

# **STRATEGIC AND CHANGE MANAGEMENT**

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By

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# Strategic Management – Defined

Art and science of **formulating**,  
**implementing**, and **evaluating**, cross-  
functional decisions that enable an  
organisation to achieve its objectives



# Purpose of Strategic Management

To exploit and create new and different opportunities for future

Time horizon: 3 to 5 years or more



# 3 Stages of the Strategic Management Process

- Strategy formulation
- Strategy implementation
- Strategy evaluation



# Strategy Formulation

**Vision and Mission**

**External Opportunities and Threats**

**Internal Strengths and Weaknesses**

**Long-Term Objectives**

**Alternative Strategies**

**Strategy Selection**



# Strategy Implementation



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graph TD; A([Strategy Implementation]) --- B[Annual Objectives]; A --- C[Policies]; A --- D[Employee Motivation]; A --- E[Resource Allocation]
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**Annual Objectives**

**Policies**

**Employee Motivation**

**Resource Allocation**



# Strategy Implementation Steps

- Developing a strategy-supportive culture
- Creating an effective organisational structure
- Redirecting marketing efforts
- Preparing budgets
- Developing and utilising information systems
- Linking employee compensation to organisational performance



# What Is Strategy?

- Consists of the ***combination*** of ***competitive moves*** and ***business approaches*** used by managers to run the company
- Management's ***"game plan"*** to
  - Attract and please customers
  - Stake out a market position
  - Compete successfully
  - Grow the business
  - Achieve targeted objectives





# Definitions of strategy

- ‘..the determination of the long-run goals and objectives of an enterprise and the adoption of courses of action and the allocation of resource necessary for carrying out these goals’

***Alfred Chandler***

- ‘Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value’

***Michael Porter***

- ‘..a pattern in a stream of decisions’

***Henry Mintzberg***



# Strategic decisions

## Strategic decisions are about:

- The **long-term** direction of an organisation
- The **scope** of an organisation's activities
- Gaining **advantage** over competitors
- Addressing changes in the **business environment**
- Building on resources and competences (**capability**)
- **Values and expectations** of stakeholders

## Therefore they are likely to:

- Be **complex** in nature
- Be made in situations of **uncertainty**
- Affect **operational** decisions
- Require an **integrated** approach (both inside and outside an organisation)
- Involve considerable **change**

# Thinking Strategically

## The Three Big Strategic Questions

1. Where are we now?

2. Where do we want to go?

- Business(es) to be in and market positions to stake out
- Buyer needs and groups to serve
- Outcomes to achieve

3. How will we get there?

- A company's answer to “how will we get there?” is its **strategy**



# The *How's* That Define a Firm's Strategy

- *How* to please customers
- *How* to respond to changing market conditions
- *How* to outcompete rivals
- *How* to grow the business
- *How* to manage each functional piece of the business and develop needed organisational capabilities
- *How* to achieve strategic and financial objectives



# Strategic Approaches to Building Competitive Advantage

- Strive to be the industry's low-cost provider
- Outcompete rivals on a key differentiating feature
- Focus on a narrow market niche, doing a better job than rivals of serving the unique needs of niche buyers
- Develop expertise, resource strengths, and capabilities not easily imitated by rivals



