. The company implements previously adopted strategy. Managing the implementation of such changes is easiest because resistance to change is minimal, almost nonexistent. Managers can focus on improving the efficiency of the activities using the effects of experience and training.

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Routine strategic changes related to the entrance of the company into new markets with the same products. The main activities of the company remain unchanged, changes relate primarily to the marketing and sales. Changes are possible in the organizational structure of enterprise, if marketing departments open on new markets. There may be changes in pricing, advertising campaigns, and so on.

With limited strategic changes the company is offering new products. Products may be new in different ways, so the level of strategic changes associated with the development of new products may also vary from minimal changes in the components of production to the introduction of new technologies. Accordingly, such changes cause different levels of resistance and the need for intervention of managers in the implementation of changes.

Radical strategic changes tend to occur during the implementation of a strategy of horizontal integration. Staff resistance may be significant, especially if it is decided to centralize the activities of the newly created business combination. These changes are accompanied by changes in the organizational structure of corporate governance; conflict of different organizational cultures is possible.

Changing the direction of motion occurs in a case of diversification of the company. The level of changes will be the most profound, because the process is accompanied by changes in the organizational structure of management, necessary hiring workers with other skills and experiences, gaining knowledge in a new field. Resistance to such changes is maximal.

2. Defining the components of change in the company under the conditions of implementation different levels of strategic changes (Table 2).

Table 2. Components of change in enterprises at the process of implementation the different levels of strategic changes

Components of change	Levels of strategic changes				
	Continuing strategy	Routine strategic changes	Limited strategic changes	Radical strategic changes	Change the direction of movement
Motivation and control	-	+	+	+	+
Personnel changes	-	+	+	+	+
Changes in organizational culture	-	-	+	+	+
Changes in organizational structure	-	-	+	+	+
Changing the mission and strategic goals	-	-	-	+	+

Source: Developed by the author

3. Analysis of conformity of each component of strategic changes to implemented strategy (see Table 3).

Table 3. The need for strategic changes in the company, depending on the strategy implemented

Components of change	Types of strategies			Stabilization	Reduction
	Growth by				
	Horizontal integration	Vertical integration	Diversification		
Motivation and control	-	+	+	-	+
Personnel changes	+	+	+	-	+
Changes in organizational structure	+	+	+	+	+
Changes in organizational culture	+	+	+	-	+

Source: Developed by the author

Growing through horizontal integration company uses its own funds or merges with other companies of the same industry. In this case motivation and control remain unchanged, because the main activity of the company does not change. Personnel changes are caused by the need to centralize and coordinate the activities of the newly created business combination. Reduction of managers at all levels is possible, and recruitment of additional staff is necessary to ensure growth. If the goal is to centralize the activities of the newly created business combination, it is necessary to amend the organizational structure of the enterprise. Changes in the organizational structure of management of enterprises are caused by the need to coordinate their activities. In the case of creation associations of enterprises conflicts of different organizational cultures are possible. It is therefore necessary to analyze the organizational culture of the participants in terms of consistency of their organizational structures and organizational cultures with implemented strategies.

Growth through *vertical integration* may be at its own sources or by association (purchase, mergers and acquisitions) with companies in other industries that are involved in the chain of products or services. At this type of strategic change motivation and control may suffer changes associated with the need to coordinate the activities of different divisions, as well as gaining of new skills and abilities for the new enterprise activities. Personnel changes needed to centralize and coordinate the activities of the newly created business combination. Recruitment of additional staff to new departments of the enterprise for growth is possible.

Reshuffling among managers at all levels and departments may be required. To centralize and coordinate all business units amending the organizational structure of the enterprise is needed. When combining different industries may be a conflict of different organizational cultures. It is therefore necessary to analyze the organizational culture of the participants in terms of consistency of their organizational structures and organizational cultures with implemented strategies.

Growth through *diversification* of activities occurs at their own expense or by merging with companies in other industries. Motivation and control systems will change, as changes occur in the body of the company, it is necessary to monitor and encourage employees' gaining new skills, knowledge and abilities. To ensure coordination of activities of diversified businesses personnel changes are needed. Redundancies in those activities that are less promising, and recruitment of additional workers with the necessary knowledge and experience in new areas are possible. Changes in the organizational structure of enterprise management are a result of the diversification of its activities. The new organizational structure of management has to show the place of new activities and coordinate the activities of all divisions. With the diversification of the company may be a conflict of different organizational cultures, so it is a need to change the existing organizational culture. It is therefore necessary to analyze the organizational culture of different activities on the subject of consistency of their organizational cultures and compliance of organizational culture with implemented strategies.

When implementing *stabilization* strategy the company retains its position in the market of certain products. Personnel changes if they occur are minor and usually associated with the appointment of managers at all levels in the respective areas of work. The reward and control system remains unchanged or may change, related to the control of key indicators of the company. Organizational culture doesn't need change. It is possible to focus attention on compliance with key performance indicators of the company. Changes related to streamlining the organizational structure of the enterprise after a period of rapid growth for the maintenance of control under achieved market positions are needed.

In the case of *reduction* the company reduces production volumes and sales or liquidates certain activities. In this instance appropriate staff reductions occur. Duties, promotion and supervision of employees who remain are reconstructed. Changes in the organizational structure of the enterprise relating to waiver of certain activities and the reallocation of responsibilities between those workers who remain are implemented. Organizational culture has to be changed due to the new priorities of the company and the official duties of employees.

