



Module 7 Unit 10

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Entrance

Keywords

Implementation, enterprise strategy, functional policy/ rules, process management, risk management, crisis management, change management, innovation policy and management

Learning Objective



This unit aims to show how strategies and plans turn into individual actions, necessary to produce better business performance. Now that the SMEs know their businesses, and the strategies required for success, they should use different tools and techniques to enable the strategy to be successfully implemented and sustained. This unit will demonstrate methods for effective implementation of a corporate strategy and detail a process-based approach. It will link performance factors with strategic initiatives, and with policies designed to develop and optimise the SME.

Estimated Time



It will take you about **60 minutes** to go through the entire module. You will need additional time to do the exercises and apply the different tools.

Introduction

Today the fast development of applied sciences, engineering and technologies, major market dynamics and the company's capacity to respond adequately, determine the success of an organisation. Successful SMEs are the ones that have clear goals but which are also quick to learn their lessons from the market and which are flexible enough to change accordingly. SMEs that remain indifferent observers of changes do not survive for a long time. That is why organisations without well formulated, successfully implemented and flexible strategy loose track and miss the opportunities for development.

Successful implementation of a corporate strategy involves constant benchmarking of results to ensure the correct approach in support of business development, comprising various spheres including the introduction of functional policies and management of processes, uncertainties, risks, crises and changes, as well as innovation.

10.1 Implementation of Enterprise Strategy

10.1.1 What is Strategy Implementation?



The implementation of a strategy is a combination of interrelated activities undertaken according to standards and schedule and which are coordinated in advance. This is the final and most important stage, following the identification of goals and outlining of measures and activities to achieve them.

10.1.2 Why the Implementation is important?

It is not unreasonable to say that a bad plan carried out well works better than a good plan carried out poorly.



The successful implementation of every strategy is based on several practical observations:

- 80% of something is always better than 100% of nothing. Do not wait for the ideal opportunity or the perfect strategy. Start today; do not look for a reason to postpone it. Do not lose time.
- Be persistent. Do not give up when you encounter the first problem.
- Be flexible. All strategies are based on assumptions and a good manager compares the goals with results at least on a quarterly basis in order to maintain a proper focus. However, in a very dynamic environment, more serious changes to the strategy have to be made.
- Everything relies on your commitment. When you know what you want and you have funds, do not compromise. If you want to start a new product line, find suitable people, raw materials, equipment and technologies. Anything less jeopardizes the achievement of your goal.

10.1.3 Where the Strategy Implementation takes place?

Strategy implementation is a process involving all team members within the company and team work is exceptionally important. The manager has to have good communication and managerial skills, as well as financial expertise to be able to network among the team members, suppliers, subcontractors and customers on a day-to-day basis. At the same time he has to follow the strategic goals and meet deadlines and budget restrictions as well as considering the motivation, skills and competence of the whole team. Team members should know their responsibilities; their commitment is of great importance.

Strategy implementation often leads to ideas for new projects. This proves that the organisation is flexible and implements its strategy according to the changing conditions. Clear measurement of indicators, tied to the execution of strategic goals, control and assessment of results (see unit 11) allow for better comparison of results. If they are reliable and precise, corrective actions might be undertaken.

10.1.4 How Strategy Implementation will be successful?



Successful strategy implementation in an SME is based on the following important rules:

- Understand the difference between strategy, tactics and action.
- Identify intermediate goals and monitor progress.
- Strategy implementation presumes a comprehensive and systematic approach. Identify relationships between projects and keep an eye on their contribution to the achievement of your goals.
- Identify your own tactics to achieve the goals.
- Change routine, do not be afraid to think in a different way and do things in a different way.

- Without direct involvement of each and everyone in the enterprise, successful strategy implementation is impossible. Motivate your team and use their full potential.
- Provide adequate resources – human, financial, technical.
- Follow-up the assigned task and seek responsibility.
- Assess the results and do not be afraid to make changes.
- Build adequate good company culture.

