Strategic and Change Management

February 2020

Johannesburg

RULE NUMBER 1#

RTBM

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To exploit and create new and different opportunities for tomorrow
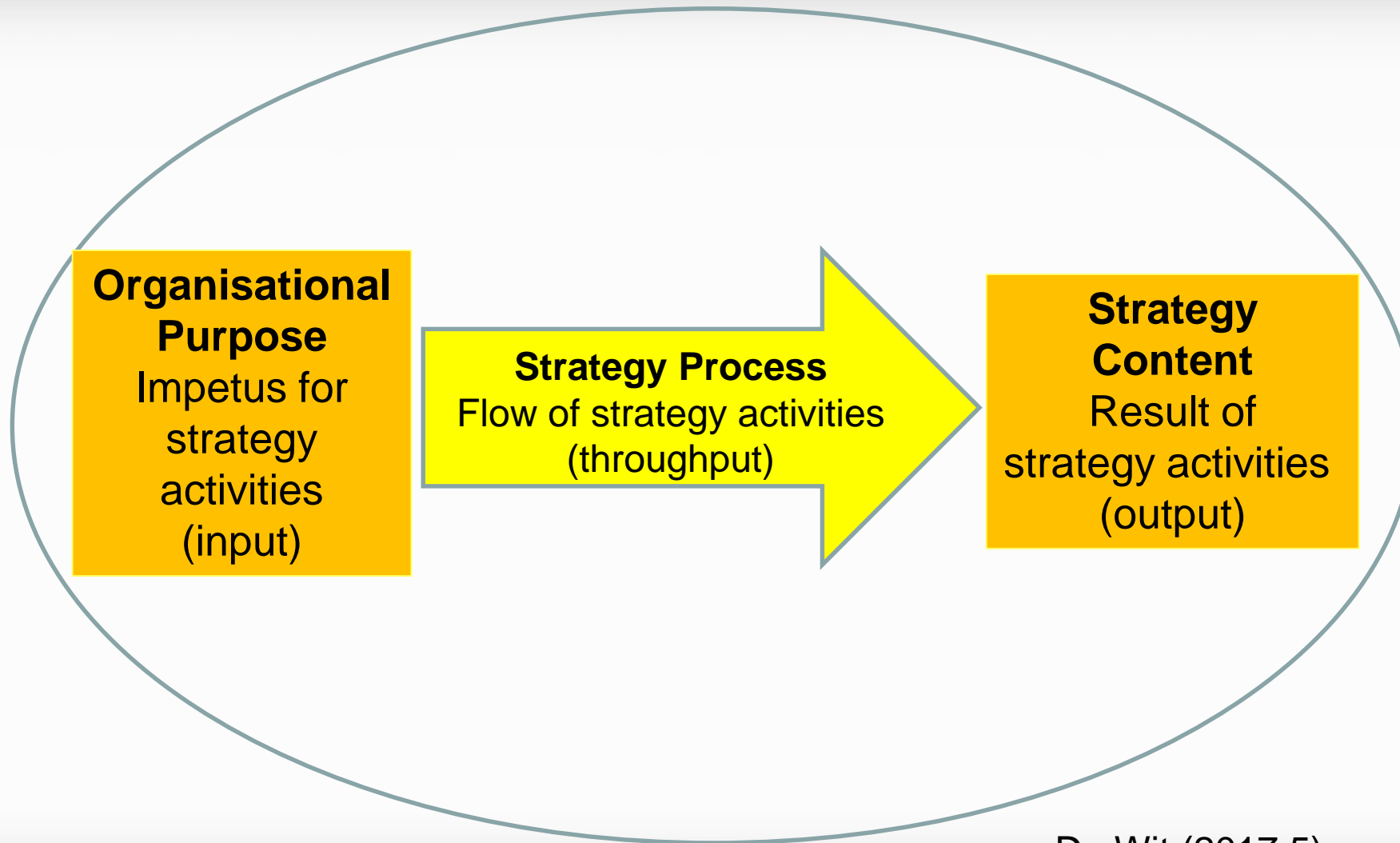
Definitions of strategy

- '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*
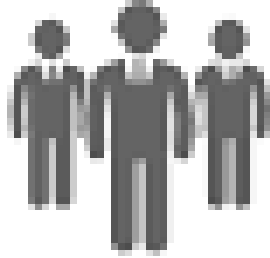
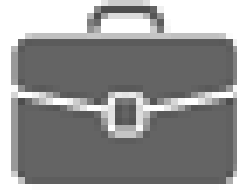# Dimensions of strategy and the organisational purpose

De Wit (2017:5)

Strategic Management is Gaining and Maintaining Competitive Advantage

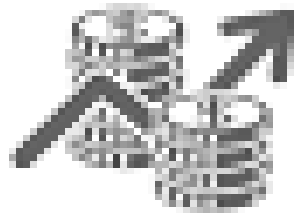Anything that an organisation does especially well compared to its rivals
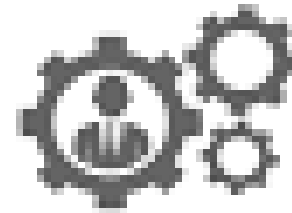
„There's no good just being better,

...you got to be different."

