

Strategic and Change Management

April 2016



Purpose of Strategic Management

To exploit and create new
and different opportunities
for tomorrow

3 Stages of the Strategic Management Process

- Strategy formulation
- Strategy implementation
- Strategy evaluation

Strategy Formulation



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graph TD; A[Strategy Formulation] --- B[Vision and Mission]; A --- C[External Opportunities and Threats]; A --- D[Internal Strengths and Weaknesses]; A --- E[Long-Term Objectives]; A --- F[Alternative Strategies]; A --- G[Strategy Selection];
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Vision and Mission

External Opportunities and Threats

Internal Strengths and Weaknesses

Long-Term Objectives

Alternative Strategies

Strategy Selection

Issues in Strategy Formulation

- ✓ Businesses to enter
- ✓ Businesses to abandon
- ✓ Allocation of resources
- ✓ Expansion or diversification
- ✓ International markets
- ✓ Mergers or joint ventures
- ✓ Avoidance of hostile takeover

Strategy Implementation

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graph LR; 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

Issues in Strategy Implementation

Action Stage of Strategic Management

- ✓ Mobilisation of employees and managers
- ✓ Most difficult stage
- ✓ Interpersonal skills critical

Strategy Evaluation



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 *Hows* 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

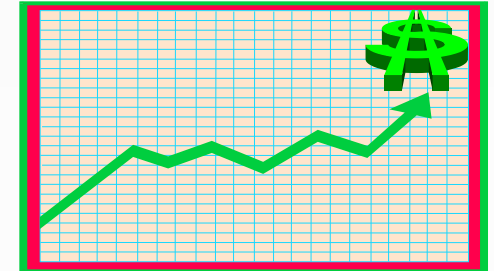
Achieving Sustained Competitive Advantage

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

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

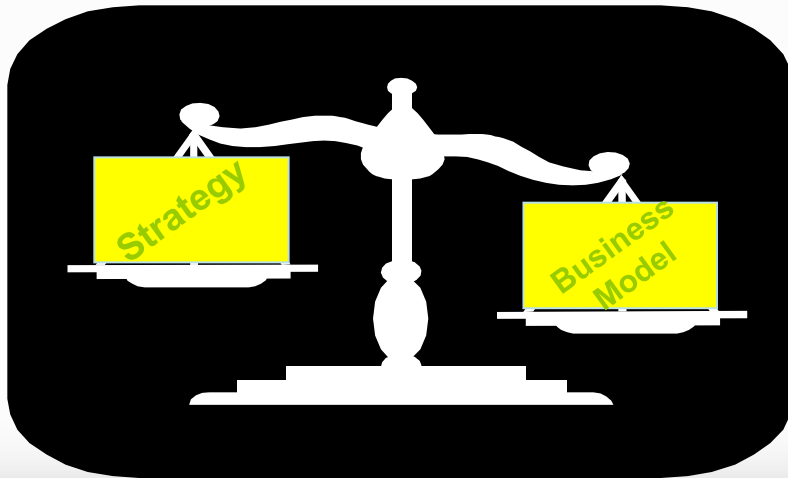
What Is a Business Model?

- A business model addresses “***How do we make money in this business?***”
 - Is the strategy capable of delivering good bottom-line results?
- Do the ***revenue-cost-profit economics*** of the strategy make good business sense?
 - Look at ***revenue streams*** the strategy is expected to produce
 - Look at associated ***cost structure*** and potential ***profit margins***
 - Do resulting earnings streams and ROI indicate the strategy makes sense and the company has a viable business model for making money?



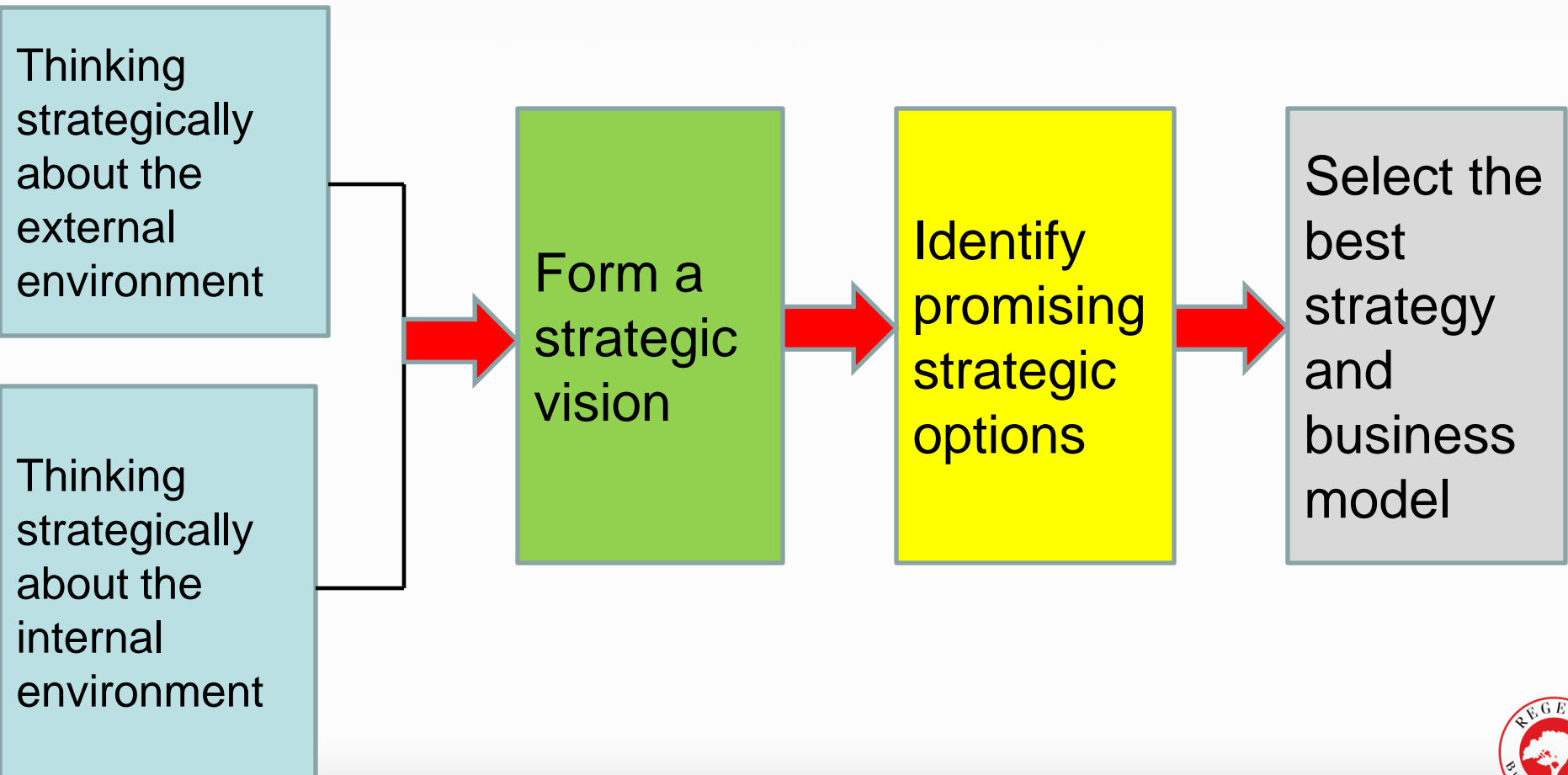
Relationship Between Strategy and Business Model