# **Strategic Management is Gaining and Maintaining Competitive Advantage**

Anything that an organisation does  
especially well compared to its rivals



# Achieving Sustained Competitive Advantage

1. Continually adapting to changes in external trends and events and internal capabilities, competencies, and resources

2. Effectively formulating, implementing, and evaluating strategies that capitalize on those factors



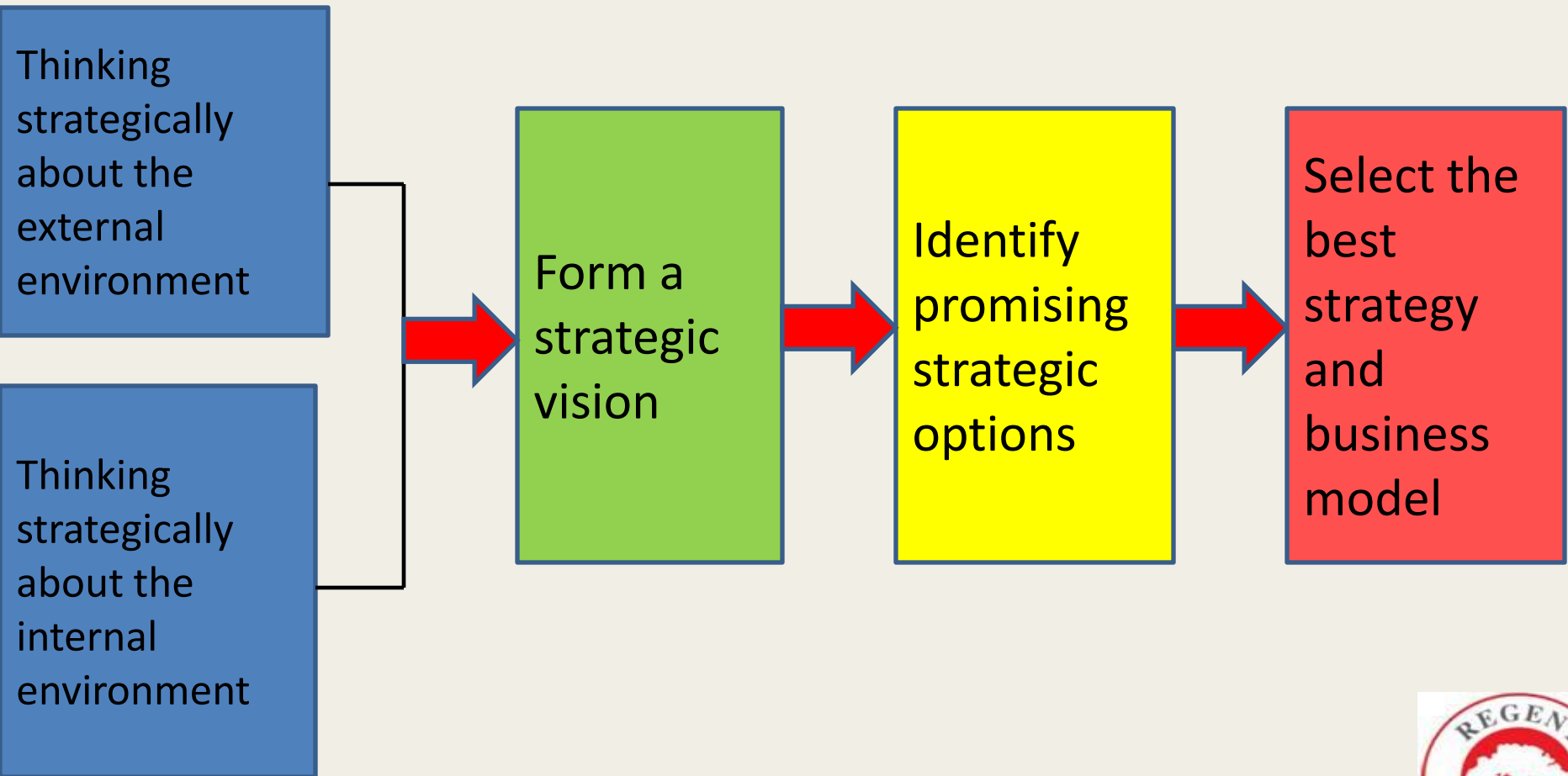
# Benefits of Strategic Management

- Nonfinancial Benefits
  - Enhanced awareness of threats
  - Improved understanding of competitors' strategies
  - Increased employee productivity
  - Reduced resistance to change
  - Clearer understanding of performance-reward relationship
  - Enhanced problem-prevention capabilities

