

# Critical Obstacles When Implementing Strategy

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## Preface

My incentives to this thesis lie within understanding the fundamental elements of how strategy works in real life. The objective was to observe the conversion of theoretical management methods applied into practice. My desire is to gain more knowledge about the significance of strategy implementation issues to an organization. In conclusion to my investigational desires I wanted to distinguish what was defined as critical implications to strategic implementations.

## Acknowledgements

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## Summary

Bachelor Thesis: International Business and Administration Program, Luleå University of Technology.

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**Title:** Critical Obstacles When Implementing Strategy

**Background and Problem:** An organization can have a great formulated strategy which is adapted to the current and future state with consideration to aligned resources, if the strategy isn't communicated in the right way to the organization the strategy will fail.

**Purpose:** The purpose is to find and understand the critical obstacles of strategy implementation.

**Limitations:** Within this study the focus will be upon the implementation of a committed strategy within a company. Strategy usually consists of the structure of formulation, implementation and execution. Within this study focus will be concentrated towards the implementation process, in other words putting the formulation into practice and the methods used.

**Method:** This thesis follows a qualitative method of investigation and lead by a deductive approach in order to test the research questions. The thesis presents a small case study of H&M Crisis Management department and the management of strategy implementation.

**Results and conclusions:** Strategy is a coherent set of actions that leads to a goal that has been analyzed in the formulation phase, carried through to implementation and into the final execution phase of the strategic process. This type of strategic planning is applicable to any type of product, service, or change management within organizations.

The study results in an orientation of the critical obstacles of implementing strategy. The most critical components of strategy implementation are separating implementation from formulation. The H&M case demands creating "buy-in" and establishing a "knowledge-plug-in" as additional critical implications of the strategic process.

Creating strategic implementation tools may be a start of effectively implementing strategies. As of today very little tools are used. Using plans as a tool and being clear in mediating strategic actions is considered a critical implication of success.

**Suggestions for further research:** Research within strategy implementation is highly needed today. There is not a generalization of strategy implementation, although further investigation regarding implementation in different environments is recommended to be completed. Recommended for further research the strategic process concerning formulation, implementation and execution is interesting to study in association to success rates.

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# 1. Introduction

The introduction chapter will explain the definitions and the history of strategy. In conclusion the definition of implementation of strategy and the significant role it plays in leading a successful strategy. In the later part the problem discussion, purpose, and limitation of the study is presented.

## 1.1 Background

One of the most famous writings of strategic thinking was made by the Chinese general Sun Tzu in *The Art of War*, around 300-400 BC. Sun Tzu was a military strategic planner who placed great importance of maneuvering in battle. Bracker (1980) traces the concept of strategy back to the ancient Greeks, indicating that the definition of strategy evolves from the Greek word “*strategos*” which means “a general”. Ancient history tells us that the connection between military and business arose when Socrates explained to Nichomachides, a Greek soldier, that the duties of a general and a businessman are equivalent. Socrates meant that both positions involve planning the use of one’s resources in the most optimal possible way in order to meet objectives (ibid).

Later on strategy evolved in the late 1950’s as a military metaphor (Hatch, 1997). It is important to note that the difference between tactics and strategy are that tactics define the optimal way of using the military resources in battle. On the contrary strategy is the planning and control within military purposes. The definition of strategy within businesses has evolved from these military terms. Military strategy focuses on how to defeat the enemy with weapons, although within business the matter of life and death is not as severe, co-existence is accepted, whereas the enemy is considered the competing company (ibid).

Among the first steps of running a business is creating a business strategy. Whittington (2001) states that there is *not* much agreed of what defines strategy. Markides (2000) clarifies “*We simply do not know what strategy is or how to develop a good one*”. According to Johnson (2011) strategy is defined as “*Direction and scope of an organization in the long run. With the goal of creating benefits to the organization by applying the correct use of resources in a competitive environment, and to meet market demand and meet stakeholders' expectations*”. Business strategy is today a developed definition from what it initially was (Whittington, 2001). In a broad perspective strategy is defined as the activities of a business and how it creates competitive advantages (Pettigrew, Thomas, & Whittington, 2002). Roos (1998) defines that every corporate organization works differently and that there is no specific approach.

The tools of implementing strategies lie within the internal organization such as technology, structure and culture settings (Hatch, 1997). The strategists’ point of view considers the organizational theory as implementation, yet implementation in practice is still hard to carry through. There are extents of tools for managing analysis and configuration of strategy, meanwhile the methods and tools of strategy implementation have not evolved as quickly (ibid).

According to Thompson (1992) strategy implementation is the conversion of a strategic plan into actions in order to attain specific objectives. It is essential that businesses, together with competent co-workers, are united towards the objectives, which requires motivation and commitment (ibid). Without a thorough strategy implementation the realization of strategic

decisions will not occur, in practice much more is demanded in order to overpass the divide of desired and actual strategy (Roos & Von Krogh, 1998). Implementation is a coherent set of actions that are to be made in an organization in order to fulfill the desired strategy, these activities may correspond to organize management, budgeting, motivation of employees and initiating corporate culture. Strategy is a linear process, and consists of: formulation, implementation and execution (ibid).

## 1.2 Problem discussion

Implementing a strategy is in practice a difficult procedure. Strategy is a widely studied subject and research has developed analytical methods for strategic planning and formulation. However the implementation process considers little research exploration, in particular the critical success factors (Hatch, 1997). Joseph Bowler, Harvard Business School, declares the difficulty with strategy implementation:

*“One of the criticisms we would have of some of our colleagues who have studied strategy (and some consultants who advice on strategy) is assuming that once you design strategy, it gets executed. They don’t look inside the process and realize that it’s much more complicated.”*

When a strategy is to be implemented most organizations fail. According to Kaplan (2005) 90% of organizations fail to implement strategies successfully. Gottschalk (2008) claims that too much focus lies upon the formulation of strategy in comparison to implementation, this because of the complexity and resources demanded are far too comprehensive for implementation.

According to Hrebiniak (2006), organizations using unstructured models of strategy implementation are destined to execute poorly. For instance the most common method of execution is making strategy complicated using communication channels such as “heavy” documents (Rumelt, 2011). Hrebiniak (2006) states that managers of organizations need a logical model to guide execution decisions and actions in order to communicate the objectives. According to Kaplan and Norton (2005), 95 % of the employees are not able to distinguish the chosen strategy. This contributes to the impact of how the implementation of a strategy is completed (ibid).

Kaplan and Norton (2000) has discovered that 75% of managers lack consensus regarding the issue of how strategy shall be formulated and mediated. If managers were better at communicating strategies chances are that the implementation process would result in a higher success rate (ibid).

