

MASTER OF BUSINESS ADMINISTRATION

Strategic and Change Management

May 2019

Johannesburg



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RULE NUMBER 1#

RTBM



Purpose of Strategic Management

To exploit and create new
and different opportunities
for tomorrow

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

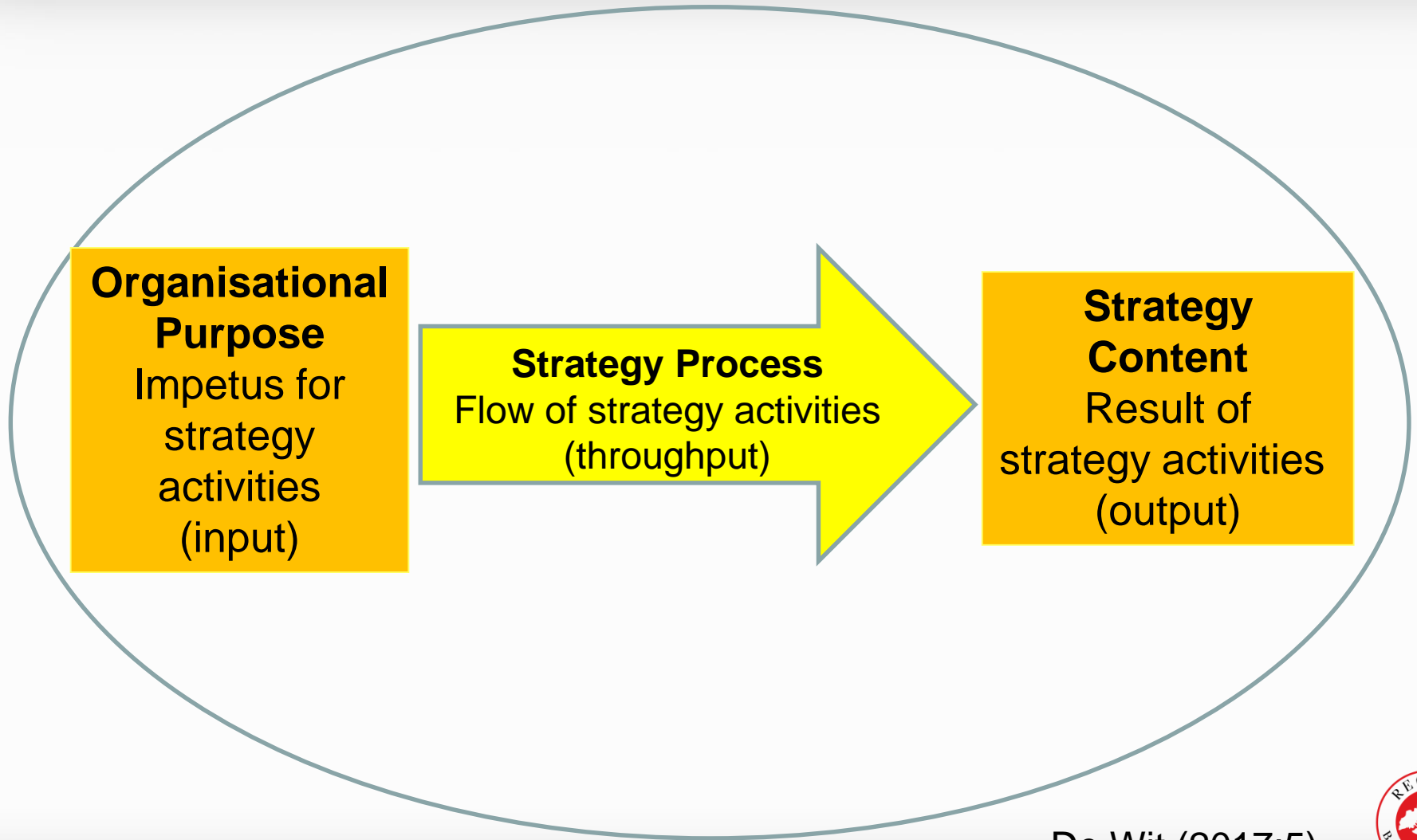
- ‘Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value’

Michael Porter

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

Henry Mintzberg

Dimensions of strategy and the organisational purpose



De Wit (2017:5)