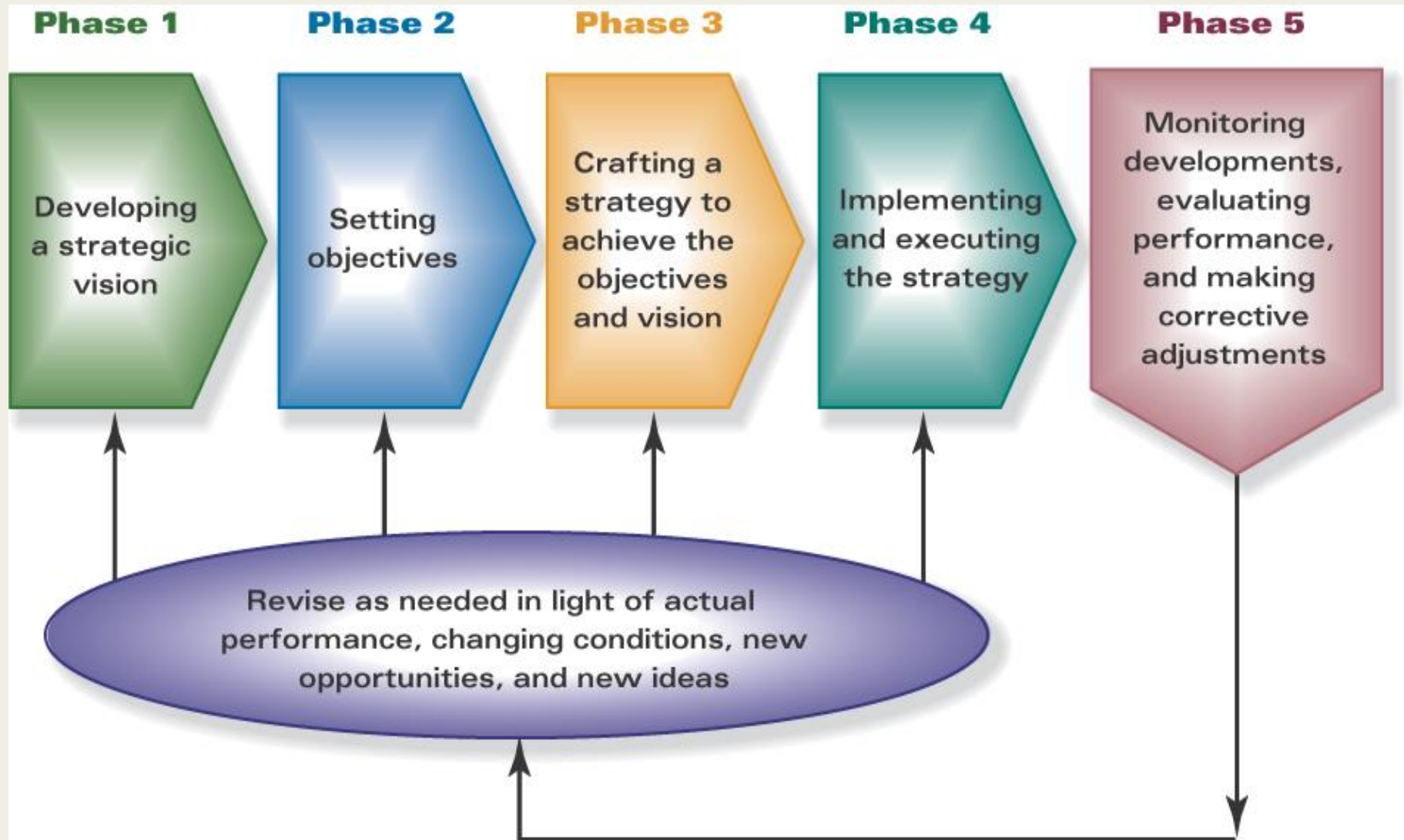




# From Thinking Strategically to Choosing a Strategy



# The Strategy-Making, Strategy-Executing Process



# Strategic Capability

The capabilities of an organisation that contribute to its long-term survival or competitive advantage

## Strategic capability

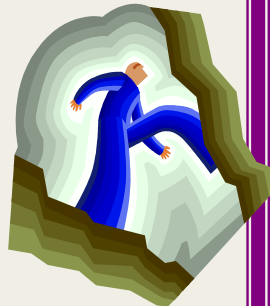
Resources: what we have		Competences: what we do well
Machines, buildings, raw materials, products, patents data bases, computer systems	Physical	Ways of achieving utilisation of plant efficiency, productivity, flexibility, marketing
Balance Sheet, cash flow, suppliers of funds	Financial	Ability to raise funds and ability to manage cash flows, debtors, creditors etc
Managers, employees, partners, suppliers, customers	Human	How people gain and use experience, skills, knowledge, build relationships, motivate others and innovate

Long-term survival and competitive advantage



# Strategic Vision vs. Mission

- A *strategic vision* concerns a firm's *future* business path - "*where we are going*"
  - Markets to be pursued
  - Future technology-product-customer focus
  - Kind of company management is trying to create



- The *mission statement* of most companies focuses on *current* business activities - "*who we are and what we do*"
  - Current product and service offerings
  - Customer needs being served
  - Technological and business capabilities



# Vision and Mission Statements

**Vision Statement –  
What do we want to become?**

**Mission Statement –  
What is our business?**

**Reveals:**

- what the organisation wants to be
- whom the organisation wants to serve



# Vision and Mission Statements

- Provide unity of direction
- Promote shared expectations
- Consolidate values
- Project a sense of worth and intent
- Affirm the company's commitment to responsible action