## 1.3 Purpose

The purpose with this study is to find and understand the critical obstacles of strategy implementation.

## 1.4 Limitation

Within this study the focus will be of the implementation of a committed strategy within a company. Strategy usually consists of the structure of formulation, implementation and execution (Figure 1). Within this study focus will be concentrated towards the implementation process, in other words putting the formulation into practice and the methods used. This study

shall not cover a deeper exploration of CM. This study shall consider only factors of strategy in action and the process. Organization culture aspects will be overviewed due to massive extents culture contributes.



*Figure 1. Strategic Process: Formulation, Implementation and Execution.  
Source: Illustrated by the author of this thesis.*

### 1.5 Research questions

Research question 1: What are the obstacles of strategy implementation?

Research question 2: What was significant with the strategic implementation of a large company's CM?

## 2. Theoretical framework

This chapter will present the theories that are of relevance to this study. The purpose of the theoretical framework is to give the reader a broader knowledge regarding the subject and a broader understanding to the imposing factors of strategy implementation. The theories of previous studies are retrieved from the scientific databases Ebsco and Elsevier ScienceDirect. Combinations of search words have included: strategy, implementation and fail.

In order to lay the correct fundamental theoretical framework for this thesis, the theory will originate accordingly to Johnson (2011) model of strategy known as the “Exploring Strategy Model”. The model introduces the reader to the fundamental understanding of what strategy is intended to accomplish, and presents the factors of strategic positioning of an organization, the consideration of strategic choices for the future and finally managing strategy in action. The three components of strategy offers a comprehensive framework for analyzing organizations strategic alternatives the components must be equally valued. Considering the purposes of this thesis the factors of strategy in action shall be presented. Basically strategy in action has been summarized into the most valuable factors considering the impact of implementation, these are: technology, human resource, organizational structure and culture. According to the limitations of the study, culture shall be overviewed. Theories sorted into these contributing factors will be the framework in the theory section.

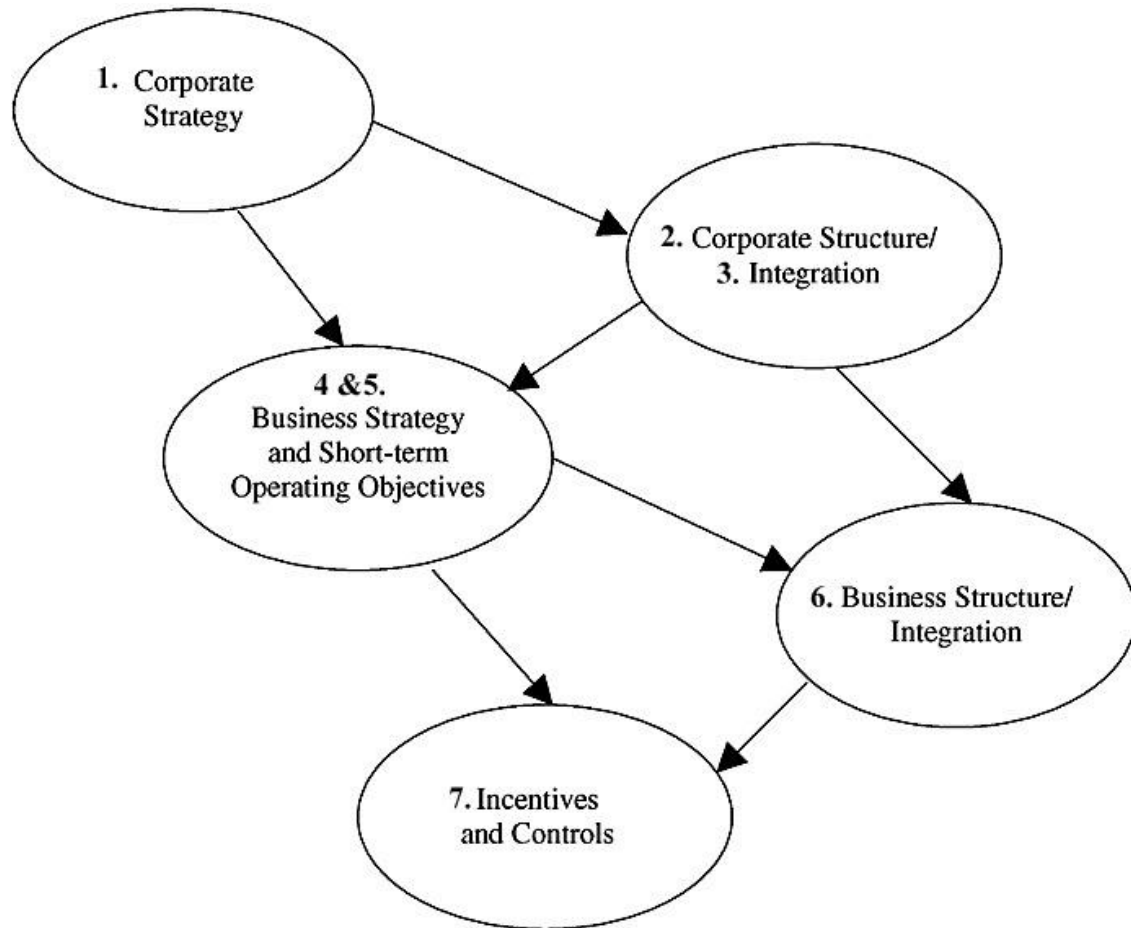


Figure 2. Exploring Strategy Model, Johnson (2011)

### 2.1 Technology

Technology is defined by Hatch (2007) as the physical objects that are used for production, the activities that define the production method and the knowledge demanded in order to use the selected equipment. Defining what kind of technology is used when analyzing the process of strategy implementation is rather small and absent. In an article by Hrebiniak (2006) it is claimed that “leaders of organizations sorely need and want a model of implementation in order to guide execution decisions and actions”. Without guidelines execution becomes unclear and employees carry out what they think is important resulting in a poorly executed strategy. The usage of a developed roadmap can positively affect an organization. In terms of

technology definitions; a model could be considered as a technological resource regarding the knowledge of how an organization can implement a strategy effectively. Hrebiniak (2006) presents a recommended approach of how to handle the implementation process, Hrebiniak (2006) states that it is impossible to cover all aspects of the crafted model therefore the most important factors are:



*Figure 3. Implementing Strategy: Key Decisions and Actions, Hrebiniak (2006).*

First of all this model presents a logical flow of execution of decisions and actions. The arrows show the direction of flow. Incentives are last by natural cause, incentives cannot be determined in advance since they are purposed to reward and reinforce the right decisions (Hrebiniak, 2006).