Strategy - Deals with a company's competitive initiatives and business approaches

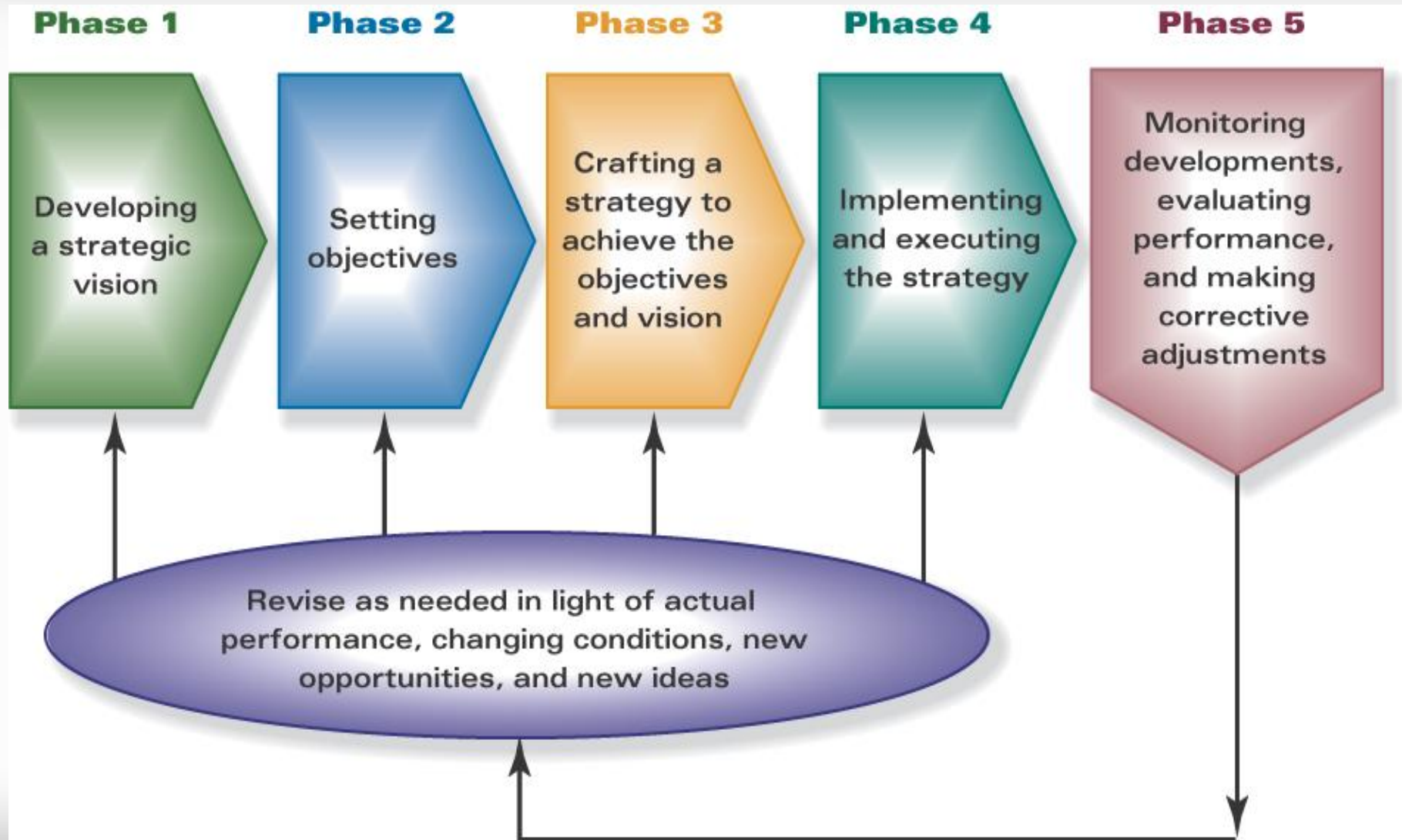


Business Model - Concerns whether revenues and costs flowing from the **strategy** demonstrate the business can be amply profitable and viable

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

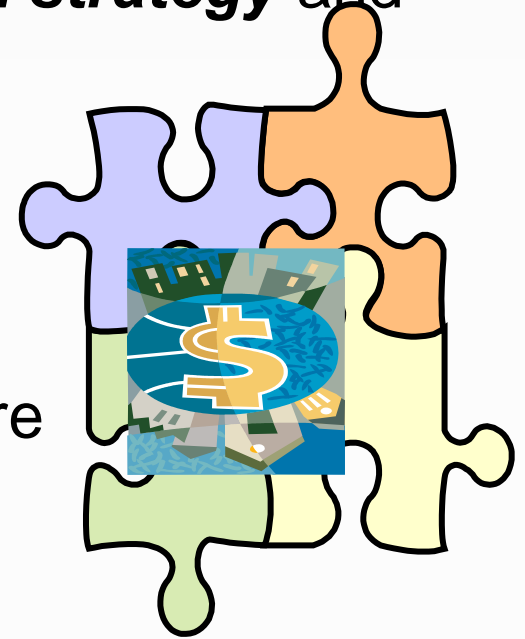
Long-term survival and competitive advantage