# Management Issues

<u>Strategy Formulation</u>	<u>Strategy Implementation</u>
Positioning forces before the action	Managing forces during the action
Focuses on effectiveness	Focuses on efficiency
Primarily an intellectual process	Primarily an operational process
Requires good intuitive and analytical skills	Requires motivation and leadership skills
Requires coordination among a few individuals	Requires coordination among many persons

# What Does Strategy Implementation Involve?

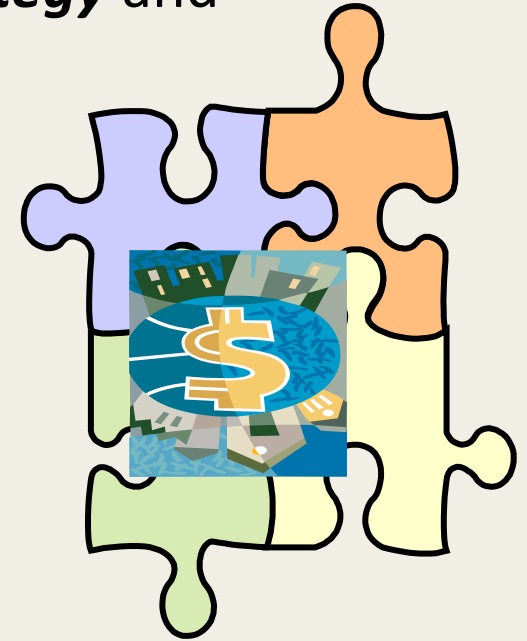
- Building a ***capable organisation***
- ***Allocating resources*** to strategy-critical activities
- Establishing ***strategy-supportive policies***
- Instituting ***best practices*** and programmes for ***continuous improvement***
- Installing ***information, communication, and operating systems***
- ***Motivating*** people to pursue the target objectives
- ***Tying rewards*** to achievement of ***results***
- Creating a ***strategy-supportive corporate culture***
- Exerting the ***leadership*** necessary to drive the process forward and keep improving





# Characteristics of Good Strategy Execution

- Involves ***creating strong “fits” between strategy*** and
  - Organizational capabilities
  - Reward structure
  - Internal operating systems
  - Organisation’s work climate and culture
- The ***stronger the “fits”*** the
  - Better the execution
  - Higher a company’s odds of achieving its performance targets



# Crafting vs. Executing Strategy

## *Crafting the Strategy*

- Primarily a *market-driven* activity
- Successful strategy making depends on
  - Business vision
  - Perceptive analysis of market conditions and company resources and capabilities
  - Attracting and pleasing customers
  - Outcompeting rivals
  - Using company resources and capabilities to forge a competitive advantage

## *Executing the Strategy*

- Primarily an *operations-driven* activity
- Successful strategy execution depends on
  - Good organisation-building and people management
  - Creating a strategy-supportive culture
  - Continuous improvement
  - Getting things done and delivering good results



# I. Review Bases of Strategy

## Key Questions in Evaluating Strategy:

- *Are our internal strengths still strengths?*
- *Have we added other internal strengths?*
- *Are our internal weaknesses still weaknesses?*
- *Do we now have other internal weaknesses?*
- *Are our external opportunities still opportunities?*
- *Are there now external opportunities?*
- *Are our external threats still threats?*
- *Are there now other external threats?*

# Strategy Review, Evaluation, and Control

## 21<sup>st</sup> Century Challenges in Strategic Management

- Should the process be more an “art” or a “science”?
- Should strategies be visible or hidden from stakeholders?
- Should process be more top-down or bottom-up?