Secondly the feedback that is generated from this type of model is of high importance. To execute a chosen strategy is an adaptive process, leading to organizational learning. Learning leads to an opportunity to change what went wrong. Therefore feedback regarding performance in relation to the set strategic and short-term objectives is necessary. Feedback should be managed through continuous monitoring and through “autopsies” when implementation fails (Hrebiniak, 2006).

1. Corporate Strategy – this is the first and most crucial step of defining an organization. The corporate strategy concerns the entire organization and fulfills consideration regarding for example portfolio management, diversification, and resource allocations across the businesses or operating units. It is of importance to define the financial and strategic role of the organization. An overall direction shall be distinguished.

2. Corporate Structure – over time an organization conducts businesses that create an outlining structure. Usually activities within an organization cut across different businesses that allow for centralization and decentralization to occur. An organization shall maintain a balance of degree of centralization in order to meet specific strategic goals.

3. Need for integration – the integration component refers to the ability to adapt methods in order to achieve coordination across the business units. Integration considers the collection and coordination of corporate structures in order to facilitate and match resource allocation.

4. Business strategy – the model shows that businesses create their own type of strategies. The model is at the business level of strategy regarding strategically focused on product, services, and how to compete in a given industry. The main point is industry related analysis given external factors in order for the business to position itself given the competitors. Internal resources and core competencies are taken in consideration for differential purposes. Overall, business strategy considers the “how-to” compete and gain advantage in a given market. This topic provides amounts of research. Business strategy is certainly important for the implementation and execution of the corporate strategy, and shall not be overseen as an insignificant part of pursuing business. Business strategy provides the ability to distinguish capabilities for competitive advantages and profitability, which ultimately affects the entire organization.

5. Integrating strategy and short term objectives, figure 4 – in order to execute a strategy successfully and accomplish strategy, objectives strategy must be translated into short-term objectives concerning operation or metrics. The short-term objectives must be measurable and relate logically to the organizations plan to compete. The focus should be of what is needed daily, weekly and monthly or even quarterly. Usual problems and opportunities associated with the organizations stakeholders and interests should be identified. It is in fact impossible to manage an organization effectively with only a strategic plan. The process of creating key issues, elements and needs must be translated into shorter-term objectives and action plans. It is of importance that short-term objectives are tied to long-term strategic thinking.

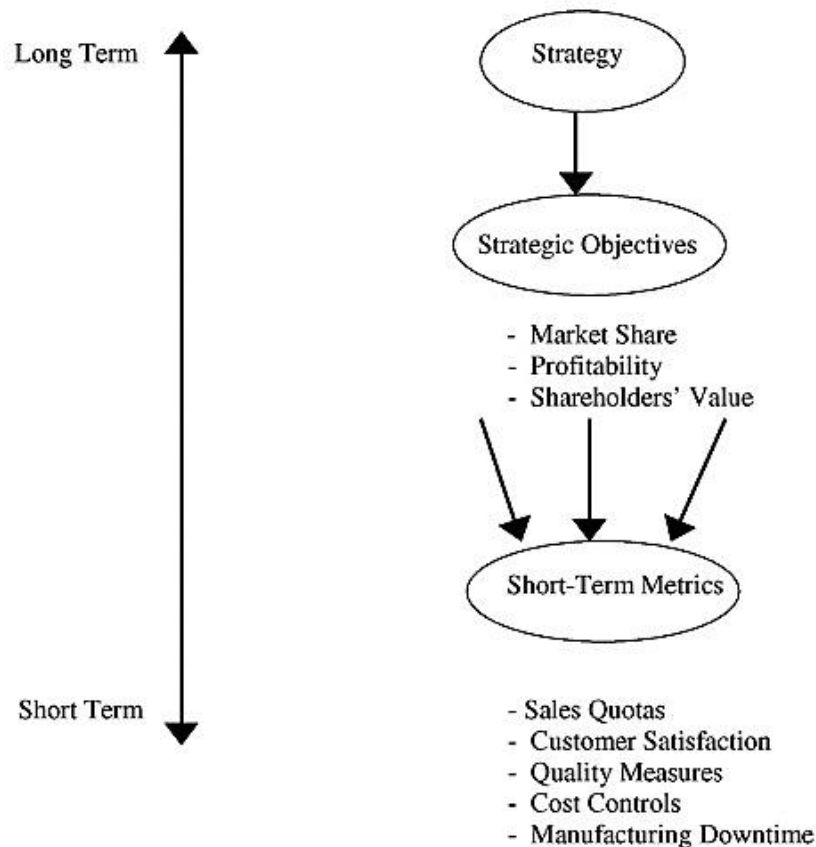


Figure 4. Translating Strategy into Short-term Objectives Metrics (Hrebiniak, 2006).

6. Business Structure – implementing a successful strategy demands as much structure and integration for corporate as well as business strategy. Organizational designs and structures need to be adapted to the chosen division of operation. Establishing the same structure for all divisions operating in different sectors is simply a non-logical way of determining structure. Structure defines the major functions/operating units that conclude the entire business. An organization must handle the ability to manage across organizational units in order to fulfill appropriate work flows, transfer of knowledge (sharing of information), and the achievement of integration. Information sharing and integrations methods can contribute to success by increasing the organizations flexibility of structure and the organizations ability to respond and handle implementation related problems.

7. Incentives and Controls – creating a great strategy, objectives, structure and coordinating mechanisms is not the deal breaker regarding the incentives of employees. In order to ensure proper execution the goals of individuals within an organization must be aligned to corporate objectives. Commonly occurred is the fact of lack of commitment. Effective execution will fail if individuals are motivated to do the wrong thing. Incentives are created in order to motivate or guide performance. Controls are consisting of different feedbacks on performance in order to evaluate the strategy execution process (Hrebiniak, 2006).

## 2.2 Human Resource

In this chapter the managerial skills will be presented. Kaplan and Norton (2005) present that the strategy-performance-gap is related to the 95% of employees who are not aware or simply

do not understand what their company's strategy is. It is suggested that one of the main problems of implementation is to be found here within the formulation-to-implementation gap (Crittenden & Crittenden, 2008). If employees lack knowledge of the fundamental strategies of an organization, it is unlikely that proper implementation will follow. Bonoma and Crittenden (1988) suggest that implementation is characterized by two variables: structures and managerial skills.