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

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

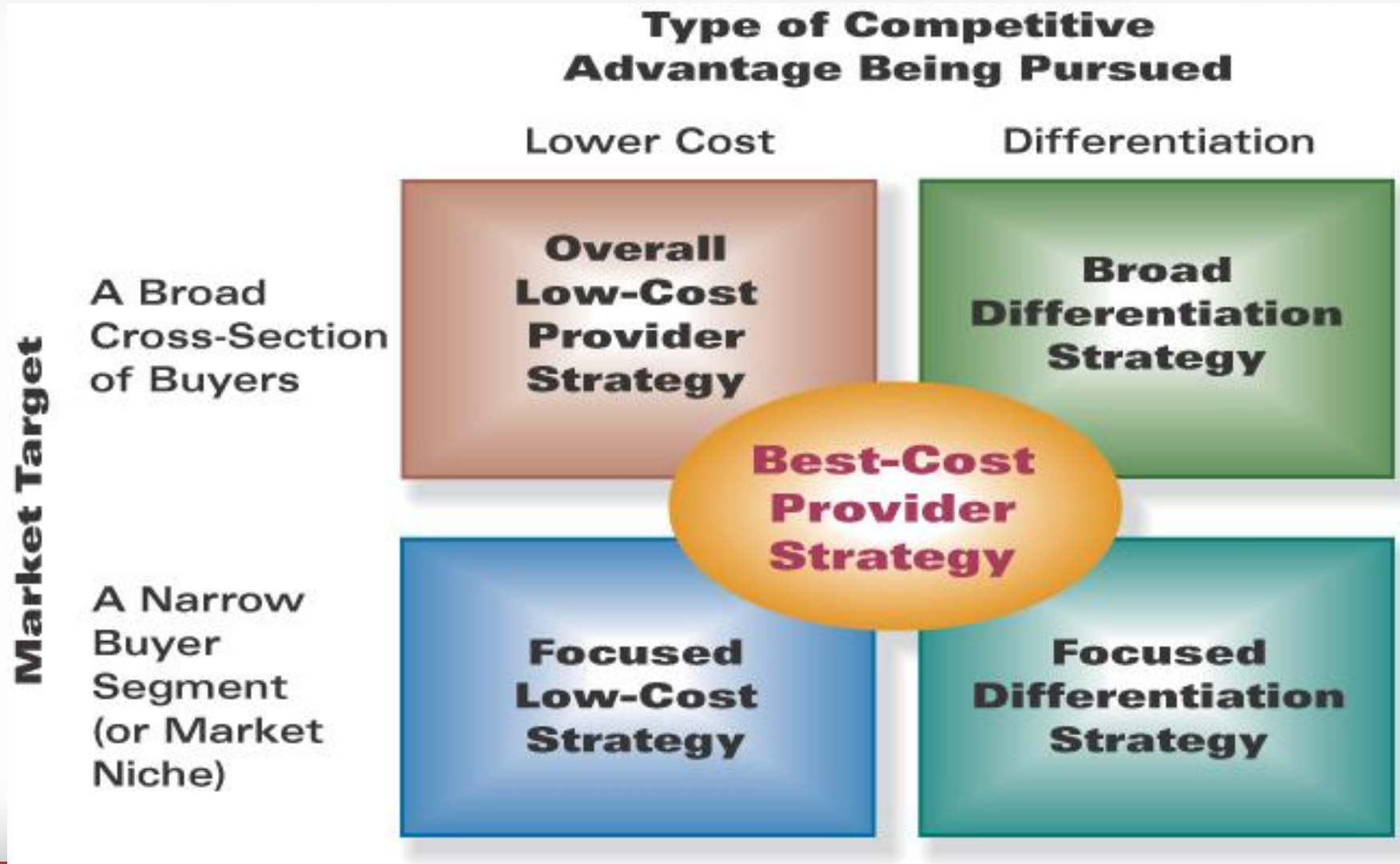
- Primarily an **operations-driven** activity
- Successful strategy execution depends on
 - Good organisation-building and people management
 - Creating a strategy-supportive culture
 - Continuous improvement
 - Getting things done and delivering good results

