

# Strategy implementation, evaluation and control



Implementation is the next step after identifying and agreeing on the chosen strategies for a business. This is the part where most failures happen.

Implementation entails every member of an organization to play an active role in combining efforts and resources to realize the business's common objective. Clear and constant communication is key to get the whole organization to support and carry out the implementation process. It takes a motivational leader to translate theories into action plans that will allow the strategies to be successfully implemented and sustained.

Hai-O Group communicates its strategy implementation effort through its corporate motto "Turning Challenges into Opportunities". It is designed to cultivate the sense of accountability among all key leaders to strive to get their divisions contribute its best in the implementation effort. Some of the implementation tasks for Hai-O Group include strategy planning, resources allocation, budgeting, and performance management. It requires astounding collaboration between all members of the Group throughout the whole organization from top management level to the ground.

Hai-O's top leaders realize the action-driven nature of implementation process and that it requires careful management of people and business operations. Thus Hai-O strives to place the right people at the right task and allocate the right available sources at the right action plans. Allocation of available resources also needs to be handled wisely in accordance to requirements of every process. Good allocation of available resources will guide the path to efficiency. It is amazing what a small amount of loss can impact the overall business earnings. Optimization of the use of resources

can be done by dispensing them in a pool system. This way more than one division can consume the resources at different times according to its needs.

The next step in this chapter is to generate action plans for all the strategies analyzed in the previous chapter and put them into an implementation framework. The action plans evaluates the business's overall strategy from all dimensions in achieving its strategic vision, mission and objectives.

## **Implementation Framework and Resource Allocation**

Table 16: Action Plans for the Strategies

**No**

**Action Plan**

**Previous Operation Cost**

**(in Mil)**

**Current Operation Cost**

**(in Mil)**

**Capital Budget**

**(in Mil)**

**Primary Responsibility**

**2009**

**2010**

**2011**

**2012**

**2013**

Product Development

1

Include more exciting traditional and herbal products in the MLM product mix

0. 1

0. 34

2

1

1

Product Development Manager

2

Utilize the government support to develop more TCM products that suited the Bumiputra demographic

—

—

5

4

4

Product Development Manager

3

Invest in more R&D activities to create more variety of traditional and herbal medicines

11

10.8

10

5

5

Product Development Manager, Corporate Research Manager, Finance  
Manager

4

Increase R&D activities to create more high quality products

11

10.8

10

5

5

Product Development Manager

5

Invest in more product development

11

10.8

11

10

9

Product Development Manager, Corporate Research Manager, Finance  
Manager

6

Include Malaysia's local herbal and traditional medicine into product mix

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—

3

2

1

Product Development Manager, Corporate Research Manager

7

Develop more exciting products that are locally produced

0.1

0.2

1

1

1

Product Development Manager

## Market Development

1

Manipulate the same MLM structure to suit the local market of other countries

—

—

5

5

4

## Operations & Planning Manager

2

Develop new market in healthcare industry to speed up expansion

—

—

6

5

4

## Corporate Research Manager, Operations & Planning Manager

3



Create campaigns and movements to promote positive side of traditional healthcare

3

2.7

4

3

3

Advertising & Publicity Manager

4

Alliance with competitors to create awareness campaign for traditional medication

—

—

1

1

1

Corporate Strategy Director, Advertising & Publicity Manager

5

Invest in a lot of promotions and campaign to create awareness on TCM

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2

7

7

6

5

Finance Manager, Advertising & Publicity Manager

Market Penetration

1

Increase product lines and create more access to Hai-O products in the market

2

3

5

4

3

Product Development Manager, Operations & Planning Manager

2

Increase promotional effort to create positive perceptions for Hai-O products

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3

2.7

5

5

4

Advertising & Publicity Manager

3

Employ more market research to keep abreast with consumer preference

2

3

4

4

3

Corporate Research Manager

4

Put more effort in promotions to generate more publicity

2

7

7

6

5

Advertising & Publicity Manager

5

Improve promotion activities to sustain loyal customers and create word-of-mouth

2

7

7

7

7

Advertising & Publicity Manager

Focus

1

Focus on MLM division

0. 1

0.3

2

2

1

GM, Division Manager

2

Focus on local manufactured products

—

—

5

5

4

GM, Manufacturing Manager, Product Development Manager

3

Leverage on more service business (acupuncture/TCM clinics) that involve less products