Charles Handy

COMPETITIVE ADVANTAGE

4 Building Blocks of Competitive Advantage
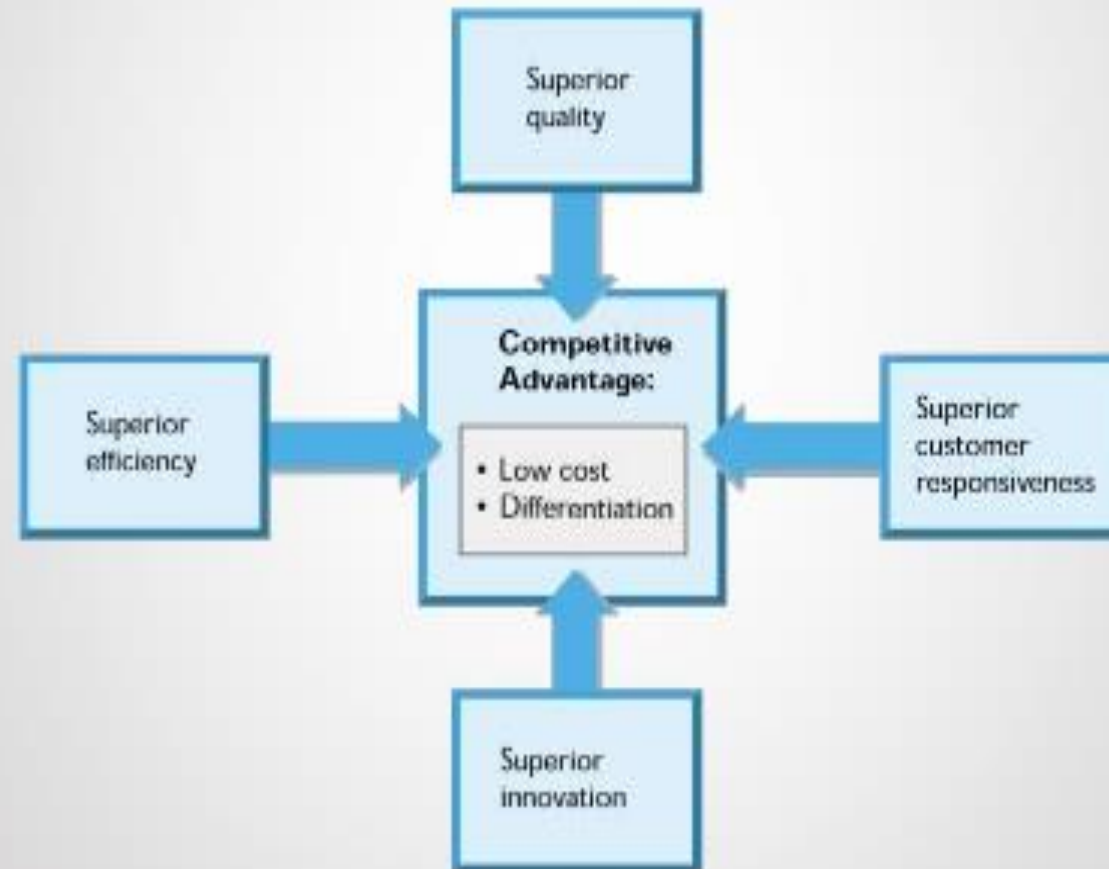
SOURCES OF COMPETITIVE ADVANTAGE

- Superior product benefit

- Perceived advantage (through communication/branding)

- Low cost operations

- Legal advantage (e.g. patents, copyrights)

- Superior contacts

- Superior knowledge (of customers/markets, science/technology)

- Scale advantages

- Offensive attitudes (competitive toughness & determination to win)

Hugh Davidson (1987) *Offensive Marketing*

- Strategic intent is what an organisation plans to strive for in the future. The strategic direction of an organisation informs and shapes how the organisation defines itself, and where it finds its unique strategic advantage.

- It requires organisations to ask themselves: "What is our fundamental purpose?"

- Strategic intent, and vision, mission and value statements can be considered to be the tools used to determine the strategic direction of an organisation.

Most integrative, fewest in number

Vision — Desired future state, the aspiration of the organization

Mission — Outline of the broad directions that the organization should follow together with a brief summary of the reasons and values behind it

Goals and objectives — More precise statements of what is to be achieved and when results are to be accomplished (often quantified)

Most specific, greatest in number

Source: Johnson and Scholes, 1999; Lynch, 2000; Miller, 1998

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Strategic Intent

1. Like individuals, organizations must define what they want to do and why they want to do this. This "why they want to do" underlies the end result that is likely to be achieved through what they want to do. In management literature, this end result is referred to as strategic intent.

2. Strategic Intent has a hierarchy – vision, mission, and goals & objectives.

3. Strategic intent is defined as "Strategic intent envisions a desired leadership position and establishes the criterion the organization will use to chart its progress."

VISION
to become

MISSION
To be in order to become
how the organisation will make a difference

VALUES
behaviours to support the vision and mission

BROAD AIMS AND OBJECTIVES
to deliver the mission and vision

ENABLING FACTORS
things that need to be in place to support this process and achievement

Envisioning

Shikha Sota

A strategic intent is your company's vision of what it wants to achieve in the long term.

Strategic intent is also senior management's primary motivational tool for radical idea generation.

Senior management uses strategic intent to communicate a misfit between current resources and corporate aspirations and motivate idea generation when it actively encourages the quest for new opportunities.