Very often small companies do not have the necessary resources to develop a good strategy; there can also be a lack of understanding and experience on the subject resulting in bad strategy implementation. Some common difficulties are:

- the plan does not identify required actions – there are no clear and measurable goals and activities, team members do not know their responsibilities;
- the strategy is not updated;
- there are not enough resources allocated for strategy implementation;
- the manager changes his vision for strategy implementation too quickly;
- the manager is trying to do too much in too short time;
- lack of commitment on the part of management team;
- internal resistance to changes;
- incorrect estimation of time and efforts required;
- unrealistic expectations in terms of potential benefits;
- inadequate knowledge and skills as well as
- bad communication.

10.1.5 Summary of key points



Every company's corporate strategy is a complex combination of measures and activities aiming to achieve the goals outlined. The implementation of a company strategy is a combination of interrelated activities undertaken according to standards and schedule and which are coordinated in advance. This is the final and most important stage, following the identification of goals and outlining of measures and activities to achieve them. Very often the best strategies fail if adequate measures and actions for their execution are not taken. The successful implementation of every strategy is based on the management skills and team work.

10.2 Functional Rules/Policies

There are three closely related processes in the operation of a small company:

- management,
- implementation of enterprise strategy and
- functions.

The management process sets the framework within which people 'produce' results. The strategic process lays down short-term and long-term goals. The operational process provides a "road map", tools and resources to achieve the goals. If you create a unified system for everyday activities, the standards you have set can easily be achieved. This leads to company stability. In the initial stages of company development the management is often informal, decisions are taken on a day-to-day basis, processes are not formalised. At a certain stage, however, their standardizing becomes an absolute necessity for its future development.

10.2.1 What are Functional Rules/Policies?



Functional rules and policies are a system of standardized processes, procedures and guidelines for workers and employees on how exactly they have to provide products and services. The steps to go through are formalized in guides that describe the processes.



This is the principle of organization and also one of the main reasons for the success of big multinational chains like McDonalds, for example. It lies at the basis of franchising and guarantees both the achievement of set standards and the strict adherence to the procedures. These are the main principles of quality management systems generally adopted in the international business community. Any company aiming to develop and grow should think about introducing a quality management system.

10.2.2 Why does your Social Economy Enterprise need Functional Rules/Policies?

Standardization is a model of business operation outlining organizational and production relationships and ensuring stability of the main processes. It is easy to understand and can be repeated. That is why functional rules/policies are a prerequisite for strategy implementation success.

To make your business more organized and efficient, standardize its processes and prepare clear and precise directions for your employees to follow.



- Here are some tips that could be helpful in achieving this:
- Analyze all business processes in your company;
 - Identify the weaknesses in its effectiveness and performance;
 - Prepare a plan for restructuring and formalizing the processes;
 - Seek and build healthy partnerships with your suppliers, investors, partners and workers;
 - Prepare your company for changes;

- Outline intermediate goals and monitor results;
- Immediately put the plan into action and move step by step to deal with challenges;
- Monitor and assess the progress;
- Do not reject the possibility of using external services in activities you cannot deal with on your own.



4 Steps Action Plan to creating the perfect Policy and Procedure System

Consider the following questions:

- Are there operational rules in your company?
- Are your employees able to implement them?
- Are they ready to do it?
- How much will the implementation cost?



10.2.3 Where to implement Functional Rules/Policies?

Every enterprise should set its own system of functional rules and policies. Success of large companies is based on well established systems, because they can be duplicated. If you are not able to duplicate your successes in production or sales you are not going to survive. That is why you have to create your own system of operational rules and develop manuals on all levels. This can be done with the aid of an experienced worker or employee. However, you can be sure that you'll face resistance from some employees. The main reason for a potential resistance is the fear that once their work is described in a manual, other people could be trained and do the same job. They perceive this as a threat. However, if they understand the benefits of a manual, they will be willing even to take part in its creation. Standardization of operations will make their activities easier, thus increasing performance, and therefore increasing the possibility of higher wages.