—

—

5

4

3

Executive Director, GM, Operations & Planning Manager

4

Concentrate on loyal customers and to ensure continuous support on Hai-O

3

2

3

2

2

Advertising & Publicity Manager, Operations & Planning Manager

Joint Venture

1

Create partnerships to enter more markets

1

2

3

2

1

CEO, Corporate Strategy Director

2

Share technology know-how in R&D with China's expertise

3

3

2

1

1

CEO, CTO

3

Create partnership with China's TCM giant corporation to gain consumers' trust

1

1

1

1

1

CEO, Corporate Strategy Director

Differentiation

1

Use R&D to develop distinctive products

11

10. 8

10

10

10

CTO, Product Development Manager

2

Create premium product category that is unique in the market

—

—

5

4

3



Product Development Manager

Backward Integration

1

Acquire raw material source (those in China)

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—

5

4

3

CEO, CFO, Corporate Strategy Director

2

Enter in long term contracts with suppliers to reduce price fluctuation risks

0.5

3

2

1

1

CFO, Finance Manager

## Horizontal Integration

1

Create partnerships with competitors through OEM contracts

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2

2

1

CEO, Corporate Strategy Director

2

Open OEM contract to other conventional pharmaceutical providers

0. 1

0. 2

2

1

1

Corporate Strategy Director, Operations & Planning Manager

Diversification

1

Explore into other extension of healthcare industry

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—

5

5

4

CEO, Corporate Research Manager

2

Diversify into other potential health related service business (TCM school)

—

—

5

5

4

CEO, Corporate Strategy Director, Corporate Research Manager

Cost Leadership

1

Employ operation cost reduction method in production process

—

3

5

4

3

Finance Manager, Operations & Planning Manager

Price Leadership

1

Utilize ties with China suppliers to reduce commodity price and create price war

1

1

2

1

1

CEO, CFO, Corporate Strategy Director

Forward Integration

1

Partner with China's big distribution channel to enter international market

1

1

2

1

1

CEO, Corporate Strategy Director

Retrenchment

1

Discontinue imported products that are not selling well

—

0.7

1

1

1

Operations & Planning Manager

## **Strategy Evaluation and Control**

The concluding step in managing strategies is the process of evaluation and control. Evaluation is a process of defining, attaining and presenting constructive information for reviewing alternatives to the analyzed action plan. In strategic management, evaluating strategies' implementation is crucial considering the fact that strategies are always subjected to future modification. Evaluation will assist managers to decide whether or not the chosen strategies are steering the organization to achieve its objectives. This is done by reviewing internal and external factors that initiate the strategies, evaluating performance and taking corrective actions.

## **Evaluation and Control Framework**

Below is strategy evaluation and control framework proposed for Hai-O

Group:

Define the strategy to evaluate

Outline predetermined standards

Obtain data to map out onto set standards

Measure performance

Performance match standard

Stop

Take corrective actions

YES

NO

## Figure 6: Evaluation and Control Framework

### Define the strategy to evaluate

Hai-O's top managers need to specify the implemented strategy and the progress results that need to be evaluated. Such results have to be objectively measurable and consistent.

### Outline predetermined standards

Hai-O's top managers need to outline standards according to the chosen implemented strategy. These standards often consist of a tolerance of range which defines adequate variations. They can be predetermined not only for final output but also for the intermediary phase of implementation process.

### Obtain data to map out onto set standards

Data to obtain consists of results from the actions taken on the chosen strategies. These data are then mapped out onto the standards that are set on the second stage.

### Measure performance

Next is to assess the performance of the mapped out data. Hai-O's top managers should analyze the report from this stage to make the necessary decisions.

### Performance match standards

If the performance of the identified strategy achieves the standards within the tolerance range, the process stops here.

Take corrective actions

If the performance measured does not achieve the standards, Hai-O's top managers should take necessary actions to resolve and amend the implementation process. Often, poor implementation results derived from poor communications among the team and lacking of commitment across the organization. Incorrect allocation of resources could also be a reason. Thus it is crucial for team leaders to observe implementation at all time.

## **Key Issues and Challenges**

From the action plans we can analyzed that some strategies are already being implemented by the Group. A significant amount of budget allocation has been dispensed towards the execution of these strategies. As some of it may have bestowed good results, some still need a lot of positioning work and thorough observation. There can be a lot of reasons for a strategy not being able to produce expected results. Such reasons may not necessary be internal. A lot of the time external factors can also be the cause.