Managerial skills are the behavioral activities that managers engage in within the structures developed by the organization. Strategies will be implemented through the structure of an organization while the managerial skills are used as key indicators within the implementation effort. Crittenden (2008) has created a collection of the most important levers of execution, they have divided the levers in structures and managerial skills. Henceforth the four managerial lever skills are presented (Crittenden & Crittenden, 2008):

Interacting - The first lever of managerial skills consists of the exercise of strategic leadership. Main responsibilities are focus upon direction, protection, orientation, managing conflicts and shaping norms. Collins (2005) presents five levels of leadership in relation to the held responsibilities of a manager:

Level 1: Is a highly capable individual whom contributes talent, knowledge, skills, and work habits.

Level 2: Contributing team member, achieving group objectives and ability to work in groups.

Level 3: Competent manager who is able to organize people and resources.

Level 4: Effective leader who contributes visions and high performance standards.

Level 5: Executive whom contributes greatness through personal and professional will. An executive of level 5 shall possess competencies of all levels.

Allocating - The important components of allocating competencies are: money, people and capabilities. The core objective is to know when to allocate resources. In addition Montgomery (1992) determines resources as physical, human, and organizational capital. Physical capital consists of various equipment, geographical locations and access to raw materials. Human capital concerns the training, experience judgment, intelligence, relationships and the insights of managers and workers. The organizational capital is defined by formal reporting systems, informal reporting within the firm, and relationships with the firms external environment (ibid).

Monitoring - Usually different reward systems are divided into monetary and non-monetary incentives. Monetary incentives are ordinarily salary increases, performance bonuses, stock options, retirement packages, promotions, and various perks (Crittenden & Crittenden, 2008). Byrnes (2006) claims that a well done job shall be rewarded, and an executives' pay shall be based upon the performance of the entire corporations, which encourages team building. Non-

monetary rewards consider praise, constructive criticism, visible recognition, interesting assignments, job responsibility, and job security.

Organizing - Organization concerns the strategic shaping of the culture of a corporation. Chatman and Cha (2003) suggest that the relation between culture and implementation. The definition of culture according to Chatman and Cha is a system of shared values and norms. In other words the definition of what is important and which attitudes and behaviors are appropriate. Although corporate culture is unique to each company a thorough culture requires clearness in content, consistency in nature, and comprehensiveness in coverage. Schein (1996) presents the three different types of cultures in an organization:

- (i) Internal culture that is based upon on operational success,
- (ii) Engineering culture that drives the core technologies, and
- (iii) Executive culture that engages the CEO and immediate subordinates.

### 2.2.1 Communication

In order to sell the implementation to the entire organization a two-way communication is of importance for an implementation to work smoothly (Raps, 2005). According to Raps (2005) a two-way communication is characterized by the communication between employees and management and a chance to stress issues related to strategy formulation. The communication shall contribute an understanding of new requirements, tasks and activities to be performed and most prominently the cause of why they shall occur (ibid).

It is essential to value the timeframe of communication for both during and after organizational change, and to all levels. The way a change is presented to employees is of great importance in relation to the employees acceptance. To achieve a successful communication a plan must be developed. The plan that is presented by Raps (2005) is purposed to focus employees' attention on the value of the selected strategy that is to be implemented. Figure 4 illustrates a communications plan that will provide information to market the implementation in order to create and maintain acceptance.

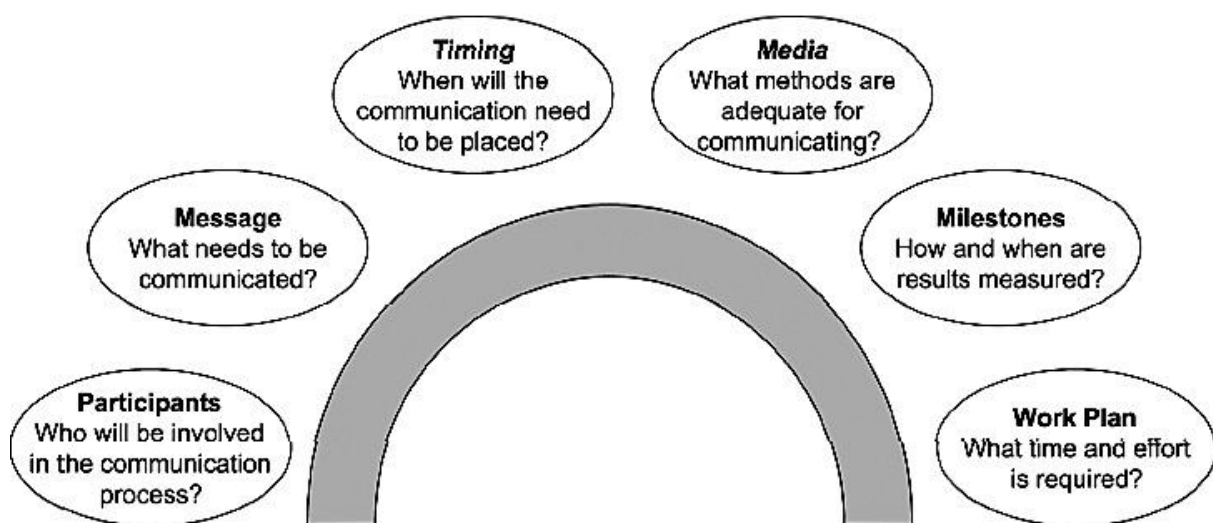


Figure 5. Issues to be addressed on the communications plan (Raps 2005).

### 2.2.2 New Rules for Strategic Engagement

Guttman (2004) portrays five new rules for strategic acceptance among an organizations involved. The article proclaims that in addition to the definition of strategy and settings of implementation there is a third critical element not to be overlooked. The importance of the organizational conditions and placements need to be in order to ensure that strategy is effectively set and implemented. Guttman (2004) has identified five rules, which are to be in place within an organization. Communication and conflict management are essential for successful implementation.

#### **Rule 1: Make strategy a collective effort.**

Strategic assumptions, even though presented by experts, have a risk of being wrong. Strategy is about creating actions for the future and aligning resources. The competence and the ones capable of making strategic decisions of respective resource are usually below the top-team. An apparent top-management strategy implementation is not recommended, rather a formulation process where the people closest to market are involved.

#### **Rule 2: Secure that the organization is aligned.**

Top-management plays an important role in mediating the strategic decisions to sub-ordinates. If sub-ordinates and top-management speak the same language and have the same understanding a loyal environment is created and an alignment of human resource. It gives an opportunity to channel directional discord and operational disagreements into an honest and open discussion forum, resulting in an allocation of resources and action within agreed-upon strategic framework.

#### **Rule 3: Strategic success depends on the rapid issue resolution.**

Today product life cycles have shortened, the pace of technology inventions have advanced and quickly. One of the least noted problems regarding organizations ability to response in time are unmanaged conflict at top. An organization that does not manage internal conflict will not be able to maintain time sensitive settings. Regardless of its efforts of formulating a great strategy or reinventing themselves in production or processes when conflict is ignored, especially at top, competitors will advance. A trap which places an organization at great risk.