10.2.4 How can operational manuals be developed?

The development of operational manuals can also be standardized. The minimum information to be included is the following:



- Responsibilities – full description of positions and responsibilities;
- Standards – determine the standards for every position. Include company policies, determine powers and general behaviour rules;
- Work instructions – describe how the work in this activity has to be done;
- General information – information about the company, its products and services, competition, etc. Include also materials that can help the employees find their way in the working environment.
- Relations – describe what relationship this position has to:
 - Senior level positions;
 - Lower level positions;
 - Same level positions that it often interacts with;
 - Other level positions that it often interacts with;

- Outside environment (suppliers, customers, etc that it often interacts with).

Each standardized manual comprises the following sections:

- Position
- Company/products
- Policy - Company-wide policies
- Systems - Action plans, sample forms, flowcharts, scripts, collateral materials, etc.
- Logic = Explain the principles behind the work involved in this position's.

The process of manual creation is difficult and labour-intensive. However, it can be done stage by stage, in parallel with company strategy implementation.

10.2.5 Summary of key points



This unit discusses the importance of the functional rules/policies as a system of standardized processes, procedures and guidelines for the employees; and the practical steps for functional rules development.

10.3 Process Management

10.3.1 What is a Business Process?



A business process is a series of specific, measurable tasks executed by people and systems in such a way as to achieve a specific result.

Processes have three main features: they have internal and external users; they take place across or between organization's departments or different organizations and they are based on how work is done in the organization.

They consist of three components:

1. Entities: Where the process occurs.
2. Objects: The processes are results of handling objects. Objects could be physical or informational.
3. Tasks: Works done to handle the objects.

10.3.2 Why do you need Business Process Management?



Business process management is a prerequisite for organisational competitiveness. It includes establishing and maintaining an environment in which people working together perform a specific job efficiently. The role of the team leader is to plan, organize and supervise human resources, manage and monitor.

10.3.3 Where it is applied

Business process management is applicable on all management levels, regardless of the scale and field of activity. It can be updated in response to the dynamic environment and new trends in the industry. An important part of business process management is control and evaluation.

10.3.4 How it can be done

The main components comprise risk management, simulation of business processes, hiring outside contractors, personnel motivation and product inventory.

The benefits of Business Process Management (BPM) include reduction of costs and time saving, as well as increase in performance. Preparation for BPM should start with developing of general organization scheme, then moving to the basic business processes. Here are some criteria which will help you decide what processes to focus on:

- The business process should be crucial for productivity improvement.
- Savings from automation should be clearly visible.
- Return on investment from implementation is high and preferably immediate.

You have to concentrate on three main problems:

- (1) making business processes effective – producing the desired results;
- (2) making processes efficient – minimizing the resources needed; and
- (3) making processes adaptable - being able to adapt to changing stakeholder and customer business needs.



To succeed you have to take several crucial steps:

1. Bureaucracy elimination
2. Duplication elimination
3. Value-added assessment
4. Task elimination/simplification – reduce the overall complexity of the process
5. Process cycle time reduction
6. Error proofing
7. Problem definition/solving
8. Technology/automation considerations
9. Business process reengineering
10. Performance measurement

General practical considerations:

- 80% of the successful introduction of BPM depends on team support.
- Train and motivate people if you want them to accept change.
- Talk to people first, find out what they want and need, and help them if you can.
- Try to hire people with similar way of thinking.
- Show the benefits of change.
- Strong leadership and leading by example are necessary.
- Methodology is only a framework. Expertise and innovation are needed.
- If such resources are not available to you, it is better to seek help from outside experts.

10.3.5 Summary of key points



SMEs managers will learn more about business process management and how to apply it in various fields. Business processes consist of specific, measurable tasks executed in such a way as to achieve specific results. They always have internal and external users; take place within an organization or between different organizations and are based on how work is done. Business process management is applicable on all management levels and all fields and is a solid basis for the SMEs competitiveness. It reduces costs, increases performance and saves time. The success of process management depends on the methodology to be applied, the experience, skills and creativeness of the managers and the team support.