For Hai-O Enterprise Berhad, being in the industry for over 35 years have brought the Group on a journey full of teaching and learning experience. A lot of strategies have been carved and a lot of challenges have been weathered. It is only common to agree that not all strategies are executable. Hai-O has always strived to consider the practicality of a strategy no matter how flawless and ideal it appeared on paper. There are a lot of points to consider before an ideal strategy can be implemented. For example a <https://assignbuster.com/strategy-implementation-evaluation-and-control/>



strategy to expand abroad should always consider the political implications. Especially in Hai-O's case, there are many countries that are yet to have their national policies for trading of traditional medicine products. This is because of the variations of definition and categorizations of TM make regulating process complicated. A single herbal product could be classified as different categories in different country. Thus, such disparity in regulations at the national level will have an impact on Hai-O's international access and distribution of products.

Having said that, it is significant to summarize that Hai-O needs to continue to consider some key issues and challenges that will always surface in its business strategies. The top management of the Group has always been vigilant on these key factors. Some of the factors that are taken into consideration by Hai-O's top management in its business strategies are:

#### Culture

Hai-O believes that every organization possesses its own culture, a structure of shared beliefs and values (Wilson, 2001). The corporate culture shapes and is shaped by the quality of its internal environment. This quality determines the extent of cooperation within an organization which dictates the motivation of employees to accept a significant change within the corporation's system. Riding on this values

Hai-O will not employ such strategies that do not suit the corporate culture although it does suit the business objectives. Thus some of ideal strategies for its business growth have to be channelled to their next best alternatives.

As a strong believer in culture, Hai-O is careful on its strategies that include integrations. Though they may appear significant and promising, a lot of the time reality proves it is harder to pull off. In its early years, Hai-O has faced failure in joint ventures in China, even considering the fact that it has built up strong ties with Chinese officials. A major failure took place when the setting up of Malaysia-China Commerce Centre in Menara UE3, Kuala Lumpur in the 1990s. This proves that different cultures carry different set of minds, thus different depth of strategic thinking. Therefore culture is one of key factors of Hai-O's business strategy.

### Time

Time significantly plays an important role in strategies implementation and is in fact a strong criterion in the stage of choosing strategies. A lot of top leaders undervalue the amount of time needed and they do not have a clear understanding of the complexities concerned during the implementation of strategies. Hai-O is always vigilant in the time frame involved in its business strategies. As the old business saying goes, 'time is money', Hai-O's top management is not interested in strategies that consume an extensive period of time although it does promise appealing returns. Hai-O needs to consider the time-intense actions and complement them with the time capacity of its business. Thus, the Group has had to put on hold some strategic moves in order to give way to the process of crafting alternative solutions to replicate them.

### Finance

It goes without saying that a strategic planning system is not able to reach its full potential until it is incorporated with other control systems like budgets. Like any other corporations, Hai-O's business strategies are subjected to financial constraints. Although the Group has been able to sustain its overall earnings growth each year, the Group's corporate management is not keen to risk the business into irrational investment of an action plan. Hai-O business involves with a lot of product development. It requires a lot of R&D strategies that are for most companies, only strategic on papers and financially far away from reach. Fortunately, Hai-O has been able to invest on a number of expensive strategies involving R&D. However the Group agreed that such investment is only strategic timely.

### Business Environment

As discussed in earlier chapters, Hai-O's business is strongly influenced by the external factors. The four dimensions of external factors, political, environmental, social and technology really guard the healthcare industry. Although it is considered as a defensive industry where economic conditions hardly overpower health, shaping strategies that out win the market conditions is challenging. Because of restrictions surface from the external environment, peers in the industry will compete within the same force pushing companies to fight aggressively. This puts pressures on Hai-O and requires the Group to strive harder in order to stand out in terms of business strategy. It is only fortunate that the Group involves in TCM business where traditional medicine industry is getting more attention from the biggest force, the government. Therefore the burden for its promotion strategy is already considered being lifted off as the hard work to publicized traditional

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medicine are being shared with the government. However the stronger force that dictates the longevity of a market is still the consumers. Hai-O's business strategy will always be correlated to the changing lifestyle and preference of the consumers. While a lot of the time changing strategies can be costly and time consuming, but it is the only right way to go about in handling the external factors in business strategy especially when the business's main priority is fulfilling customers' satisfaction.