Strategic Intent

Challenges

Opportunities

New Opportunity-driven Business Development Model

- Effective in new & unstable environment
  - Builds on new competencies

EGENT
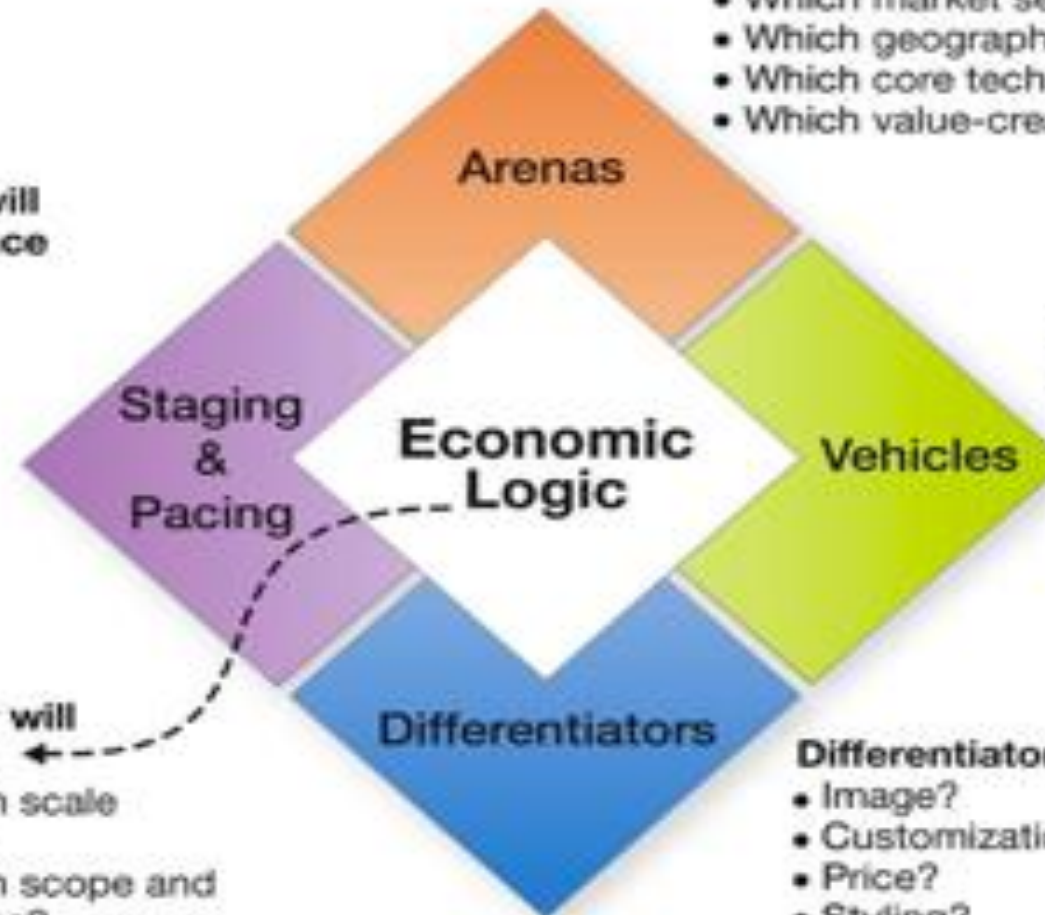SINESS SCHOOL
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THE STRATEGY DIAMOND

Arenas: Where will we be active (and with how much emphasis)?
- Which product categories?
- Which channels?
- Which market segments?
- Which geographic areas?
- Which core technologies?
- Which value-creation strategies?

Staging & pacing: What will be our speed and sequence of moves?
- Speed of expansion?
- Sequence of initiatives?

Vehicles: How will we get there?
- Internal development?
- Joint ventures?
- Licensing/franchising?
- Alliances?
- Acquisitions?

Economic logic: How will returns be obtained?
- Lowest costs through scale advantages?
- Lowest costs through scope and replication advantages?
- Premium prices due to unmatchable service?
- Premium prices due to proprietary product features?

Differentiators: How will we win?
- Image?
- Customization?
- Price?
- Styling?
- Product reliability?
- Speed to market?

Arenas

Staging & Pacing

Economic Logic

Vehicles

Differentiators

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Strategic Management
Strategy Programming vs Strategy Innovation

STRATEGY PROGRAMMING

Analysis	Strategy Formulation	Strategy Implementation

STRATEGY INNOVATION

- Analysis & Strategic Learning
- Dynamic Strategy Formulation
- Experimental Implementation

Areas of Effective Application

CONDITIONS	STRATEGY PROGRAMMING	STRATEGY INNOVATION
Environment	Simple & stable	Complex & dynamic
Organization	Unadaptive	Adaptive
Change	Slow	Fast
Innovation	Incremental	Radical

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Strategy Pyramid vs Strategy Stretch