10.4 Risk Management

10.4.1 What is Risk and Risk Management?

Every business brings risks. That is why risk management is an important process for every company. It helps avoid predictable risks, protects from bad investment decisions and reduces losses and damages from unpredictable events.



Enterprise risk management (ERM) is the process of planning, organizing, and controlling the activities of an organization in order to minimize the effects of risk. It includes not just risks associated with accidental losses, but also financial, strategic, operational and other related types of risks.

10.4.2 Why risk should be managed

There are two types of risk management:

- Traditional – risks arising from physical and legal issues – natural disasters, accidents, lawsuits.
- Financial – where risks are financial and can be managed using financial techniques.

More and more often, however, technology can result in financial risks and protective measures have to be taken (firewalls, secure servers, anti-virus software etc.).



EXAMPLE: Please list the five main risks for your business?

Risk management as a process includes the following elements:

- Preparation of a risk management plan
- Allocation of responsibilities
- Understanding the character and responsibilities of everyone involved in the plan
- Cost estimation of the planned measures and budget forecast
- Monitoring and assessment of measures
- Implementation of recommended changes.

10.4.3 Where Risk Management should be used



A risk management plan should cover the whole business. It does not have to be complicated and time consuming to be efficient. It can be prepared by following the steps described below:

1. Prepare a list of potential risks. All managers should take part and everyone outlines at least 10 potential risks.
2. Summarize the total list.
3. Study their probability and effects; classify them in groups (high, medium and small risk).
4. Determine 'warning signs' which would alert you to risk occurring.
5. Determine possible preventive actions for each threat.
6. Classify potential risks and prepare an operation plan for the bigger ones. Find out and include in each plan the possible actions which would prevent or reduce the consequences of the threat.
7. Identify the people who will be in charge of watching for 'warning signs' of each risk and responding adequately to this threat.
8. Inspect the whole plan, add or change items, if necessary.

10.4.4 How is the Risk Management Plan implemented?

A risk management plan should be manageable and not so large that its preparation becomes impossible. Operational plans for each risk on the list can be added at a later stage. At the end of this process you will have an outline of potential risks which is often called Risk Matrix. If you prepare it in the form of a table, this will allow you to bring all the information together in a few pages and will make it easier to follow.

The main techniques for dealing with risk are:

- Risk transfer: A risk management technique which is applied when a business acquires a contractual assurance from another body to pay for any losses that it might suffer. It is used to decrease the risk in the relationships with suppliers, subcontractors and clients. Thus the business transfers to the contractor some risks during the transportation of raw materials or final products, for example.
- Avoidance: Helps you eliminate potential losses. This technique includes activities avoiding potential risk situations and does not address directly arisen risk. Of course, not every risk could be avoided, that is why it is used in combination with other techniques.
- Loss control: This is a pro-active technique which helps to decrease the frequency with which the losses occur. It includes counteractions of the risk factors decreasing their impact on the company and is implemented before, during and after the loss origination.
- Retention: The company covers losses from action using its own resources. Sometimes it happens naturally when a certain risk is not known or predicted. It happens as well when the company deliberately chooses to run a risk.
- Risk insurance: A more expensive technique but works as a last option. It presupposes paying an insurance premium to avoid losses from the occurrence of certain insurance events like disasters, for instance.



Control and assessment of plan efficiency are of significant importance for dealing with future problems. It is important not to forget:

- Everybody has to know their role, and responsibilities.
- You cannot expect success, if the necessary funds are not available.
- People taking part in risk management plan execution have to be trained.
- The plan has to be flexible and continually updated.

10.4.5 Summary of key points



In the current dynamic environment the capacity to deal with the continuous progress of technologies, with markets and organizational issues is extremely important for the successful implementation of the SME's strategic priorities. This unit discusses also the key skills necessary for the successful management of risks, crises and changes.