# The Five Generic Competitive Strategies

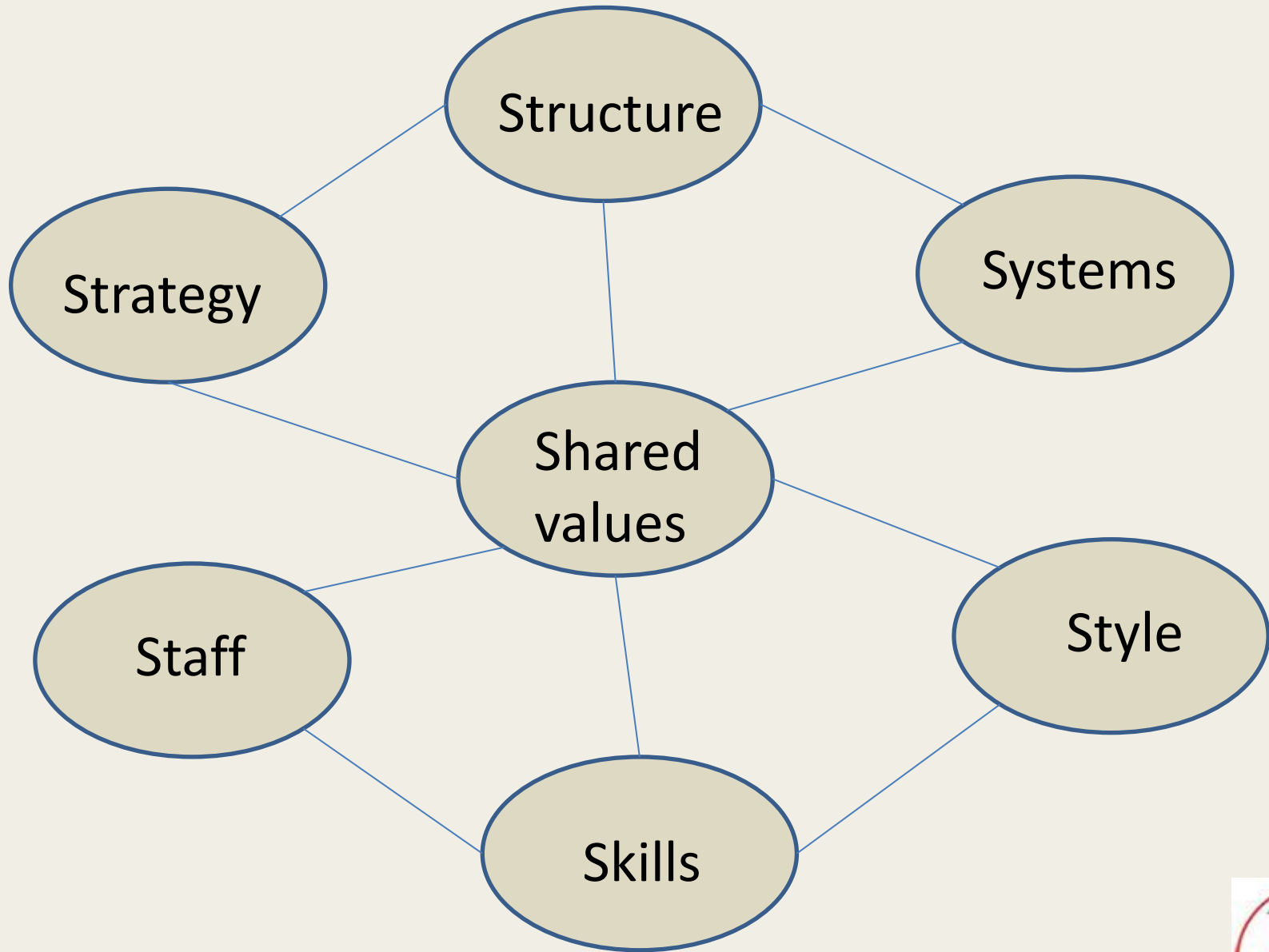


# McKinsey 7S Framework

- Involves seven interdependent factors which can be categorised as either 'soft' or 'hard' elements
- The 'hard' elements are strategy, structure and systems – the management of these directly influence the organisational design, the reporting lines, formal processes and the IT systems
- The 'soft' elements are shared values, skills, style and staff – they are less tangible and more influenced by culture.



# McKinsey 7S Framework



# McKinsey 7S Framework

- Starting point is the strategy
- Strategy drives organisational structure and must fit the culture of the organisation
- Culture is based on the shared values and is especially influenced by the style of leadership.
- The systems will be determined through, and influenced by, the organisation's structure.
- Structure and systems will define what staff and skills are required.





# Seven components

- **Strategy** – the plan devised to maintain and build competitive advantage
- **Structure** – indicates the way the organisation is structured and who reports to whom
- **Systems** – involves the daily activities and procedures (e.g. the IT systems) that staff members engage in to get the job done.
- **Shared values** – or “super-ordinate goals”, the core values of the organisation that are evidenced in the corporate culture and organisational ethics
- **Style** – the style of leadership applied in the organisation
- **Staff** – the employees and their general capabilities
- **Skills** – the actual skills and competencies of the employees needed to do the work in the organisation





# QUESTIONS



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