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?*

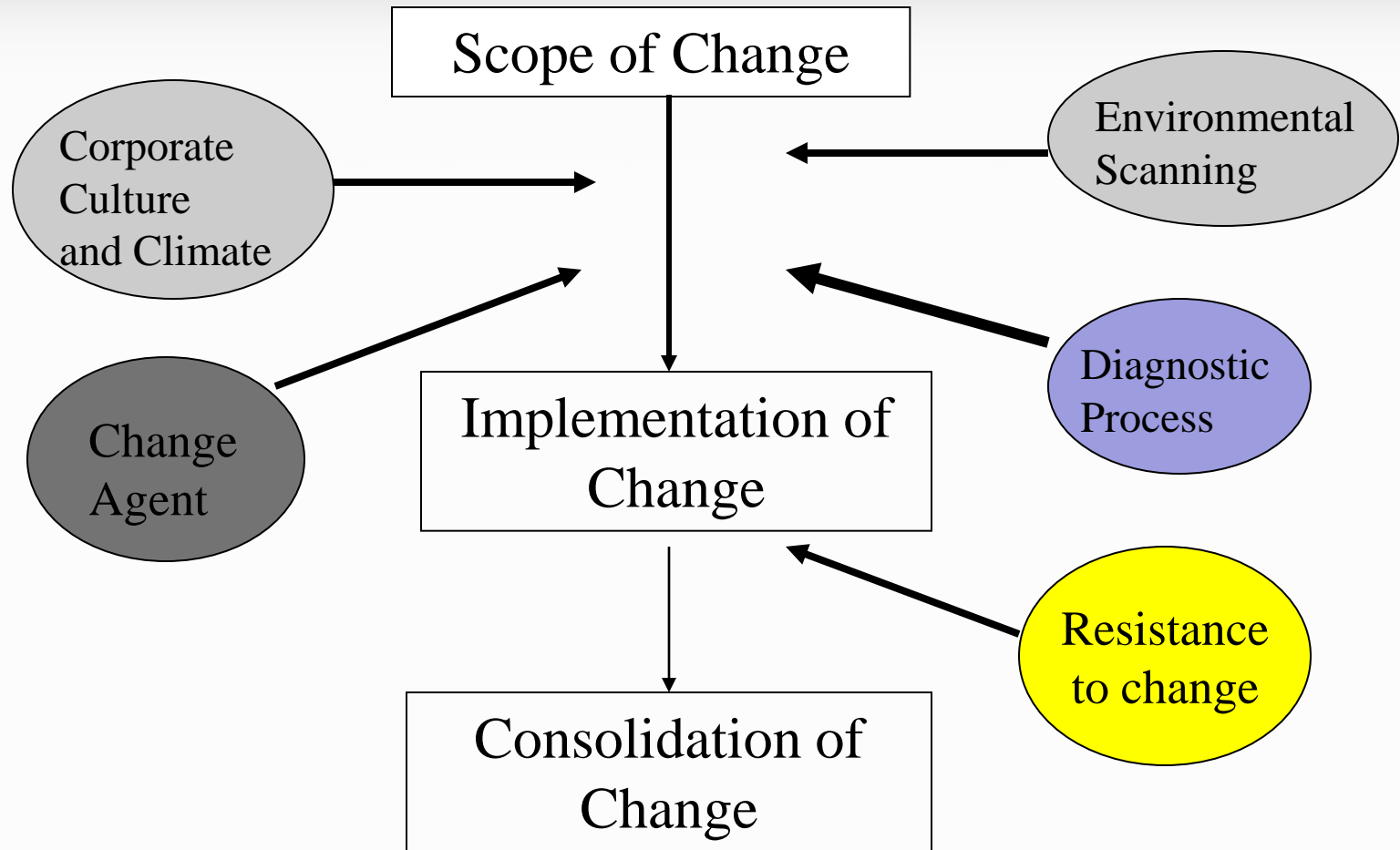
The Five Generic Competitive Strategies



Grand Strategies

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

Change Management



Defining Organisational Change

Porras and Silvers (1991:52):

Organisational change consists of the following components:

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

Defining Organisational Change

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

(Lazenby, 2013)

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

Strategic Issues of Change

(Johnson and Scholes, 2002)

- Time – how quickly is change needed?
- Scope – what is the scope of change needed?
- Diversity – what is the level of homogeneity in the organisation?
- Capacity – is there capacity in terms of resources needed to change?
- Readiness – are people ready for change?
- Capability – do employees and management have the capabilities to implement change?

Motivating Change

- Creating readiness for change
- Managing resistance to change

Creating a vision

- Energising commitment
- Describing a desired future state

Developing political support

- Assessing change agent power
- Identifying key stakeholders
- Influencing key stakeholders

Managing the transition

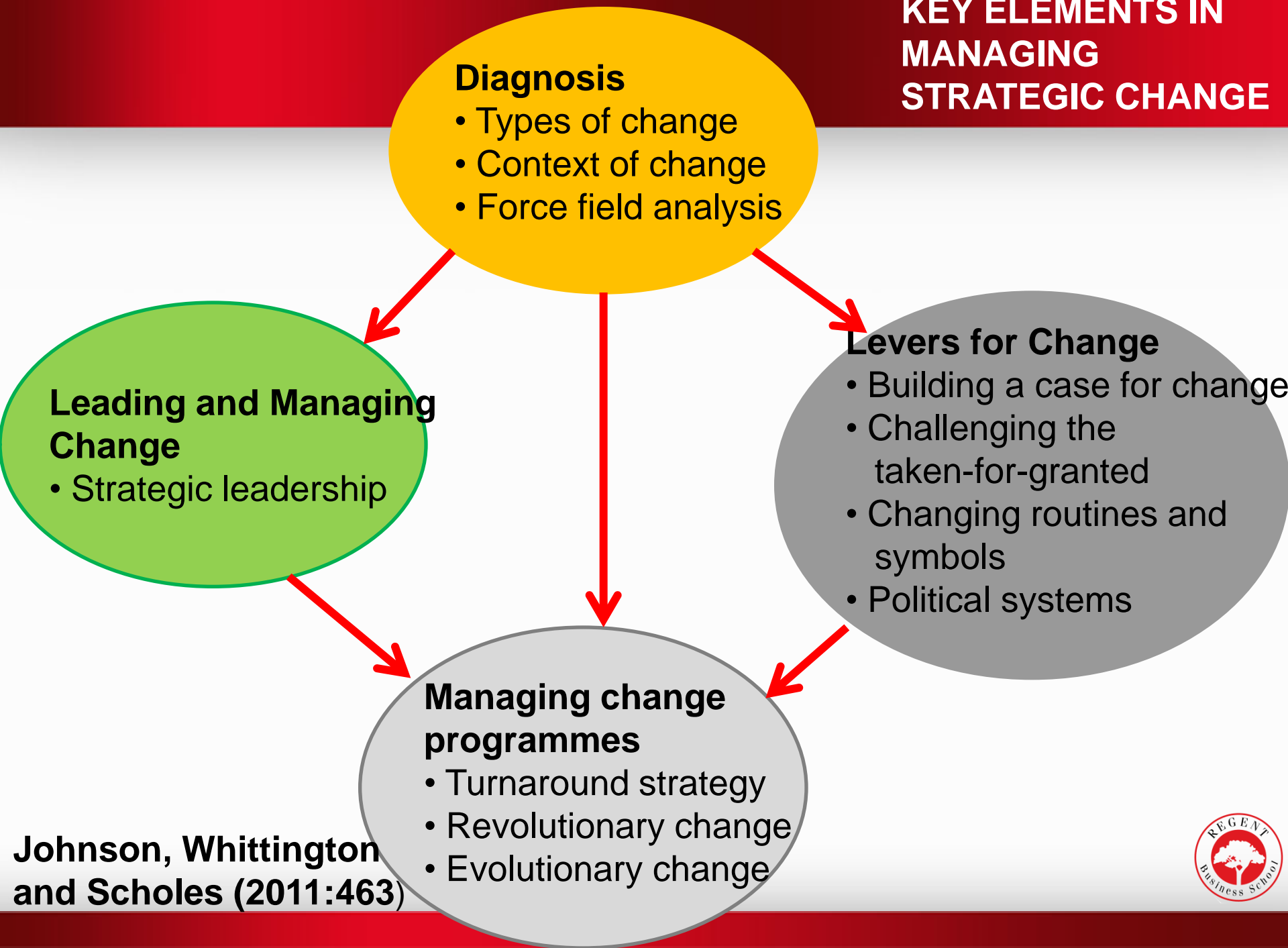
- Activity planning
- Commitment planning
- Management structures