Risk management helps the company avoid predictable risks, protects from bad investment decisions and reduces losses and damages from unpredictable events. Enterprise risk management (ERM) is the process of planning, organizing, and controlling the activities of an organization to minimize the effects of all kinds of risk: starting from those associated with accidental losses, financial, strategic, operational and other related types of risks. The elements making up this process and the practical steps to prepare and implement a risk management plan are explained. The main techniques for dealing with risk are listed: risk transfer, avoidance, loss control, retention, insurance).

10.5 Crisis Management

10.5.1 What is crisis?



Crisis in a social context is the presence of threat and instability related to economical, political, military, ecological and other society problems.

From a business point of view it can be organizational, caused by business relationships, derived from problems with technology and environment preservation.

10.5.2 Why Entrepreneurs should have crisis management plans

Crisis management is part of an organisations management and contributes to the achievement of strategic goals. Without it, the company manager will not overcome all critical situations which every business experiences. The crisis management plan helps the business to continue its development even during a crisis and gives competitive advantages. In order to be effective crisis management should be carefully planned and implemented in its 3 stages:

1. Programming of crisis management includes prevention, setting the material and technical basis, outlining development scenarios and preparing a plan of intervention. This stage is very important as the responsibilities of all employees should be fixed and distributed among team members. At this stage they should be trained how to behave in times of crisis too.
2. Proactive crisis management includes very important actions: mobilizing the team for coordinated and fast execution of the adopted plan, using all existing resources.
3. Post crisis. It includes assessment of actions that were launched or not launched during the crisis and execution performance; improving of strategy and structures for fast response. It is an important stage of the crisis management plan implementation as it is a basis for the future better reaction in times of crisis.

Economic crises are the biggest challenge that businesses face. They cause serious hardships and the companies should have a plan to respond to this kind of conditions.

10.5.3 How the Business should behave in a crisis



There are several basic principles of company behaviour during a crisis:

- Focus on the main company business.
- Optimise company expenses.
- Transfer some administrative and supporting activities outside of the company.
- Team optimisation and staff redeployment.
- Work with loyal partners offering high-quality services.



EXERCISE: Think about other measures that will relieve the pressure of a crisis and help the organisation survive:

- Freeze investment in projects and review development programmes.
- Concentrate on key customers and improving service.
- Organizational restructuring.
- Increasing performance.
- Reorganizing positions, introduction of flexible working time.
- Combining positions, training of employees to do new duties.
- Maintaining and motivating the key professionals, creating groups of employees supporting change, internal enterprise communications and building a culture of involvement.

10.5.4 Summary of key points



The notion of crisis in a social and business context is explained as well as the role of crisis management to overcome all critical situations which every business experiences. The 3 stages of crisis management are explained: programming, proactive management and post crisis, and the basic principles of company behaviour in a crisis.

10.6 Change Management

10.6.1 What is Change Management?

Changes are everywhere around us and we cannot avoid them. They can be in the external environment or they can be internal. Most of them are small and we do not notice them. Some changes, however, have significant effect on people's lives and they can be managed.

That is why, when it comes to talking about change, experts usually cite Lewis Carroll's 'Alice in Wonderland':

'Would you tell me, please, which way I ought to go from here?'

'That depends a good deal on where you want to get to', said the Cat.

'I don't much care where', said Alice.

'Then it doesn't matter which way you go', said the Cat.



Change management is a process in which controlled changes are carried out in a system according to established frameworks or models.

Changes can be implemented in systems, policies, organizational schemes, human behaviour and activities. Considering market dynamics and rapid technology developments, change management forces its way into strategic management. Recent economic issues also demonstrate the need for change management.

In contrast to project management dealing with the 'technical' and 'business' side of change, change management deals with the human element.

10.6.2 Why is Change Management so important?



1. It increases project success (it has been found that most often the reason for project failure is resistance of people and bad management of the human element in the project).
2. The success of a project is not only related to good strategy or good technical management. Motivation and skills of the team are also important.
3. Change management is of strategic importance, without which companies cannot exist. Their ability to change and adapt quickly brings enormous market advantages.