Stavros, Cooperrider, Kelley, 2006

- Strategy formulation

- Strategy implementation

- Strategy evaluation

From Thinking Strategically to Choosing a Strategy
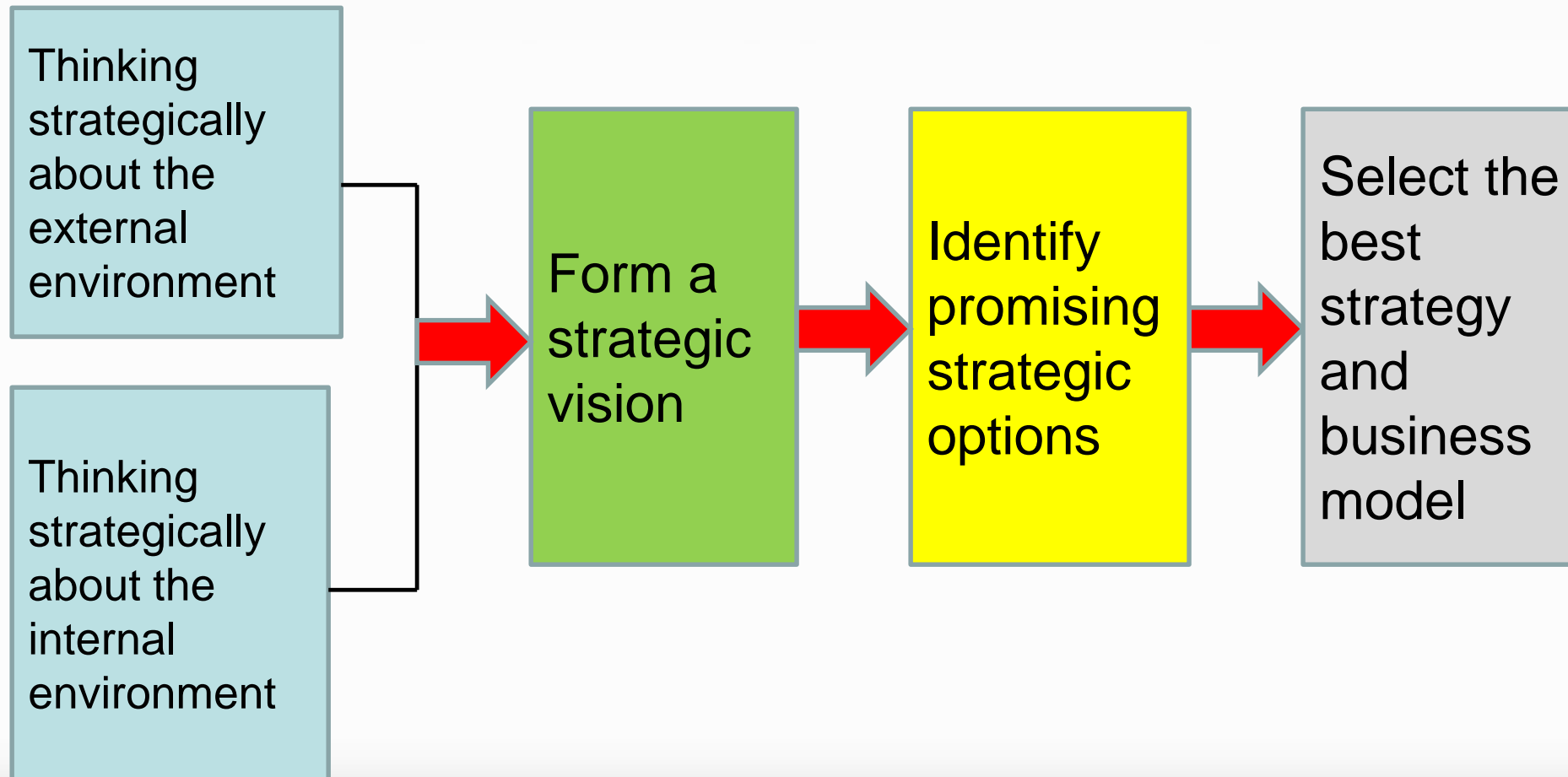
The Strategy-Making, Strategy-Executing Process

Phase 1
Developing a strategic vision

Phase 2
Setting objectives

Phase 3
Crafting a strategy to achieve the objectives and vision

Phase 4
Implementing and executing the strategy

Phase 5
Monitoring developments, evaluating performance, and making corrective adjustments

Revise as needed in light of actual performance, changing conditions, new opportunities, and new ideas

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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

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Foundations of Strategic Capability

- Resources and Competences –

  resources – are the assets that organisations have or can call upon

  competences – the way those assets are used or deployed

- Dynamic capabilities – an organisation's ability to renew and recreate its strategic capabilities to meet the needs of changing environments

  three generic types – *sensing, seizing, reconfiguring*

- Threshold and distinctive capabilities –

  threshold – those needed for an organisation to meet the necessary requirements to compete in a given market and achieve parity with competitors

  distinctive – ways of doing things that are unique to the organisation and effectively utilised so as to be valuable to customers and difficult for competitors to obtain or imitate

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

Strategy Implementation

- Process that turns strategic plans into a series of action tasks
- Communication, interpretation, adoption and enactment of strategy
- **Barriers:**

  - ineffective coordination

  - lack of leadership and direction

   - goals not defined sufficiently

  - goals not well understood

  - formulators not involved in implementation

  - changes in responsibilities not clearly defined

- Leadership

- Organisational culture

- Reward systems

- Organisational structure

- Resource allocation

Key Responsibilities of a Strategic Leader

- Developing an appropriate vision or strategic direction for the organisation
- Communicating the vision and strategic direction to all employees and other stakeholders
- Inspiring and motivating the employees to achieve strategic objectives of the organisation
- Designing appropriate reward systems and organisational structures
- Developing and maintaining an effective organisational culture
- Ensuring that the organisation continually incorporates good corporate governance principles into its strategies and operations

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Key actions and responsibilities of strategic leaders

- Determining the organisation's strategic direction
- Effectively managing the organisation's resource portfolio
- Sustaining an effective organisational structure
- Emphasising ethical practices
- Establishing balanced organisational controls

Organizational culture eats strategy for breakfast, lunch and dinner

Culture

Strategy

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?*

21st Century Challenges in Strategic Management

- Should the process be more an "art" or a "science"?

- Should strategies be visible or hidden from stakeholders?