Sustaining momentum

- Providing resources for change
- Building a support system for change agents
- Developing new competencies and skills
- Reinforcing new behaviours

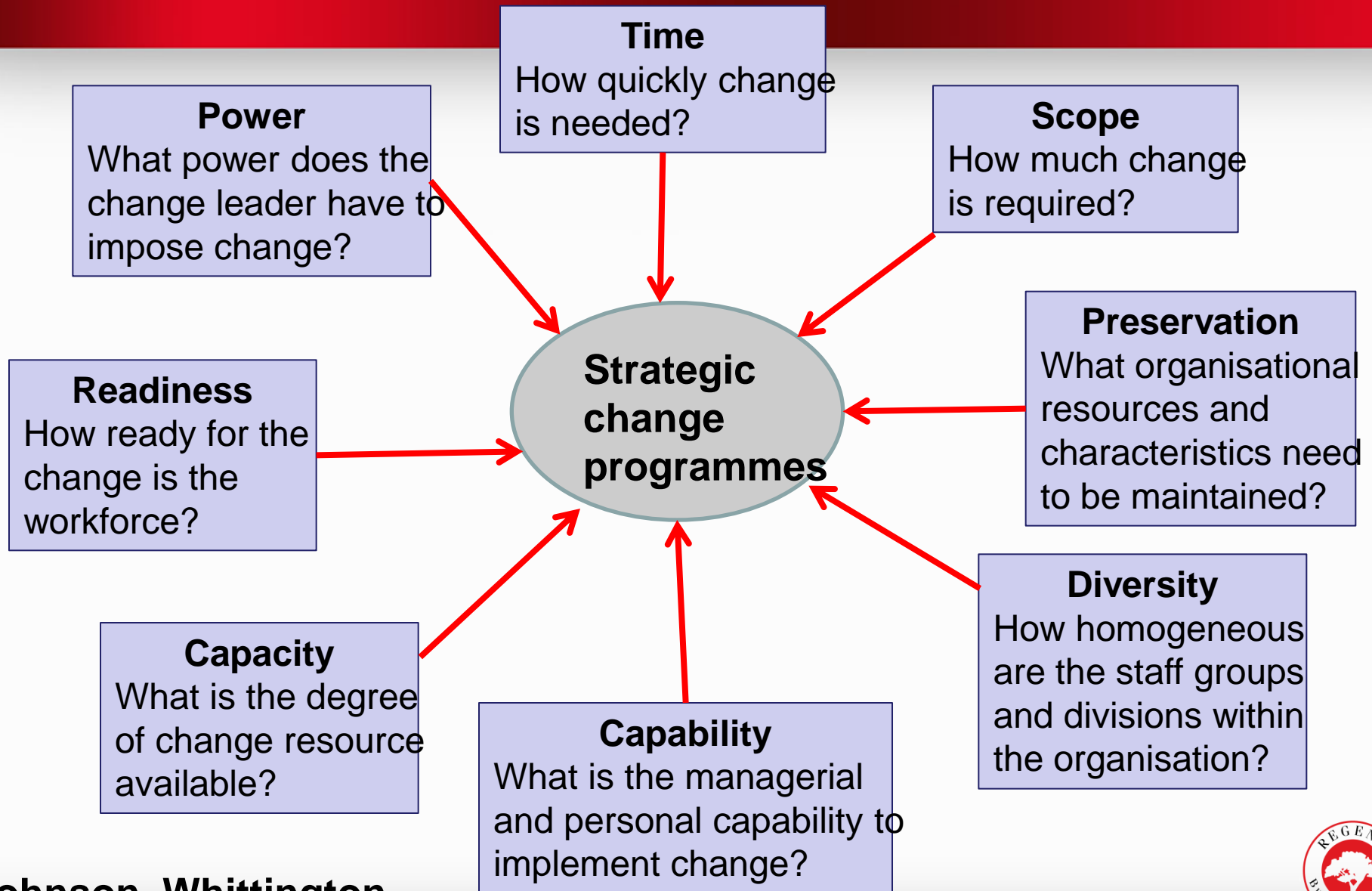
Effective change management