Strategic Management is Gaining and Maintaining Competitive Advantage

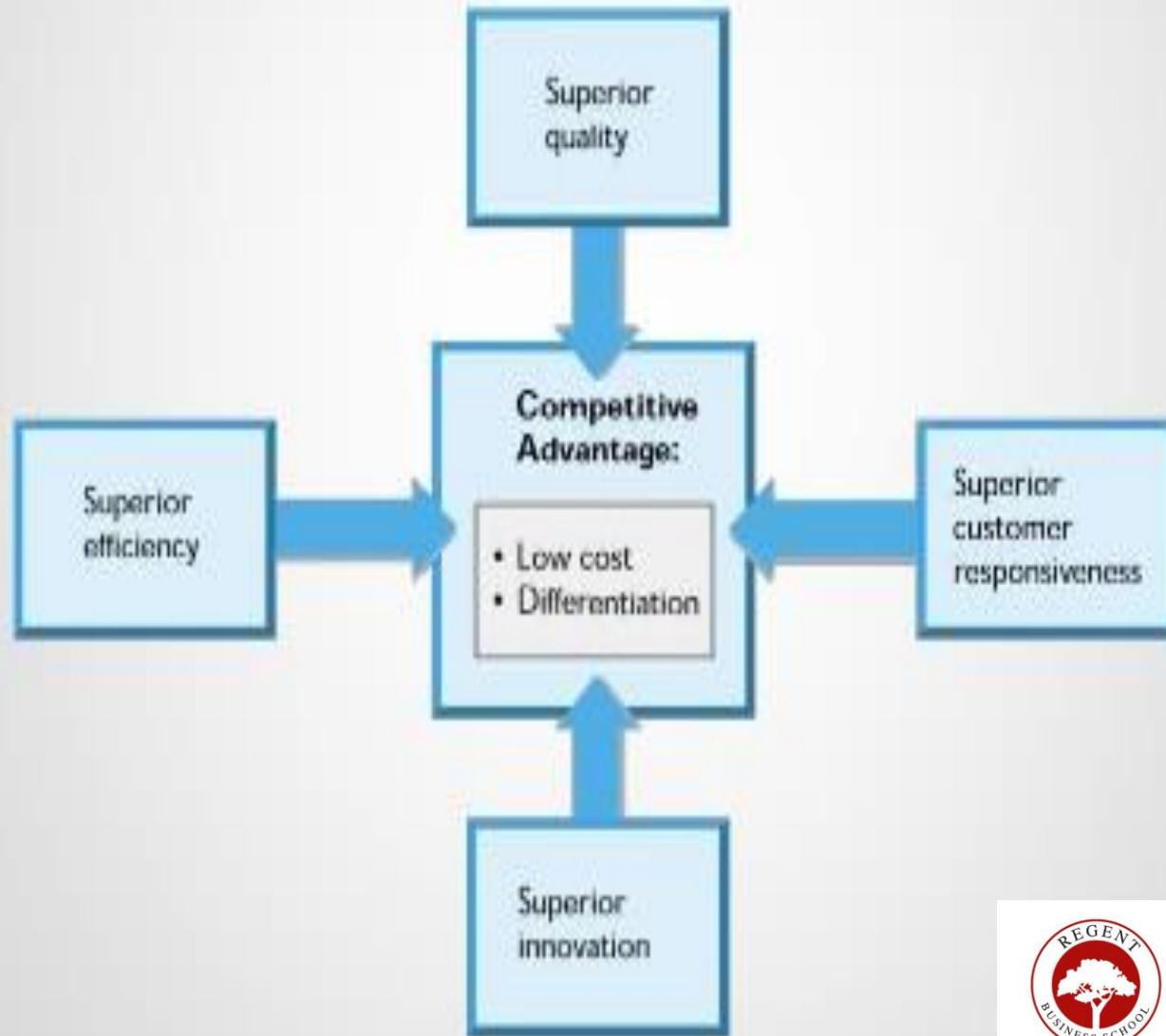
Anything that an organisation does
especially well compared to its rivals

COMPETITIVE ADVANTAGE



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4 Building Blocks of Competitive Advantage