#### **Rule 4: Build high-performance teams throughout the organization.**

The main core competency, which cannot be easily bought, imitated, or made obsolete is superior management of people and processes.

#### **Rule 5: Rethink leadership requirements.**

Common requirements within a business leader are “visionary”, “strategic thinker”, “mover and shaker” etc. Guttman (2004) notes that the most essential trait is omitted: the ability to manage conflict. Unmanaged conflict is one of the greatest hold backs of successful strategy formulation and implementation. No matter how innovative or carefully thought through a leaders vision may be it will never become reality if other do not embrace it (ibid).

## *2.3 Organizational structure*

Structural variables offer an organization a toolkit for implementation in order to identify the key levers that affect the formulation-implementation process and the insurance of a

formulation-implementation-performance (Crittenden & Crittenden, 2008). Crittenden (2008) comply the structural levers of implementation as:

#### 1. Actions

Successful strategy implementation requires the input and cooperation of every member within a company's workforce, no matter which level of strategy. The actions consider who, what, and when of cross-functional integration and company collaboration shall occur.

#### 2. Programs

Within organizational learning and continuous improvement must consider inclusion of innovation. Innovation is a key to continuous development for an organization. Florida and Goodnight (2005) suggest that an organizations most valuable asset is not raw materials, transportations systems or political influence. Rather claim that an organizations most valuable asset is creative capital, the creative thinkers within an organization. The creative capital contributes to an internal development of chosen strategy formulation and implementation. Therefore innovation and creativity are linked for strategic development purposes.

#### 3. Systems

Strategic support systems contribute qualitative and quantitative data regarding customers, human resources, revenues and costs, and inventory/order fulfillment. Accordingly to the data decisions are made upon how to run the corporation.

#### 4. Policies

A use of policies contributes to an established support towards strategic day-to-day activities. Policies create a consistency across geographical dispersed units. Unfortunately, policies are tended to be created when specific events occur instead of as a response to patterns of incidents.

Generally strategy implementation is studied within established organizations. While these eight levers serve assistance with outlining a capable organization they can be considered as barriers in any organization. It is of importance that for instance a CEO of a newly started organization considers all eight levers in order for an effective formulation-implementation-performance cycle (Crittenden & Crittenden, 2008).

#### 2.3.1 Strategic structure

Bruzeliuss (2004) defines strategy in three perspectives: strategy as a position, strategy as a plan, and strategy as pattern of action. For this thesis, strategy as a plan and as a pattern of action is of relevance. Strategy as a plan perspective contributes a conscious preplanned line of action and is explicitly formulated. According to the perspective strategy is divided into three phases: analytical, formulation and execution. It shall be noted that this type of strategic work shall be carried out within larger established corporations.

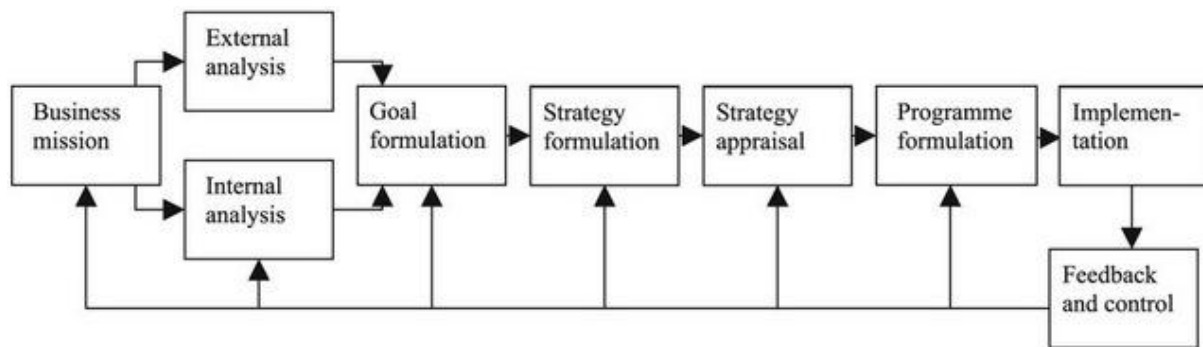


Figure 6. Strategy as a plan Kotler (1999).

The analytical phase concerns an overall understanding of the organizations business idea, internal and external factors concerning strengths, weaknesses, threats and opportunities. This analytical phase creates the crucial fundamental factors for the next step concerning strategy formulation. Strategy formulation is a collection of the objectives, strategies and actions that are to be carried through. These formulated actions are later on the basis for execution and feedback purposes (Kotler, 1999).

Strategy can also be perceived as a pattern of actions (Bruzelius & Skärvad, 2004). Mintzberg (1992) determines that the process of strategy seldom follows a straight path from planned to execution. Some parts of a planned strategy never come to execution because of the impact of internal and external factors. Mintzberg (1992) describes that the strategy can be deliberate or emergent. Three different determinations of strategies follow: (i) a deliberate strategy is the realization of an intended strategy, (ii) intended strategies that do not get realized can be due to an unrealistic analysis regarding environment or expectations, this type of strategy is described as an unrealized strategy. (iii) Realized strategy is the type of strategy that wasn't intended or realized from planning phase or either displaced along the way may also be described as an emergent strategy. Figure 6 visualizes the deliberate and emergent types of strategy.

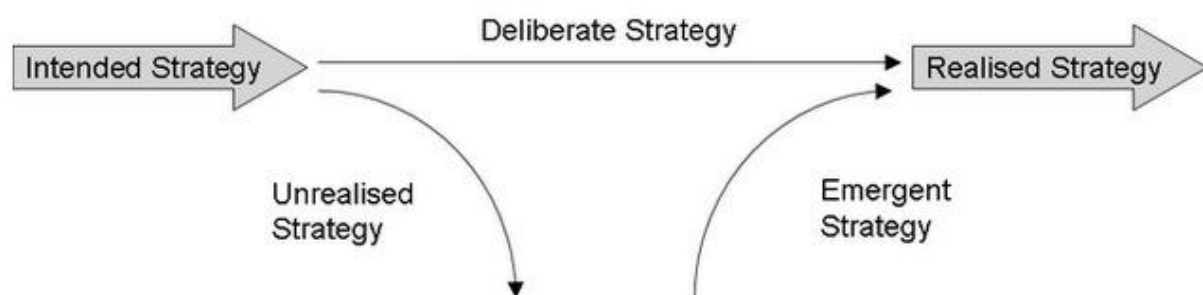


Figure 7. Strategy as pattern of actions according to Mintzberg (1992).

