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Lecture 9 Staffing and Directing STM some questions

**Q-1 When should someone from outside the company be hired to manage the company or one of its business units?**

Research on successful firms provides no clear answer to this question. Results are mixed. Research does suggest, however, that firms in difficulty can improve their chances for success if they bring in an outsider who does not have the same devotion to past management practices as do most internal candidates. Certainly, examples can be provided of corporations turning to external turnover specialists (sometimes called "hatchet men") to regain their past success by firing "deadwood" and eliminating popular, but unprofitable divisions, units, and projects. The probability of hiring an outsider to lead a firm in difficulty increases if there is no heir apparent, the last CEO was fired, and if the board of directors is composed of a large percentage of outsiders. The insider/outsider distinction may not really be the important issue. The best answer may lie in finding the right person to implement the needed strategy regardless of where the person is found.

**Q-2 How can corporate culture be changed?**

The text points out that communication is key to the effective management of change in culture. Top management must be committed to a culture change and communicate that commitment to everyone in the organization. The new culture must be part of a "strategic vision" which can capture the emotions of the employees. A series of programs need to be established to move the corporation from one culture to another and a strong rationale given to justify such a radical change. Progress toward the goal must be measured at intervals and results communicated widely. A system of incentives also must be developed to reward those who support and encourage the culture change.

Q-3 **Why is an understanding of national cultures important in strategic management?**

An understanding of different national cultures is important in all aspects of strategic management. Since international trade is becoming increasingly important, a knowledge of national cultures is important to environmental scanning. One must scan not only key forces in one's industry, but also different societal forces in other parts of the world where the company might do business. An understanding of national cultures is also important to the formulation of strategy. Many cultures are very ethnocentric and do not like foreigners controlling key parts of their country. In Saudi Arabia, for example, non-Saudis cannot own land—they can only rent it. Most countries have rules regarding ownership of companies in industries which are deemed important to that country's welfare (for example, the U.S. defense industry). A company must have an understanding of these differences if it is to formulate various entry strategies into different countries or regions. An understanding of different cultures is especially important in strategy implementation. Because of cultural differences, managerial style and human resource practices must be tailored to fit the particular situations in other countries. Hofstede found in his research that national culture is so influential that it tends to overwhelm even a strong corporate culture. In measuring the differences among five national dimensions from country to country, he was able to explain why a certain management practice might be successful in one nation, but fail in another. Knowledge of these kinds of differences is crucial for any multinational corporation. An understanding of national cultures is also important to evaluation and control. Evaluation and control are covered in the previous lecture.

**Q-4 Does culture follow strategy or does strategy follow culture? Why?**

This question derives from the question raised in Chapter 8 regarding the relationship between structure and strategy. The answer is much the same. To the extent that the formulators of strategy seriously consider implementation issues in choosing a strategic alternative, they will have to assess the compatibility of a desired strategy with the present culture. If the desired strategy cannot be implemented given the present culture, a lot of time, money, and effort will be needed to change the culture. Research reported in Chapter Nine does support the contention that culture follows strategy. As shown earlier in Chapter Four, the reverse also appears to be true. The type of culture within a corporation will act to influence the selection of feasible alternative strategies. To the extent that the culture derives from the "distinctive competence" of the company, this may be very appropriate. Don't throw away a good culture just because the current strategy is not as successful as it could be. Some might even say that a good culture is more important than is a good strategy. Clearly, both strategy and culture are very important and need to be carefully evaluated before any significant change in either is recommended. Both strategy and culture affect each other simultaneously.

**Q-5 Compare and contrast action planning with Management By Objectives.**

An action plan states what actions are going to be taken, by whom, during what time frame, and with what expected results. Action plans are the primary means by which programs are developed for the implementation of strategy. Management By Objectives is also a technique useful for the development of programs. Like action planning, MBO pinpoints individual responsibilities for each unit objective and specifies a time frame when that objective is to be achieved. Unlike action planning, however, MBO takes a more organization-wide approach to planning implementation programs and budgets. For MBO to work, it should be a complete system. Action planning can be done, in contrast, at the individual level only. The key difference is that MBO is a system of hierarchical objectives beginning at the top of the corporation and cascading down through the divisions and work units. MBO also encourages the superior to negotiate the subordinate's objectives with the subordinate's input. MBO includes action planning as part of the discussions between a manager and his/her subordinate. Action planning alone, however, can be done strictly on a top down basis with little to no input from the subordinate.

Q-5 **What value does a Total Quality Management program have in implementing strategy?**

Total Quality Management (TQM) is an operational philosophy that stresses commitment to customer satisfaction and continuous improvement. It aims at improving quality, increasing flexibility, and reducing costs in order to better satisfy the customer. Because TQM aims to reduce costs as well as improve quality, it can be used as a program to implement both an overall low cost or a differentiation business strategy. Like MBO, Total Quality Management helps keep employees' minds on a crucial objective of strategic management—increasing sales and profits by pleasing the customer. Since the mission of most business firms is customer driven, TQM helps to clarify and fine tune the company's mission statement. TQM makes the key point that since competitive advantage is usually only temporary, the organization must emphasize continuous improvement to improve product quality and reduce costs. According to TQM, customers can be internal as well as external to the organization. To the extent that a company is able to continually improve its service to its internal customers, it is more likely to keep internal transaction costs low and thus be in a better position to reap the benefits and avoid the disadvantages of vertical integration.

Q-6 **How can MBO help improve the implementation of strategy?**

Management By Objectives is a powerful implementation technique because it is a system that links plans with performance. It forces managers to communicate to their subordinates the objectives of the overall business unit so that a subordinate is better able to see how he/she fits into the company's goal accomplishment. MBO, therefore, acts to tie together corporate, business, and functional objectives, as well as the strategies developed to achieve them. This tying together forms a hierarchy of objectives similar to the hierarchy of strategy mentioned in Chapter One. The mutual give and take plus the sense of personal responsibility exemplifying a successful MBO program serves to motivate employees to help implementation activities succeed.

**Some other topics discussed**

1. **Dabur India, PSO, General Motors, Matching manager to strategy, Insider vs Outsiders, International Issues in Staffing, Culture TQM, MBO**

Relating Theoretical Concepts to Life in the Classroom: The teacher tried to identify who is who?

* **Sensation-thinkers (STs).** This group usually sought further clarification from the instructor by asking a lot of questions. They tended to decide on a venture within the first 5 minutes and moved to feasibility and market surveys. They tended to focus on high-tech new ventures, such as software.
* **Sensation-feelers (SFs).** Members of this group usually appointed a representative to speak with the instructor. Questions, such as "Do you expect an organization chart with our proposal?" were very direct and concise. The group worked very methodically and made decisions based on majority voting. They tended to propose management consulting as their venture.
* **Intuitive-thinkers (NTs).** This group tended to ask questions peripheral to the exercise, such as "Did you say we have 30 minutes to do this?" Many ideas were proposed. The group worked to develop a decision-making process to select the best of the many ideas. This group tended to have a loud, but controlled session.
* **Intuitive-feelers (NFs).** This group tended to generate many ideas ranging from impression management consulting to very unorthodox entrepreneurial concepts. They sought very little additional information from the instructor. Their noisy, animated session focused primarily on which of the many ideas would work the best. This group always seemed to have too little time to finish the assignment.