4. Determination the necessary changes in each of the components to meet and promote the implementation of strategy.

Change of *promoting and control system* involves a change of performance indicators for which employees are encouraging and controlling (Table 4).

Table 4. Performance indicators that are monitored and achievements which should be encouraged in the terms of different strategies implementation

Implementing strategy	Indicators for motivation and control
Growth by: • horizontal integration • vertical integration • diversification	• product or service value • market share • cost reduction • profit growth
Stabilization	• market share • cost reduction • profit growth
Reduction	• cost reduction
Product differentiation	• quality of products • product or service value
Leadership by low price	• product or service value • cost reduction

Source: Developed by the author

Personnel changes may be the following (Table 5).

Table 5. Possible changes in personnel if different strategies are implemented

Implementing strategy	Personnel changes
Growth by horizontal integration	• Recruitment of additional staff to increase production • Reducing or optimizing management positions that overlap
Growth by vertical integration	• Recruitment of additional staff with the skills and experience in other activities • Setting and /or destination managers to coordinate the various activities
Growth by diversification	• Recruitment of additional staff with the skills and experience in other activities • Recruitment and /or appointment of managers for the various strategic business units and to coordinate the various activities
Stabilization	• Appointment of managers to ensure achievement of company's goals
Reduction	• Reduction of staff • Redistribution of duties of employees who left
Product differentiation	• Recruitment of additional staff with the skills and experience in research and development, marketing
Leadership by low price	• Recruitment of additional staff with the skills and experience in mass or batch production and cost control

Source: Developed by the author

Changes in *organizational structure* take place in the following areas (Table 6).

Table 6. Possible changes in the organizational structure of the enterprise management if different strategies are implemented

Implementing strategy	Changes in the organizational structure
Growth by horizontal integration	• Creating a centralized control under newly formed association of enterprises • Creating a business combination with the body coordinating the activities
Growth by vertical integration	• Creating new strategic business units • Creating a centralized control under newly formed association of enterprises • Creating a business combination (holding structure) with the body coordinating the activities
Growth by diversification	• Creating new strategic business units • Analyzing strategic business units to ensure that the synergetic effect is achieved • Creating a centralized management of the diversified company • Creating a business combination (holding structure) with the body coordinating the activities
Stabilization	• Streamlining an organizational structure of enterprise management
Reduction	• Eliminating of certain strategic business units • Reviewing and ordering the organizational structure of enterprise management
Product differentiation	• Creating new strategic business units • Creating or strengthening research and development, marketing departments • Reviewing and ordering the organizational structure of enterprise management
Leadership by low price	• Reviewing and ordering the organizational structure of enterprise management • Creating or strengthening units that provide expenditures control

Source: Developed by the author

Changes in the *organizational culture* of the company relate to the following aspects (Table 7).

Table 7. Possible changes in the organizational culture of the company in the case of implementation of different strategies

Implementing strategy	Changes in the organizational culture
Growth by horizontal integration	• Building a culture designed to growth • Overcoming conflict of different organizational cultures of union members • Formation of an integrated culture of enterprises association
Growth by vertical integration	• Building a culture designed to growth and coordination of activities • Overcoming conflict of different organizational cultures of union members • Formation of an integrated culture of enterprises association
Growth by diversification	• Building a culture designed to growth and synergy from coordination of activities • Overcoming conflict of different organizational cultures of union members • Formation of an integrated culture of enterprises association
Stabilization	• Building a culture designed to streamline the organization of the company
Reduction	• Building a culture designed to cost savings and optimization of activities
Product differentiation	• Building a culture designed to creativity in research and development and marketing, maximum satisfaction of consumer needs
Leadership by low price	• Building a culture designed to cost savings and cost control

Source: Developed by the author

5. Developing a plan for implementation strategic changes in the company. Plan of strategic changes implementation has the following sections:
– Changes of motivation and control systems;
– Changes in the recruitment, training and appointment of staff;
– Changes in the organizational structure of management;
– Changes in the organizational culture of the company.

Conclusion

The process of strategic changes implementation links with a lot of changes in all systems of the enterprise: recruitment, motivation and control, organizational structure and organizational culture. Scholars and practitioners propose different attitudes to the process of strategic change management. Based on the known models it is developed a detailed procedure of the process of strategic changes implementation. The proposed content of each stage and sequence of strategic changes implementation process will cover all areas of business and management; help executives make the process manageable and consistent.

Literature

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WDAŻANIE ZMIAN STRATEGICZNYCH. ISTOTA I KOLEJNOŚĆ

Streszczenie: Proces wdrażania zmian strategicznych powoduje zmiany we wszystkich sferach działalności przedsiębiorstwa: w strukturze organizacyjnej, w kulturze organizacji oraz w systemach motywowania i kontroli. Ten skomplikowany proces powinien być zorganizowany i zarządzany. Celem niniejszego artykułu jest określenie głównych etapów i ich kolejności w procesie wdrażania strategicznych zmian w przedsiębiorstwie. Istota każdego etapu w procesie wdrażania zmian strategicznych jest określana jako wynik uogólnienia podejść prezentowanych przez autorów w dziedzinie zarządzania strategicznego. Przedstawiono podejście autora do istoty i przebiegu procesu wdrażania zmian strategicznych. Zaproponowana kolejność realizacji strategicznych zmian w przedsiębiorstwie obejmie wszystkie obszary działalności gospodarczej i zarządzania, sprawiając, że będzie ona możliwa do zarządzania i spójna.

Słowa kluczowe: wdrożenie strategii, zmiany strategiczne, struktura organizacyjna, kultura organizacji