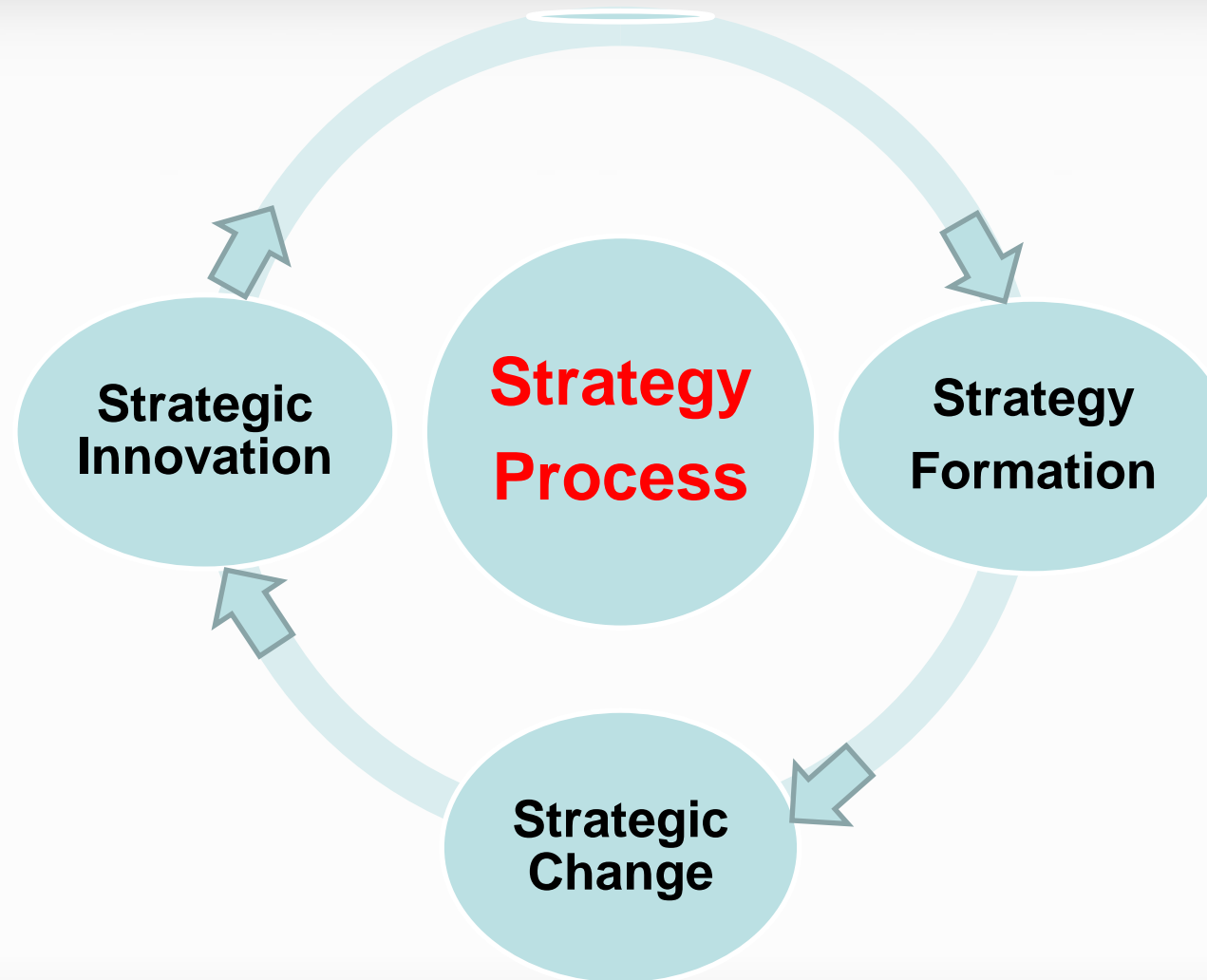- Should process be more top-down or bottom-up?

The Five Generic Competitive Strategies

Grand Strategies

- Fifteen principal grand strategies are defined.
- Classified under four broad categories:
  - external growth strategies
  - internal growth strategies
  - decline strategies
  - corporate combinations

Aspects of the Strategy Process

Change Management
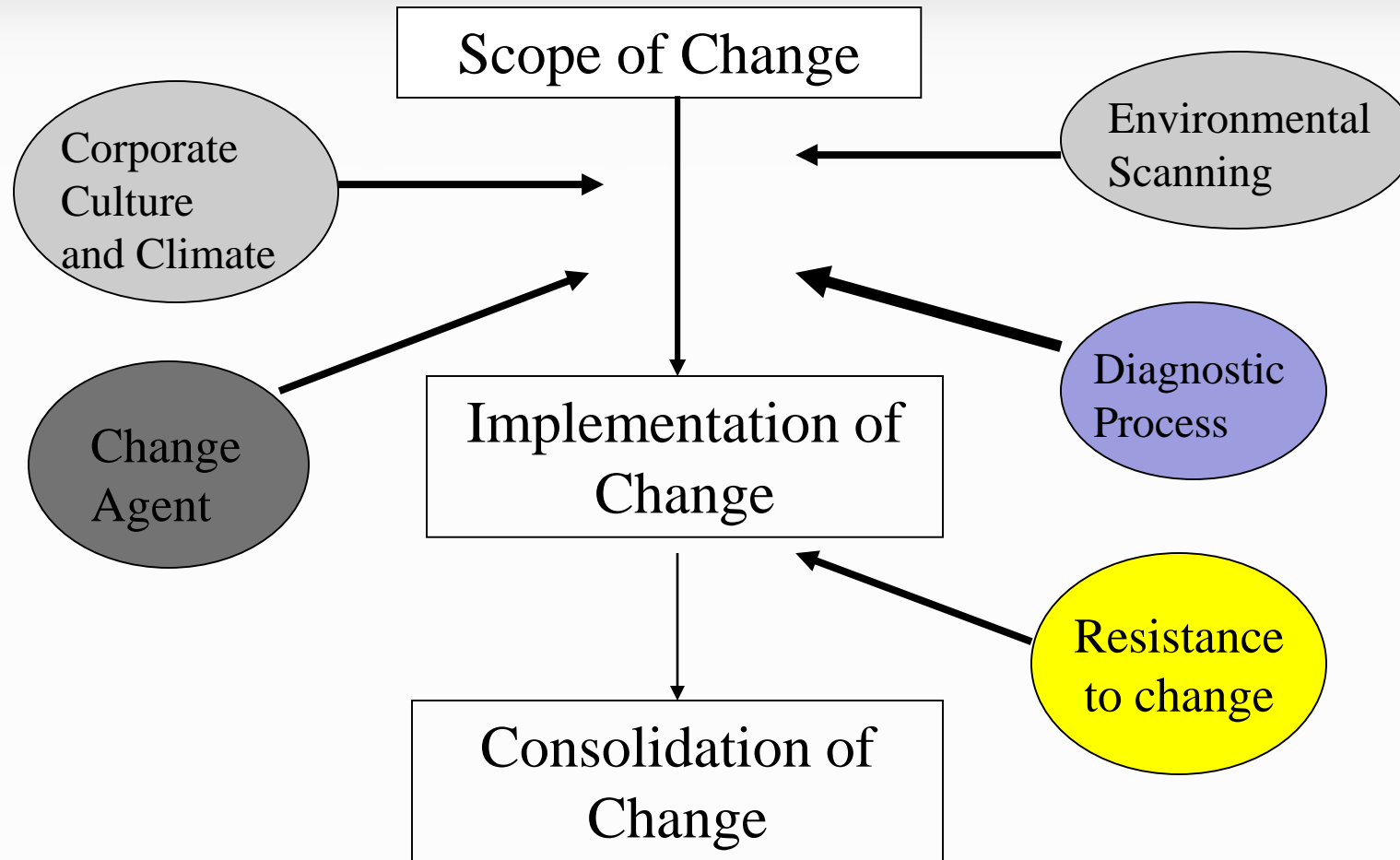
Porras and Silvers (1991:52):