### 3. Method

This chapter will present the chosen plan of method regarding the testing of theory in relation to the purpose of the study. An overview of how the interview will take place is included. Alternative viewpoints and approaches are considered.

#### 3.1 Scientific Approach

When gathering information and evidence material the decision of what kind of scientific approach shall be led is important. Social science methodology is led by two different procedures: hypothetical-deductive and inductive (Andersen, 1998). A hypothetical-deductive approach indicates that a study is based upon the theory of practice applied to real-life. Contrary to deduction is an inductive approach which is the determination of a theory based upon specific empirical evidence. A deductive scientific approach is suitable for case studies and with research over time can lead to theories regarding the situation (ibid).

Considering the purpose of this study an explorative and problem identifying approach is accurate (ibid). The idea of an explorative/problem identifying approach is accurate when knowledge of the phenomena is considerably small and the purpose is to identify the problem within different organizations. It is of importance that a broad description is distinguished of the conditions (ibid).

This study will be lead of a *qualitative* approach, due to the fact that the purpose is to find explanations to the claimed research questions. According to Halvorsen (1989) a qualitative research method is a descriptive approach to the characteristics of the obtained data. With a qualitative method a deeper understanding can be accomplished (Andersen, 1998). Business strategy and strategy implementations are often complex, and therefore a quantitative approach is not accurate. A quantitative approach describes and delivers a definition of the cause of the problem, meanwhile a qualitative approach creates a more open and an informal environment. According to Halvorsen (1989) there are three different methods of a qualitative approach; observation, unstructured interviews and projective techniques. An unstructured interview with the targeted company is of complete interest to this study. An unstructured interview is characterized by dialogues where the interviewer controls the interview as little as possible. This type of method is relevant when the researcher is interested in a phenomenon that has already occurred (ibid).

#### 3.2 Research Strategy

This study will follow a small *case study*. The significance of a case study is that the findings will provide an analysis of how processes work. The purpose of using a case study is accomplishing a comprehensive understanding (Halvorsen, 1989). A case study allows investigation of an organization in its natural environment and control of extraneous factors cannot occur (Andersen, 1998). In order to describe, understand and explain the proceedings within an organizations operations it is often crucial that many variables are in consideration. To provide a thorough study a reduction is to be made in order to control resources and handle inflow of information. This meaning that this study will be completed of an explorative and inductive character, the objective is to conclude a general observation of the organization (ibid).

#### 3.3 Sample Selection

H&M is the targeted respondent due to the importance of crisis management. With the increase of global crisis' such as natural disasters, terror attacks, riots and political unrest,

managers of businesses must take considerable actions to respond to these types of crisis that can have serious ramifications to business operations and company reputations. Actions towards crisis management need to be handled in order to prevent incorrect behavioral during fatal crisis' which can affect sales. H&M operates in the global market, in over 40 countries and counting. H&M proactive crisis response management affects both vertical and horizontal levels of its operation. The matter for this thesis shall overlook the culture differences and focus upon the management of implementation of strategic decisions in regards to the increase of global risks.

### 3.4 Data collection

Considering the different methods of collecting data it is of importance to define what is most accurate for the study. Data can be divided into two different groups: primary-, and secondary data. Whereas primary is new collected data whom the researcher has collected on his/her own hand, for example through surveys, observations or interviews. Secondary considers the data which is available through academic literature, journals and scientific reports (Halvorsen, 1989). For this study the chosen method is to collect primary data through interviews. The primary data collection will facilitate accurate information needed, in conclusion the use of secondary data in forms of academic journals will be used for underlying theory. The problem with secondary data is the accuracy to the chosen subject of study (ibid).

#### 3.4.1 Interview

Pursuing semi-structured interviews is an example of qualitative investigational method. The benefits of semi-structured interviews are the new perspectives the interviewee contributes (Andersen, 1998). Usually the difference with semi-structured interviews is that the interviewer possesses some knowledge of the subject for instance theory or empirical evidence. Still the interviewer is open for new perspectives and information. Prepared questionnaire or interview guides will help the interview maintain focus upon the selected subject. A documentation method is to take brief notes during the interview as well as tape recording (ibid).

For this case a telephone interview was carried out. It is of importance to conduct a guide of interview questions in order to complete the subject area. The interview guide will be sent out in advance to the interviewee in order for preparation.

#### 3.4.2 Respondent

For the given purpose and topic area a specific line of business is not accurate. Since strategy implementation is a momentum carried out by management groups the study targets management groups in order for valid data collection. Tim Hazelden is Security Manager at H&M situated in London. He has 15 years of experience within crisis management.

### 3.5 Validity and Reliability

The validity and reliability of this study will benefit with restrictions to purpose and validity of results. These two tools of research determine how well the research methods served as measuring instruments. For the purposes of withholding a good validity and reliability the data collected shall be reviewed by the respondent after compilation with the opportunity to alternate the data.

Validity means that the measurement should avoid methodological error. It limits the work to the predetermined set of research questions and purpose. The validity of this study contains

the overlapping accordance of theory and empirical (Halvorsen, 1989). The challenge lies within collecting correct data to the proclaimed problem. The approach of data collection for this study is through an interview. The chances are with a semi-structured interview that the respondent contributes obstacles of strategy implementation outside of the theoretical framework. This information retrieved from the interview is of great importance since it is relevant to the prevailing market of how strategy implementation works in practice. The challenge is to establish a theoretical framework that covers all aspects and findings from the interview.

The term reliability demonstrates how dependable the results of this specific study are. A satisfactory reliability is when the same methods of data collection are gathered and the same results prevail (ibid). This means that the researcher must describe in a suitable way how the research was done in order to convince the reader of the reliability of the study.

## *4. Empirical Material*

This chapter aims to present the empirical data of the study, which consists of primary data collected upon the 21st of May 2012. The interview was purposed to reach a comparison of two different perspectives regarding strategy implementation. The perspectives were the different time periods in relation to the strategic process containing the formulation, implementation and execution. The objective with the interview was to make the respondent reflect over what has changed within the strategic process and to evaluate the differences. The information below is retrieved from the interview with Tim Hazelden.

H&M decided to develop the strategic crisis response plan into a consistent and accurate preparedness plan in any given global market in which they operate. The previous CM strategy was not good enough or sufficiently adapted for the major challenges. Previously, CM focused on tactical crisis plans and actions in low-levels for instance at store-level where crisis often affected a store or logistics at first hand, that behavior lead to that many regions had their own plan of action apart from upper management knowledge of specific outcome in crisis resolution. The most critical point of view was that H&M did not have a coherent crisis action plan for all parties involved, both vertically and horizontally. For example, regions did not know whether to prevent casualties for people within H&M care or to manage product logistics first.