10.6.3 Where Changes take place



Organisational changes require changes at all levels. Several important factors have to be taken in consideration by managers:

- Change has to be realistic, feasible and clearly stated.
- If you try to force change, it will not be stable.
- Change has to be understood and managed in such a way that people can deal with it. Change can be upsetting. That is why whoever presents a change management plan has to be of authority.

Change can be difficult, but it can save the company and jobs. It always causes stress and arouses natural resistance in people. People need support and time to adapt to it. The chart below illustrates the stages of adaptation that people go through in a company:

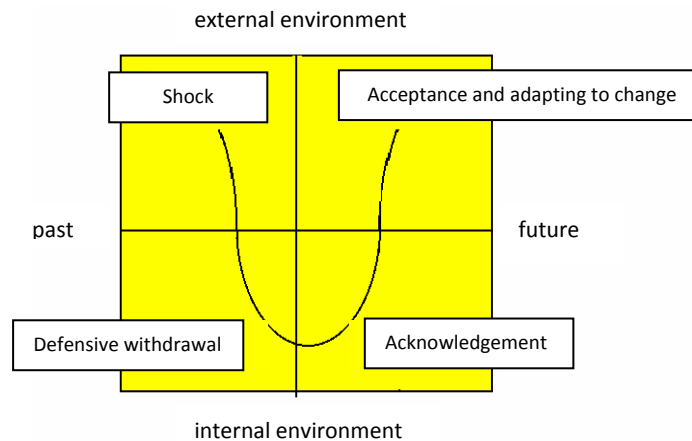


Figure 1: Phases of adaptation during a transition.¹

First phase: Shock. Workers feel endangered and confused. They withdraw, do not take risks. Fear and tension dominate. Performance decreases.

Second phase: Defensive withdrawal. After overcoming shock there is an angry reaction: open resistance, conflict, boycotting of change. Turnover increases.

Third phase: Acknowledgement. The active opposition fades away: there is complaining but reconciliation. Workers become more objective in viewing the pluses and minuses of the new situation. If the first steps of change are successful, the willingness to take a risk increases.

Fourth phase: Acceptance and adapting to change. People compare before and after the change and reluctantly admit the change might have been 'good'.

10.6.4 How Change can be accepted on all levels



In order for change to be understood, accepted and supported by everybody, a culture of change has to be built.

There are several requirements to form a successful culture:



1. Assess company culture in terms of change at the present moment. Spare some time to ask questions, but listen to the answers and be open to them:

- Do employees understand the difference they make at work every day?
- Are there strong relationships between employees and management?
- Is there an environment of openness and trust?
- Is there an understanding of mission, purpose, beliefs, and business goals?
- Do we have an environment of learning, growth, and empowerment? etc.

¹ Human Resource Management in Crisis, Presentation, Stara Zagora, 10.09.2009.

2. The culture of change management starts ‘from the top’. Mahatma Gandhi has said: ‘You must be the change you want to see in the world.’ The results will reflect your own attitude to change. You’ll see acceptance and willingness to participate if you show a positive attitude. Show people the expected positive effects and how your team will benefit from the change.
3. Start talking to people about change before it has happened, and even better – before you have made the final decision. There will be a lot of mixed emotions. You have to show positivity and truly listen to people; separate emotion from the questions. You might not be able to answer all questions immediately, but answer them. This is important because it will allow you to:
 - Be aware of worker’s worries and fears and take them into consideration.
 - Use some innovative ideas in the process of change that might occur.
 - Win over workers for the change.
 - Put an end to rumours before they get out of control.
4. Give your workers the necessary tools for successful change management: training, technology, equipment and management support in overcoming barriers. Changes bring new relationships and measures should be taken to remove obstacles.
5. Stir up a feeling of community. This creates a positive attitude towards change.
6. Workers deal with changes in different ways. Be prepared to deal with this.
7. Track change progress to achieve better results. Encourage and give prizes to the employees showing progress. Communicate with people using all possible channels.

Change management manager check lists:

<http://www.change-management.com/ProsciCMChecklist2006.pdf>

<http://www.change-management.com/tutorial-cmmanager.htm>



EXERCISE: Fill in the change management manager check lists to find out are you ready to implement changes in your company.