Organisational change is an initiative which alters

- critical organisational processes, which in turn influence
- individual behaviours, and which subsequently impact on
- organisational outcomes

Van Tonder (2004:7):

Organisational change is a process resulting in a difference of varying magnitude and/or nature in the state and/or condition of the organisation over time.

Types of Strategic Change
(Lazenby, 2013)

		Scope	
		Current Organisational setting	Fundamental changes
Nature	Incremental	Adaptation	Evolution
	Revolutionary	Reconstruction	Revolution

The causes of strategic change

- Environment
- Technology
- Regulatory events
- Business relationships
- Strategic awareness and skills of managers and employees

KEY ELEMENTS IN MANAGING STRATEGIC CHANGE

Diagnosis
- Types of change
- Context of change
- Force field analysis

Leading and Managing Change
- Strategic leadership

Levers for Change
- Building a case for change
- Challenging the taken-for-granted
- Changing routines and symbols
- Political systems

Managing change programmes
- Turnaround strategy
- Revolutionary change
- Evolutionary change
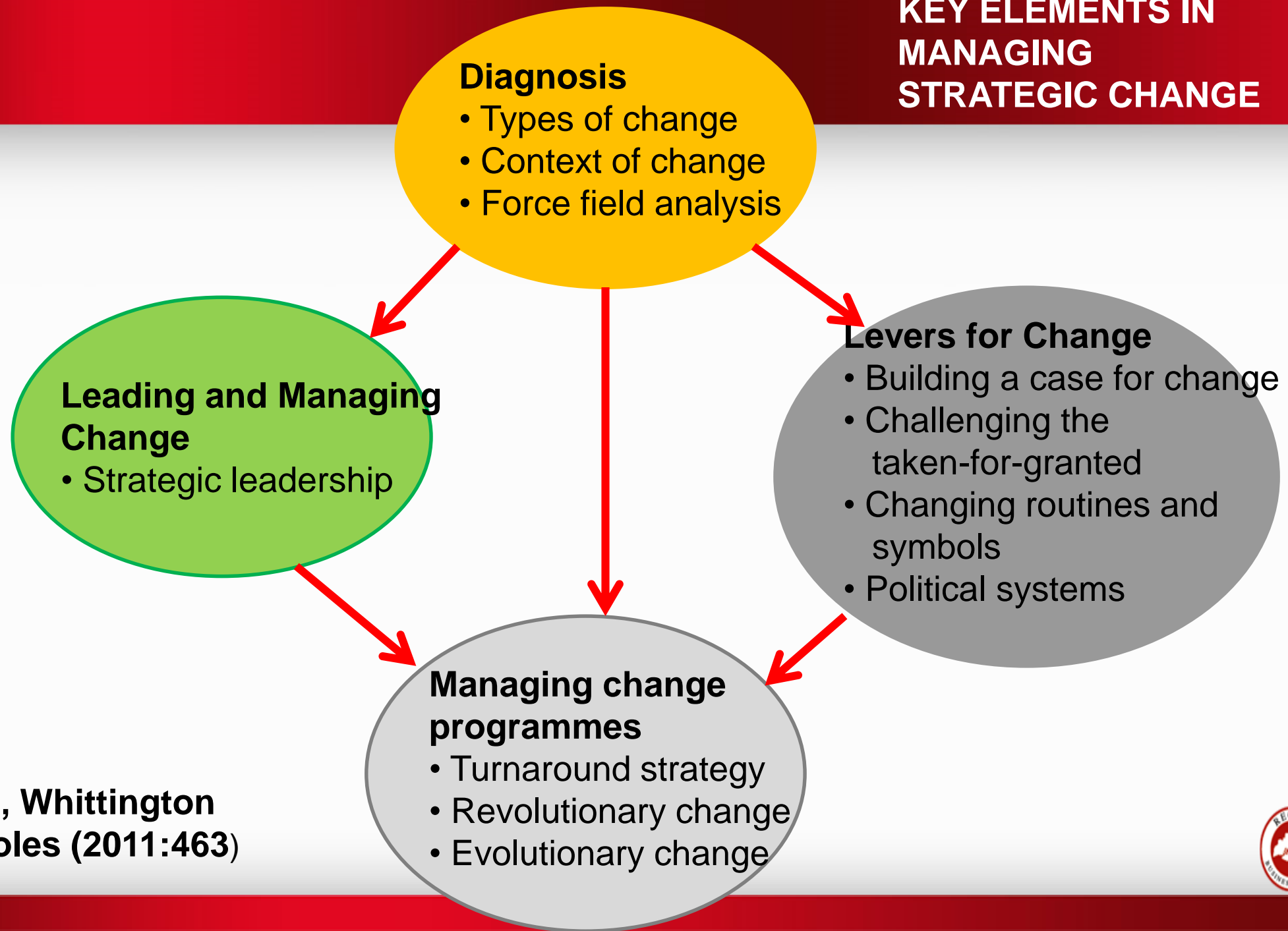
Johnson, Whittington and Scholes (2011:463)

THE CHANGE KALEIDOSCOPE

Time — How quickly change is needed?