KEY ELEMENTS IN MANAGING STRATEGIC CHANGE



**Johnson, Whittington
and Scholes (2011:463)**

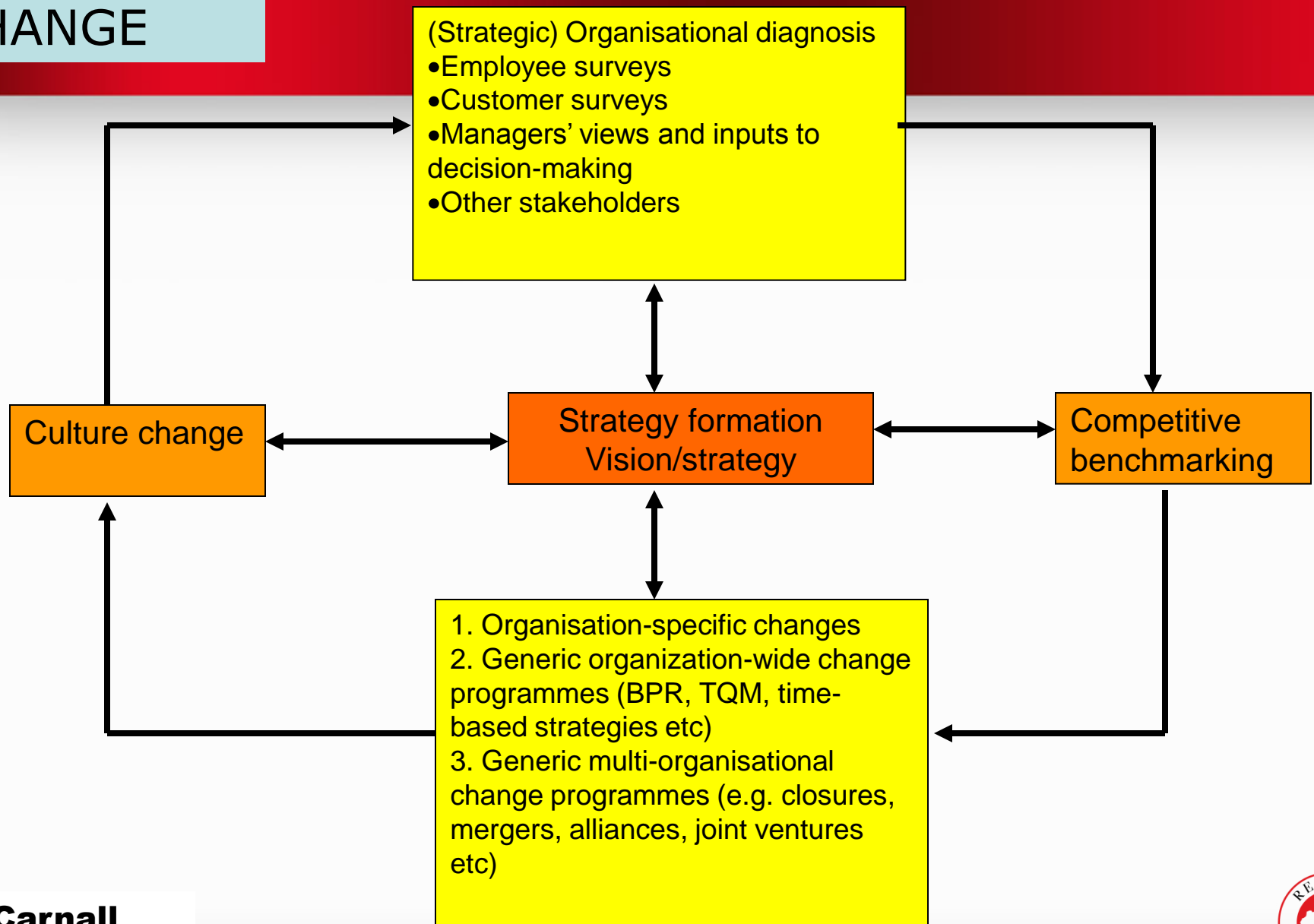
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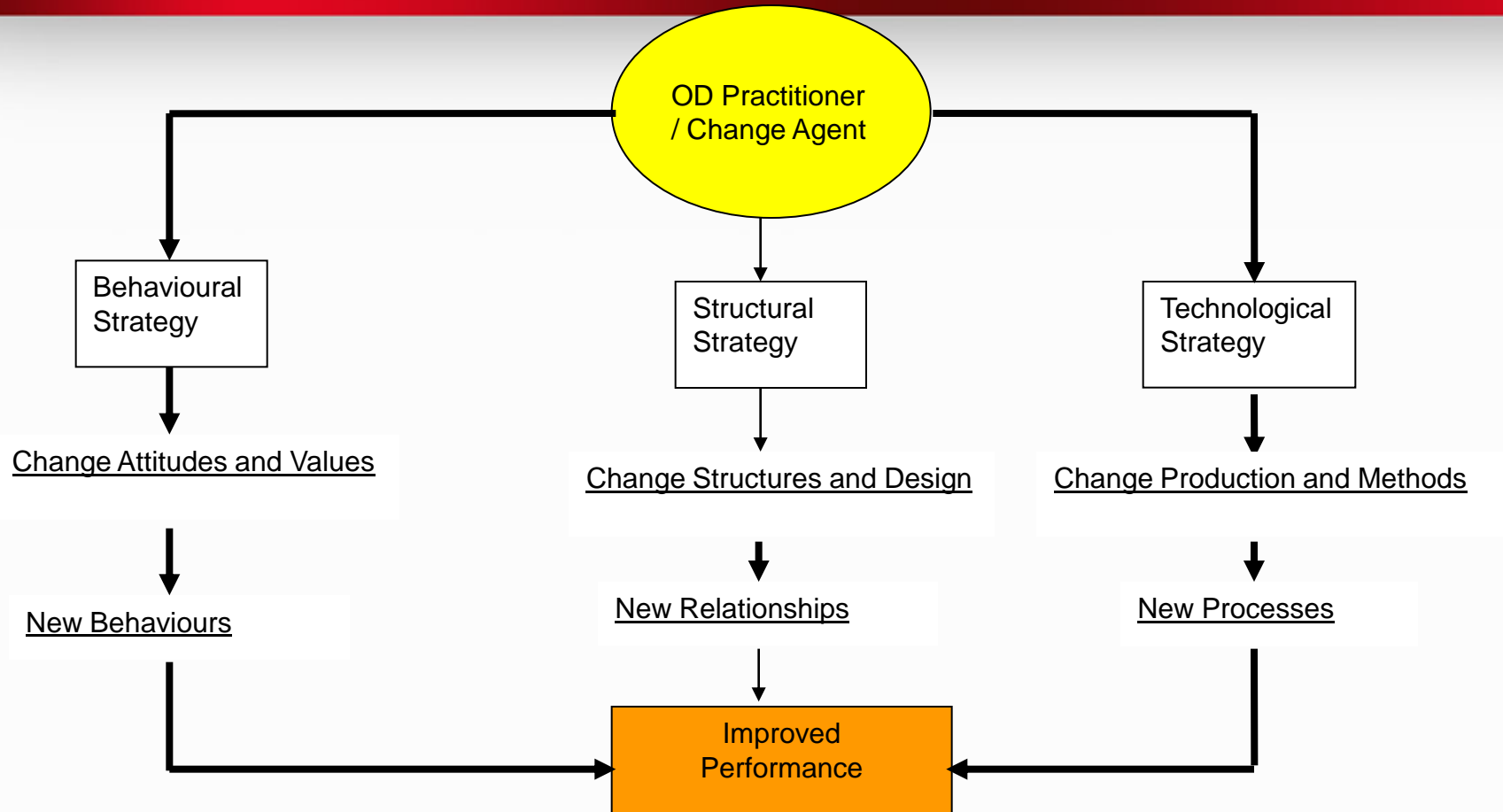
**Johnson, Whittington
and Scholes (2011:467)**