10.6.5 Summary of key points



Change management as part of the strategy implementation management is a process in which controlled changes are carried out in a system according to established frameworks or models. While project management deals with the ‘technical’ and ‘business’ side of change, change management focuses on the human element. Team motivation and skills are of great importance and bring market advantages in a changing environment. The process is long and not easy; it causes stress and arouses resistance in people. The phases of adaptation during a transition are presented and the way skilled managers could help employees accept and support the changes which are beneficial for the company. The enclosed check lists for managers will help company managers and owners to assess their readiness to successfully manage changes in their organizations.

10.7 Innovation Policy and Management



10.7.1 What is Innovation?

During the last decade strategic thinking and planning of intellectual, information and human resource potential have become increasingly important for company development. They are decisive for the successful transition of business from the stage of information to knowledge utilization.

Innovation is a process of utilization of knowledge or certain information to create and introduce something new and useful.

10.7.2 Why should you have an innovation policy and strategy?



The main goals of an enterprise innovation policy are related to achieving progress and competitive advantage in the market through the introduction of innovation:

- Updating and expanding new product and services range and markets related to them.
- Introduction of new methods in production, supply and distribution.
- Introduction of changes in organizations, management and working conditions.

A company innovation management strategy is one of the tools for the achievement of corporate strategy goals. Innovation strategies are classified on the basis of different principles: time of product introduction to the market, methods of innovation implementation, innovation activity, the abilities of companies to do research.

The structure of a company innovation strategy should include the following components:

- Physical and technical – machines, laboratories, research units, scientific equipment, experimental production, etc;
- Labour – specially trained scientific personnel;
- Financial – financing research;
- Information.

10.7.3 Where does the innovation process take place?

Every company's Innovation strategy depends on the internal and external environment. Many small and medium enterprises do not have own research units very often as they have neither human nor technical resources to carry out their own research. The correct policy in this case is to cooperate with outside organizations, universities, etc.

10.7.4 How Innovation can become part of the corporate strategy implementation?



The application and management of innovation is of significant importance for a company's competitive advantage. It is part of the corporate strategy management. Therefore:

- It has to comply with company priorities;

- Introduction of innovation presumes changes that have to be managed;
- To be implemented, the innovation strategy has to be financially provided for;
- Even if the company does not do research, innovation strategy implementation presumes availability of skilled professionals, training, use of outside experts.

10.7.5 Case Study

In the mid nineties a family company privatized the scientific research and design unit of a former large state-owned company, involved in the manufacture of technical lighting fixtures. Starting from scratch, but being experts in this field, they developed a corporate strategy in which they set ambitious goals. Even the owners and managers doubted that they would manage to achieve them. However, they succeeded in attracting former experienced and knowledgeable colleagues and formed a strong team.

The company started producing technical lighting fixtures and electrical components. Knowing the manufacturing process well, the management team put together functional rules as a solid base for process management. They used expert advice and managed to overcome employees' resistance to the changes introduced.

An innovation policy followed, quality management systems were introduced and solid change and crisis management activities provided competitive advantages and helped the company to increase its market share on the local market and enter new international markets.

10.7.6 Summary of key points



During the last decade strategic thinking and planning of intellectual, information and human resource potential have become increasingly important for company development and this makes innovation policy and management crucial for the successful strategy implementation.

Innovation is a process of utilization of knowledge or certain information to create and introduce something new and useful. The company innovation policy goals are to achieve progress and competitive advantage in the market through the introduction of innovation: i.e. new products; production, supply and distribution technologies and equipment; changes in organizations, management and working conditions. The company innovation strategy consists of physical and technical, labour and financial components and depends on the internal and external environment. Many small and medium enterprises have neither human nor technical resources to carry out their own research and the best way to benefit from innovations is to cooperate with outside organizations, universities, etc. Even then the enterprise should allocate adequate human and financial resources to implement its innovation strategy.

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