Power — What power does the change leader have to impose change?

Scope — How much change is required?

Readiness — How ready for the change is the workforce?

Strategic change programmes

Preservation — What organisational resources and characteristics need to be maintained?

Capacity — What is the degree of change resource available?

Capability — What is the managerial and personal capability to implement change?

Diversity — How homogeneous are the staff groups and divisions within the organisation?

Johnson, Whittington and Scholes (2011:467)

AN INTEGRATED APPROACH TO CHANGE

OD Practitioner / Change Agent

Behavioural Strategy → Change Attitudes and Values → New Behaviours

Structural Strategy → Change Structures and Design → New Relationships

Technological Strategy → Change Production and Methods → New Processes

Improved Performance

Organisational Effectiveness and Excellence   Harvey & Brown
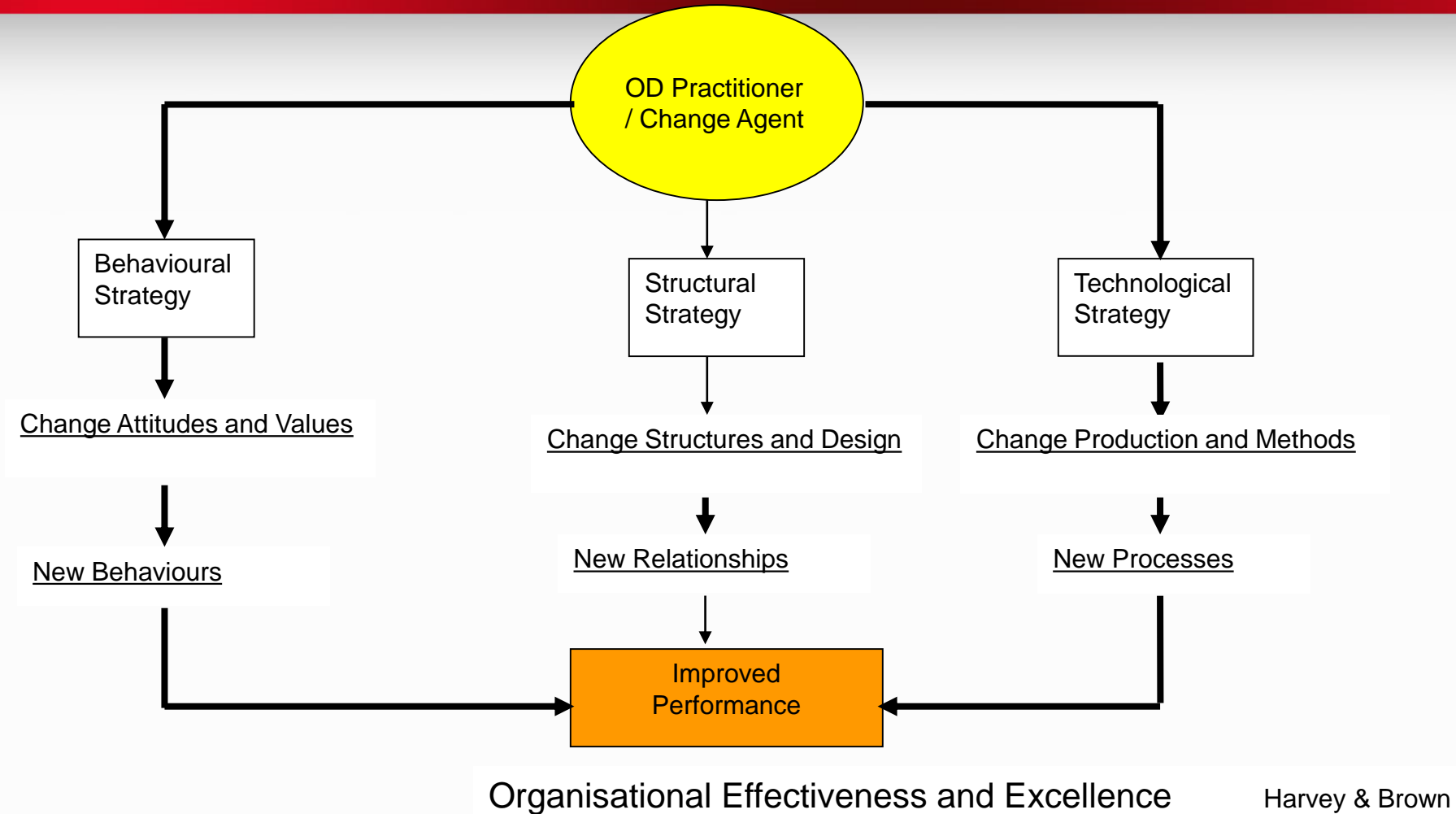
Change and Reinvent

- Solving organisational problems usually involves the introduction of change

- Problems of many kinds may emerge when an organisational change programme is initiated.

- The problems most likely to be encountered are associated with human resistance to changing patterns

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Change and Reinvent

- On a personal level, change represents the alteration of set patterns of behaviour, defined relationships with others, work procedures and job skills.

- On an organisational level, change means that policies, procedures, sunk costs, organisation structure, processes and workflows may no longer be the same.

Both people and organisations have vested interests in the status quo

Lines (2004)

Resistance towards change encompasses behaviours that are acted out by change recipients in order to slow down or terminate an intended organisational change.