STRATEGIC CHANGE



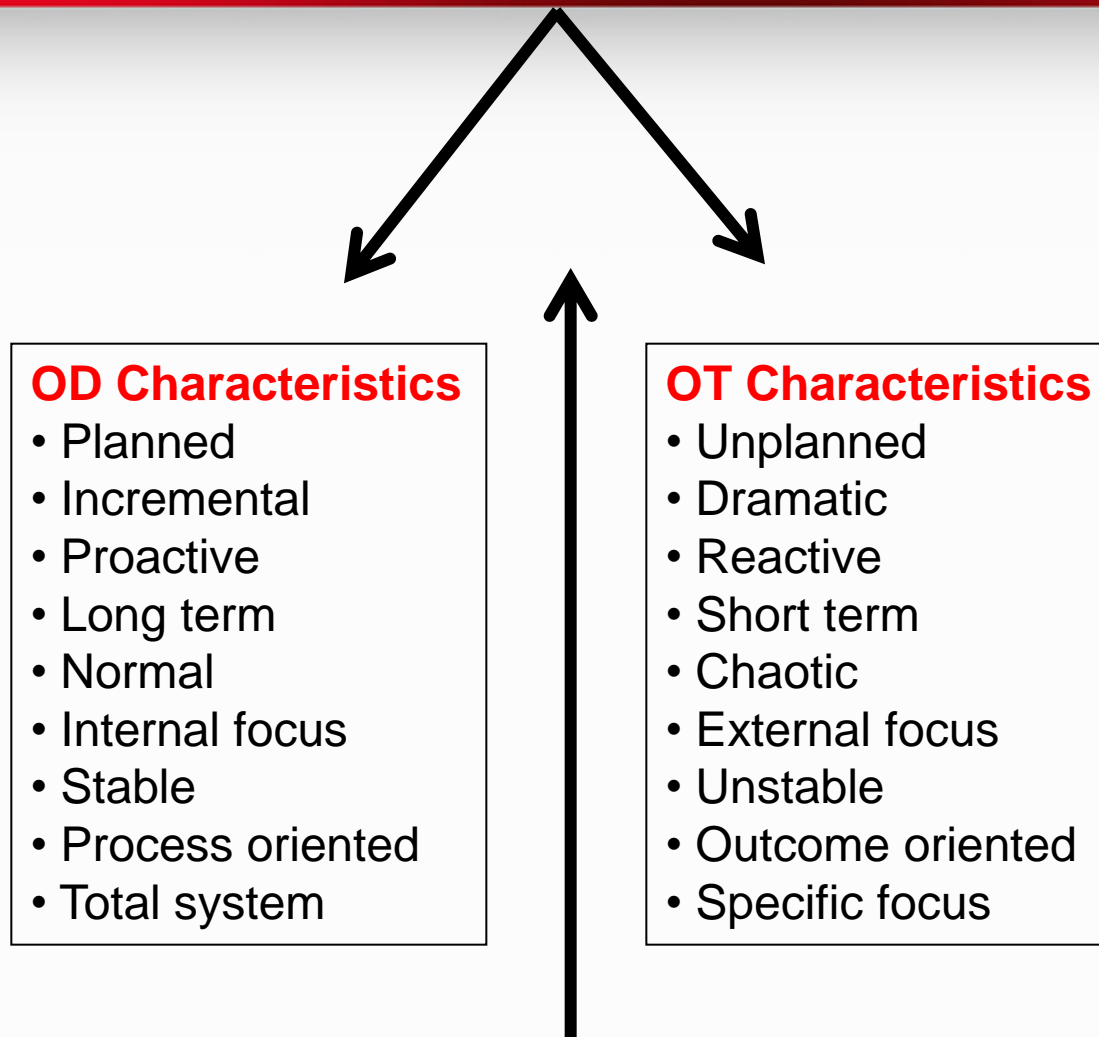
AN INTEGRATED APPROACH TO CHANGE



Organisational Effectiveness and Excellence

Harvey & Brown

The OD/OT pendulum of change



Organisations will be at various stages on this spectrum

Organisational Transformation

Refers to drastic changes in how the organisation functions and relates to its environment.

OD strategies represent more gradual approaches to strategic change.

OT approaches are drastic and abrupt change.

Organisational Transformation

OT may or may not be developmental.

OT tends to use directive, not participative, approaches to change.

Usually top-down, top-management driven.

Organisational Transformation

Requires shared vision, willingness to clean house, restructure, tackle many problems.

OT tends to be shaped by use of power rather than collaborative approaches.

Due to immediate threat, this may be only way for organisation to survive.

Possible Large-Scale Change Strategies

Large-scale change approaches are:

- Incremental - long-term planned change.
- Transformative - immediate, drastic change.

Large-Scale Change Model

Model based on 3 key dimensions:

1. Time frame of change—short or long.
2. Level of support of organisational culture.
3. Degree of discontinuity with environment.