Due to a non-coherent plan of crisis management the management could lose control over the actions carried out resulting in that the organization and particular the management to be forced to act in a reactive mode. And specifically today when the media and press hesitation deliver bad press about poorly handled crisis situations. With a strategic crisis response plan, management can act proactively to influence the outcome of a crisis. H&M had to convert to a more proactive thinking which enables forward thinking and to be able to manage information at crisis' and maintain integrity.

Tim Hazelden has very little experience regarding strategy implementation, due to the fact that all the previous strategy was poorly communicated with lack of management buy-in throughout the organization. The current strategy implementation was in the ending phase of the implementation when this thesis was made.

### **4.1 Previous strategic processes at H&M CM**

In the conversation with Tim Hazelden he points out that in the past strategic decision process had very little focus. The experience regarding crisis management involvement has been desired to be focused but has not really been taken seriously.

The previous strategic formulation process has been outlined by traditional procedures. A traditional procedure is defined by the analysis of internal strengths and weaknesses in an unstructured approach. Creating objectives and a strategic outline internally and upon what managers and employees think they need to be doing. In the past there has been very little guidance from the corporation of how strategic implementation is to be done in his part of the business. He explains that there are established systems for strategic formulation in other areas of H&M. But regarding strategy implementation of crisis management is rather non-existent. Objectives and strategic outlines were created based upon history and teamwork given the consideration of the organizations opinions and resources within the department.

There have never been any technological tools used to mediate the strategic implementations. A strategy was communicated to the employees through mutual understandings, through the so-called “word-of-mouth” theory. There has been difficulties communicating and accepting the strategic decisions such as difficulty to create buy-in with the organization.

## 4.2 Current strategic implementation process at H&M CM

Today at the (CM) department at H&M the meaning of strategy has been changed. Tim has realized that a plan of processes needs to be established in order to achieve the objectives and goals. An establishment of processes will contribute to a clear path of the organizations direction and achievement of corporate core values. Strategy implementation is still a learning process for the corporation and Tim is happy that they are moving in a positive direction. Today they are still finding essential parts that will support the implementation process, the lack of knowledge among peers and other operational managers is the biggest hurdle.

Today the CM department has developed a plan and created a plug-in of knowledge in order to complement the educational gap. Tim states that he understands the importance of strategy formulation and strategy implementation as two separate phases and that they are dependent on each other.

In order to reach an effective strategy implementation for CM is to create a buy-in from everyone involved in the organization. Education regarding strategic planning within CM is the most important element for success. Within the organization there are difficulties regarding allot of opinions and lack of knowledge or expertise. Aligning employees with strong personalities who lack enough engagement to become educated are crucial to effective strategy implementation. Senior operational managers in the regions are strong headed and very opinionated and are often “hands-on” and “do-act” oriented on a tactical level. Therefore a broader understanding of CM strategy is demanded in order to convince and motivate why management shall approach this objective the way it was communicated.

Today Tim and his team are on the way of accomplishing an established buy-in. He determines that elements critical to a successful strategic implementation process are the education of crisis management in order to create the buy-in and with the help of a crisis response plan. He wishes that more time addressing the issues of strategy implementation could be viable. Tim defines that strategy implementation is the most critical step in the overall strategic process. A clear plan of actions is a great way of communicating the strategic decisions to the organization and its employees.

## *5. Data Analysis*

Within the data analysis chapter the empirical material shall be compared to the theoretical framework. The main elements retrieved from the empirical chapter are analyzed.

### *5.1 Education*

The interview with Tim Hazelden returned frequently back to the importance of education of strategic implementation elements. The education aspect concerns all manpower in relation towards the set objectives. The previous positioning of education within H&M CM department has been to a small scale. Educating manpower results in a “know-how” and correct implementation. Kaplan and Norton (2000) describe that employees receive a limited description of what they are supposed to do and what is defined as important. Therefore it is not strange that 95% of organizations employees are confused of the organizations strategy (Kaplan & Norton, 2005).

Creating a learning process, where employees are enlightened of CM strategy, is first of all distinguishing the difference of formulation and implementation. Tim Hazelden points out in the interview that there is a great difference of these two elements and the separation is crucial to the overall strategic process. Formulation processes at organizations shall undergo internal and external analysis and speculate visions of the direction of the organization. The implementation part shall be distinguished by the organizations actions that shall be carried through in order to meet set objectives. In order for a strategy to become a success formulation and implementation need to be effective and efficient. For the case of H&M, CM demands a new element of strategic decisions whereas education is crucial, never before has education of CM strategies been implemented. One should create awareness within the employees regarding the state of risk of the global environment while adding weight to the organization of a corporation.

The rules presented by Guttman (2004) declare the importance of top-managers and employees speaking the same language. Guttman points out in rule 1 that if strategy is not formulated together as collective effort resentment may occur. In regards towards strategic implementation great deals of opinions arise unless the strategic implementations are interrelated with the involved players. No matter how great a vision is if it is not communicated in the right way it will never follow through. Rule 2 according to Guttman demands a loyal organization which, in the H&M case, understands the severe demand for CM strategies. The organization will be open-minded towards a learning process of CM strategic alternatives.

In order to create an effective strategic implementation a knowledge-plugin must be created.

### *5.2 Creating the “Buy-in”*

In order to establish an effective implementation strategy a communication barrier must be overcome. Tim Hazelden explains that communicating the strategic decisions to involved players in the organization is crucial to successfully implementing strategy.

When a “knowledge-plugin” has been established a buy-in can be created. The organization is educated and understands the importance of CM strategy and how it is going to be implemented. The following crucial steps are establishing the right attitude towards the

strategy. Raps (2005) model of communication is suitable for an effective mediation from top-management to employees.