Sources of Resistance to Change

Individual Resistance to Change

- Habit
- Security
- Economic Factors
- Fear of the unknown
- Selective information processing

Organisational Resistance to Change

- Structural inertia
- Limited focus of change
- Group inertia
- Threat to expertise
- Threat to established power relationships
- Threat to established resource allocations

The Six Myths of Resistance

- Resistance is avoidable
- Good managers eliminate resistance
- Resistance is bad
- People only resist those changes they don't want
- People who resist are disloyal and bad
- Resistance has no value

ORGANISATIONAL CHANGE

– **OVERCOMING RESISTANCE TO CHANGE**

- •Education, Communication, Participation
- •Facilitation and support
- •Negotiation, Manipulation and Coercion

Strategies to increase motivation

- Climate conducive to change
- Clearly articulated vision
- Effective communication
- Leadership of managers
- Participation of members
- Reward systems
- Negotiation, agreement and politics
- Power 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.
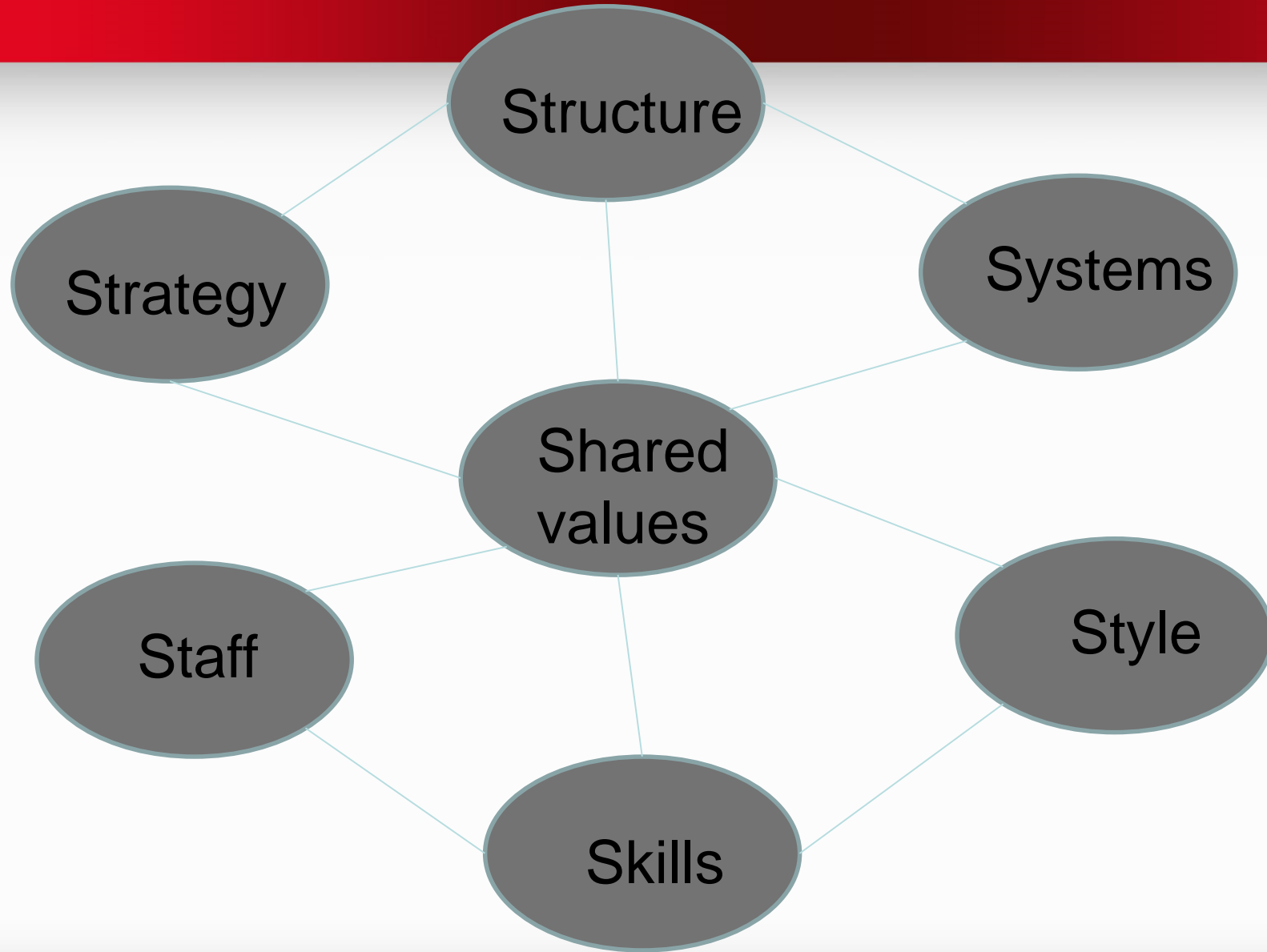
McKinsey 7S Framework

- 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

RULE NUMBER 2#

ATQ

The Assignment

- Focus on responding to the requirements of each question; this requires an analysis of each question in order to ascertain these requirements.

- Present relevant information, correctly referenced, in a logical and coherent manner so that the question is answered.

- Integrate knowledge across the different sections in the syllabus because they are inter-related and some questions cover more than one section.

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QUESTION ONE: **Banking Industry**   **[60]**

1.1   SWOT analysis- one challenger bank and one traditional bank

1.2   Justified response to statement

1.3   Business model of one challenger bank

1.4   Entry strategies of challenger banks

1.5.1 'counter' strategies' of traditional banks (reasons)

1.5.2 Elements of change management that traditional banks should undertake

THE ASSIGNMENT

QUESTION TWO: **[20]**

2.1 A discussion on the reasons why strategy is crucialand why strategic intent is 'indispensable' and the first step in SMP

2.2 Drivers of strategy implementation

QUESTION THREE: **[20]**

Business case for corporate social responsibility (CSR) and sustainable business practices

QUESTIONS