Strategies for Planned Change

	Incremental Change Strategies	Transformational Change Strategies
Collaborative Modes	<p>1. Participative Evolution</p> <p>Use when organization is in fit but needs minor adjustment, or is out of fit but time is available and key interest groups favor change.</p>	<p>2. Charismatic Transformation</p> <p>Use when organization is out of fit, there is little time for extensive participation, but there is support for radical change within the organization.</p>
Coercive Modes	<p>3. Forced Evolution</p> <p>Use when organization is in fit but needs minor adjustment, or is out of fit but time is available and key interest groups oppose change.</p>	<p>4. Dictatorial Transformation</p> <p>Use when organization is out of fit and there is no time for extensive participation and no support within the organization for radical change, but radical change is vital to organizational survival and fulfillment of basic mission.</p>
	Long ←	→ Short
	Time Frame	

Four Change Strategies

1. Participative evolution - incremental; anticipates change; support of culture through collaborative means.
2. Charismatic transformation - radical change in short time with support of culture.

Four Change Strategies

3. Forced evolution - incremental adjustments over longer period without support of culture.
4. Dictatorial transformation - used in times of crisis; major restructuring running counter to internal culture.

Concepts

- Corporate culture - system of shared values and beliefs that interact with people, structure, and systems.
- Motivational climate - employee attitudes that influence performance.
- Managerial effectiveness - ability to accomplish specific organisational goals.

Culture From 2 Subsystems

1. Managerial

Through actions and words, managers define philosophy of how employees are treated.

Vision articulated by top management.

2. Organisational

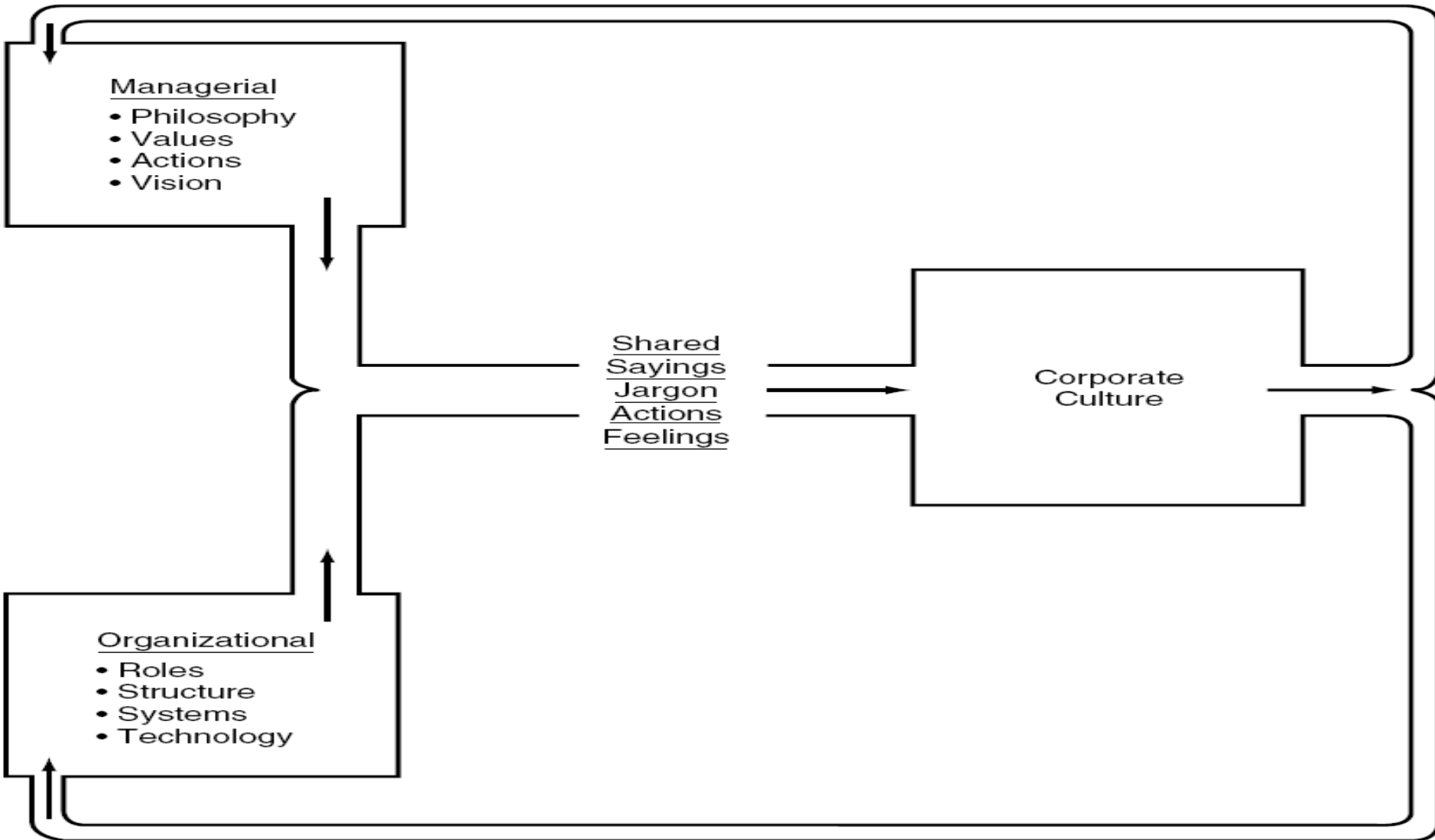
Outside factors define culture.

Technology influences culture.

Job descriptions and structure influence the development of culture development.

Culture Formation

Feedback



Feedback

Corporate Culture and Success

High-performing companies have strong cultures.

Many cultures fail to adapt to change.

Following corporate mergers, cultures often clash.



Key Factors to Improve Culture

Create vision for the future.

Develop model for change.

Reward changes.

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

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.

Change and Reinvent

Both people and organisations have vested interests in the status quo

Resistance to Change

- 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

• CREATING A LEARNING ORGANISATION

- Systematic Problem Solving
- Experimentation
- Learning from Past Experience
- Learning from others
- Transferring Knowledge

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

THE EXAMINATION ????



The Examination



- 3 hour closed book examination
- Total marks: 100
- The examination paper consists of three (3) questions.
- Students are required to answer **ALL THREE (3)** questions

The Examination



- The strategic management process
- Generic and Grand strategies
- External environment and industry analysis
- Organisational culture
- Change Management approaches