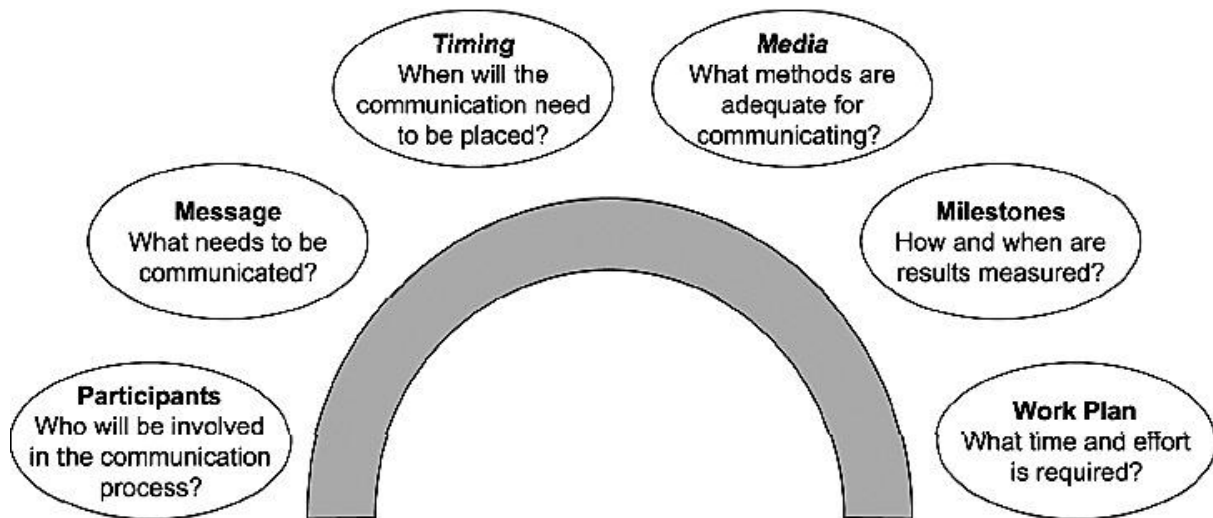


Figure 8. Issues to be addressed on the communications plan (Raps 2005).

The model represents an internal communication plan with the most crucial components to mediate. For the case of H&M CM department managing the right participants, sending out the right formulated message and using the right type of method to the implementation process will affect the attitude towards the strategy. Employees need to understand what is needed in order for strategy to be a success, this demands a clear motivation and communication of decisions from top-management. Different opinions and lack of expertise about implementation creates a non-unified department. Therefore the knowledge-gap shall be filled in order to create the buy-in of an organization. The communications plan shall take consideration for the time aspect. Employees need the space and time to adapt to new strategic decisions, giving them the opportunity of discussion and analyze the importance.

Guttman (2004) fifth rule of key factors of strategic implementation states that top-mangers need to be able to create visions, think strategically, and be a “mover and shaker” but seldom mention the ability to manage conflict. Conflict management is the most valuable leadership quality in order to deal with the opposition from senior-management in H&M case.

### 5.3 Clear Plan of Action

Applying Hrebiniak (2006) model of execution is crucial when determining the organizational structure of an organization. The model presents a logical flow of decision-making and an outlining of strategic motives. It contributes knowledge of which direction the organization shall follow. Earlier H&M CM department has had an unstructured approach of dealing with strategy formulation and never before had handled with strategy implementation. Strategic formulation was created internally on traditions and based upon a mutual agreement allowing very little innovation regarding strategic management into the picture. Today they are using a process with clearly distinct formulation, implementation and executing processes. A plan where employees understand instantly what their job is during the implementation and execution process. The plan contributes an apparent divide in the different elements of strategy work (formulation, implementation and execution). The CM department at H&M has had very little guidance from senior managers of what to establish regarding this type of crisis management. What has been delivered is a desire to improve the old ways of CM into response ready plan of action.

When an established education and “buy-in” has occurred the response plan can easily be accepted because the integration component has been ticked off. The integration component refers to the ability to adapt methods in order to achieve coordination across the business units.

## 6. Conclusion

Strategy is a coherent set of actions that leads to a goal that has been analyzed in the formulation phase, carried through to implementation and into the final execution phase of the strategic process. This type of strategic planning is applicable to any type of product, service, or change management within organizations.

*Research question 1:* What are the obstacles of strategy implementation?

*Research question 2:* What was significant with the strategic implementation of a large company’s CM?

The study has shown to answer to the set research questions. The study results in an orientation of the critical obstacles of implementing strategy. The most critical components of strategy implementation are separating implementation from formulation. With the help of Tim Hazelden research question 2 can be answered, the H&M case demands creating “buy-in” and establishing a “knowledge-plug-in” as additional critical implications of the strategic process.

There have been difficulties finding theories that are adapted to the purposes of study. Many theories do not cover the whole aspect of what was intended to discover. There are a vast number of theories of how strategy works, although none deepen into the theories of the workings of implementation. The lack of theories regarding implementation is obvious due to the very few successful and effective implementation rates. There is simply nothing to observe and refer to. The critical discoveries of this study are where Tim Hazelden laid emphasis on the difference between formulation and implementation. Thus this distinction is only started.

Creating strategic implementation tools may be a start to approach of effectively implementing strategies. As of today very little tools are used. Using plans as a tool and being clear in mediating strategic actions is considered a critical implication of success.

### 6.1 Critic

During the development of this thesis HM CM strategy had preceded 75% of the implementation process. Tim Hazelden and his team are still going down the road of implementation. This contributes to a questioning of validity.

There has not been any thorough study regarding the implications of crisis management. The study has intended to focus upon the strategic formulation and implementation process. In addition a single interview can be a too small base to make remarkable conclusions upon.

## 6.2 Suggestions for further research

Research and further education within strategy implementation is highly needed today. There is not a generalization of strategy implementation, although further investigation regarding implementation in different environments is recommended. In addition, the selection process of formulation into implementation is interesting to study, how does an organization select the critical actions that are to be implemented?

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## *Appendix 1. Interview guide - Tim Hazelden, Security Manager H&M*

Describe your position in short at H&M.

In short, what is your past experience of strategy implementations of crisis management?

### *Previous positioning of strategy implementation:*

For H&M what does strategy imply and particularly in relation to crisis management?

How does H&M work towards fulfilling strategy formulation?

How has H&M approached strategy implementation concerning crisis management?

What was significant with the process of implementation?

What was the result of the chosen procedures? Did it meet the objectives?

What were the tools or methods of implementation (e.g. Microsoft word, ppt etc.)?

How was the chosen strategy communicated to the organization?

How was the strategy communicated by managers to subordinates?

How was the strategy implementation perceived by employees?

How were the employees motivated?

### *Current positioning of strategy implementation:*

For H&M what does strategy imply and particularly in relation to crisis management?

How does H&M work towards fulfilling strategy formulation?

How has H&M approached strategy implementation concerning crisis management?

What was significant with the process of implementation?

What was the result of the chosen procedures? Did it meet the objectives?

What were the tools or methods of implementation (e.g. Microsoft word, ppt etc.)?

How was the chosen strategy communicated to the organization?

How was the strategy communicated by managers to subordinates?

How was the strategy implementation perceived by employees?

How were the employees motivated?

### *In your opinion...*

Have you discovered any obstacles regarding implementation of a strategy?

Do you consider formulation and implementation of strategy two separate components?

What do you think concerns effective implementation?

What type of approach do you wish to use in order to achieve effective implementation?