



The importance of structure and process to strategy implementation[☆]

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Abstract A study involving over 200 senior managers demonstrates that overall firm performance is strongly influenced by how well a firm's business strategy is matched to its organizational structure and the behavioral norms of its employees. The authors identify a taxonomy comprised of four different combinations of structure/behavior types, which they label as: Management Dominant, Customer-Centric Innovators, Customer-Centric Cost Controllers, and Middle Ground. These alternative structure/behavior types are then matched with specific business strategies (i.e., Prospectors, Analyzers, Low Cost Defenders, Differentiated Defenders) in order to identify which combination(s) of structures and behaviors best serve to facilitate the process of implementing a specific strategy.

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1. Doing versus dreaming

Many executives argue that brilliant execution is more important than brilliant strategy. The reason is simple: doing is harder than dreaming, and a poorly executed strategy is merely a vision of

what could be. Effective implementation can prove difficult, as it requires the coordinated and appropriate efforts of individuals throughout an organization. Thus, a critical task for senior managers is to define the key success activities for their organization's strategy and develop an organizational system that promotes those same activities. Based on a recent study of over 200 businesses and business units, we find that in order for strategy to create superior performance, it must be complemented by appropriate organizational characteristics and employee behaviors.

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2. Reaching for the stars

Each year, the Mobile Travel Guide bestows its coveted five star rating upon only a select few hotels and resorts. The Broadmoor Hotel in Colorado Springs, CO holds the title of longest reigning five-star facility. For over 40 continuous years, the Broadmoor has been honored with the industry's highest award by adhering to a strategy of providing the highest level of customer service. While many hotels share in this strategy, few consistently succeeded in executing it in the manner of the Broadmoor. Such success is the product of decisions by senior management that have created and maintained a system and culture that promote exemplary service.

While the physical setting, buildings, and surrounding grounds of the Broadmoor are visually impressive, the constant attention paid by the staff to guest services is the element that elevates the resort to five star status. Before ever encountering a customer, each new employee is required to attend a two-and-a-half day orientation session, during which they receive an employee handbook. In this initial training session, newly hired employees are presented with a great deal of information regarding job responsibilities, schedules, facilities and the like. The most critical topic addressed, however, is that of customer satisfaction, with the importance of making and keeping promises to customers being a central theme of orientation. At the end of this initial information session, the new hire's direct supervisor personally welcomes them to the organization and escorts them to their work location, officially marking the start of a 90-day on-the-job training session. During their probationary period, new-hires shadow an experienced employee in their respective areas and engage in extensive role-playing with managers. Only after successfully completing the 90-day training period are trainees considered full-time employees, who then enter into a strict program called "Keeping the Stars". "Keeping the Stars" is divided into five modules consisting of: (1) Culture of Guest Satisfaction, (2) Communication for Guest Satisfaction, (3) Everyday Guest Satisfaction, (4) Above and Beyond Guest Satisfaction, and (5) The Art of Recovery. It is through these sessions that employees come to understand the culture of the Broadmoor and its behavioral norms and, ultimately, it is through the resulting actions of the Broadmoor staff that the resort builds and maintains its reputation as a truly remarkable hotel and business.

3. Advantage, Broadmoor

After considering this example, one might superficially conclude that outstanding service is the only key to the Broadmoor's competitive advantage. Rather, the Broadmoor's true edge lies in the match of its structure and systems to its market strategy, which produces the appropriate behaviors that create superior customer value. The matching of structure and systems to marketing strategy is rare in the hospitality industry, and is difficult for competitors to imitate. Therefore, the Broadmoor's competitive advantage lies in the execution of its strategy, rather than in the strategy itself. In the remainder of this article, we present a model of successful strategy implementation.

4. Defining market strategy

In order to determine the proper relationship between strategy, structure, and behavior, a manager must first determine just what the firm's (or business unit's) market strategy is. Of course, every market strategy is unique to some degree. However, an infinite number of options overlook some basic choices that managers must make. Our research suggests that there are four different market strategies that firms or individual business units may adopt. These strategy types are: Prospectors, Analyzers, Low Cost Defenders, and Differentiated Defenders.

The primary challenge of the *Prospector* is to identify and exploit new product and market opportunities. Their primary capability is innovation in product and market development. *Analyzers* are fast followers. They closely monitor customer reactions and competitors' activities, successes, and failures to identify unattended segments or product improvement opportunities. Analyzers seek to either improve upon successful product offerings initiated by Prospectors or offer comparable products at reduced costs.

Apple has successfully employed both Prospector and Analyzer strategies. Apple was first in successfully persuading the five major record labels to offer music downloads that could be copied to CDs and portable devices. Apple's iTunes Music Store, launched in April of 2003, sold 1 million downloads in its first week. Apple was a follower or Analyzer with its iPod MP3 player in late 2001. The Korean conglomerate, Saehan Information Systems, introduced the world to portable MP3 players when it released its MPMan in 1998. However, as David Card, an analyst at Internet researcher Jupiter

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