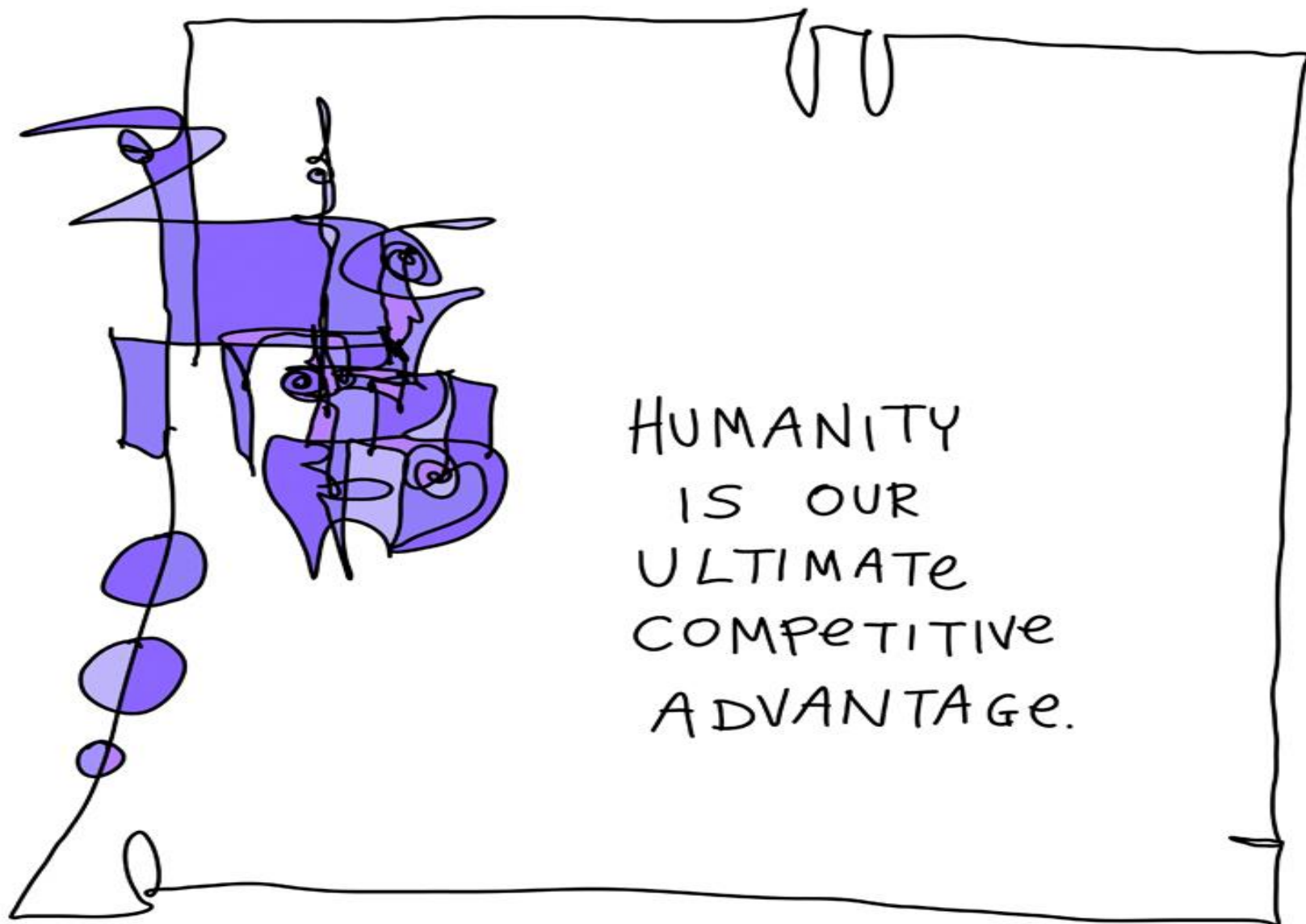
Sources of competitive advantage

- 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



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@gapingvoid

**Original conception
of business**

**Refined through
experience**

Building competences

**Providing
investment**

**Satisfying
stakeholders**

Which satisfy customers

**And take advantage
of environmental factors**

**Yielding
profits**

**Providing
opportunities**

**And which achieve
competitive advantage**



Strategizing

Corporate Strategy

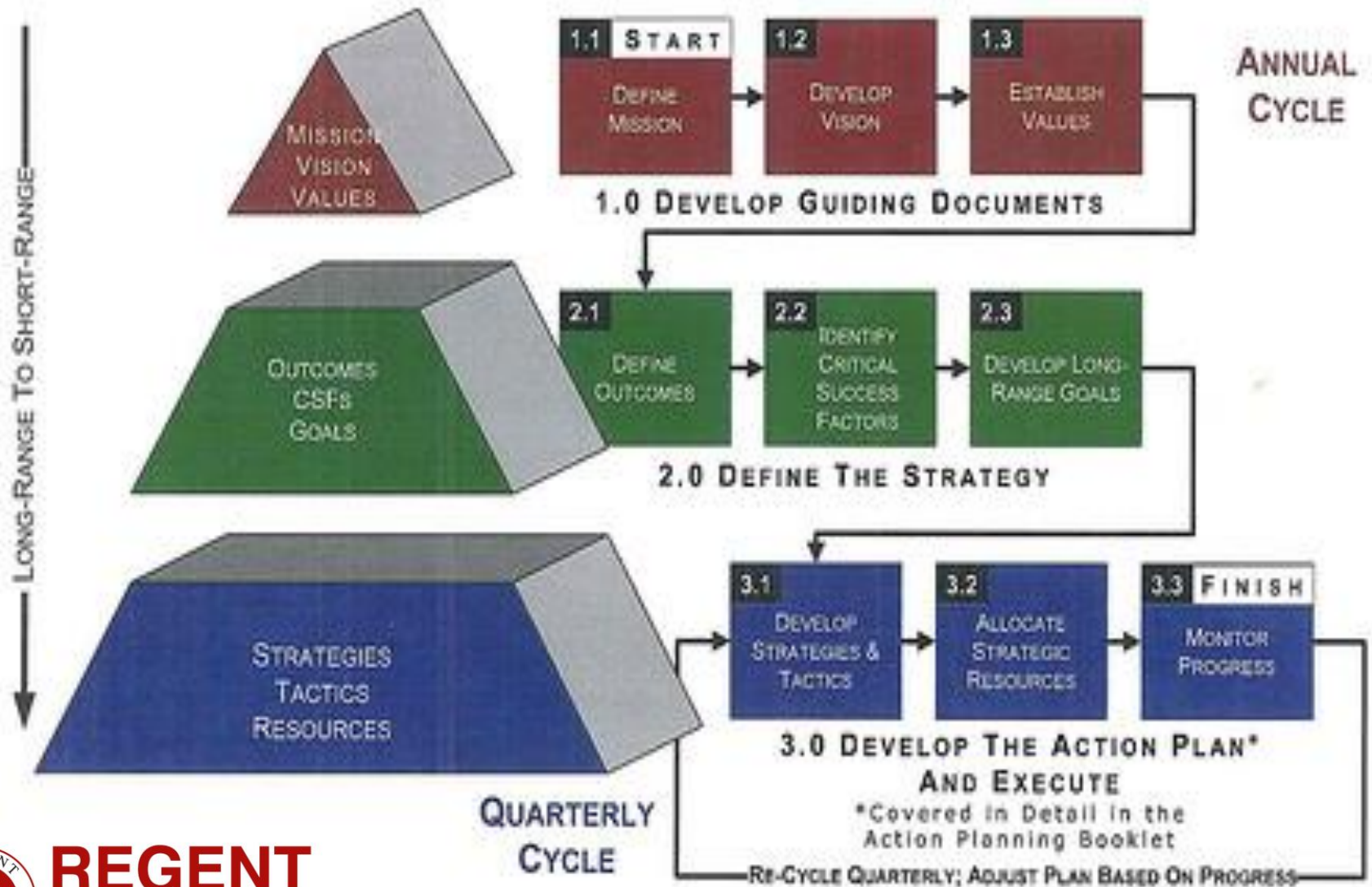
What business or businesses should we be in?

How does being in one business help us compete in our other businesses?

Business Strategy

How should we compete?

HIERARCHY OF STRATEGIC INTENT AND PROCESS



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Strategic Intent

- 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.

THE HIERARCHY OF STRATEGIC INTENT



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.**”



THE RELATIONSHIP BETWEEN VISION, MISSION AND OBJECTIVES (STRATEGIC INTENT)

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

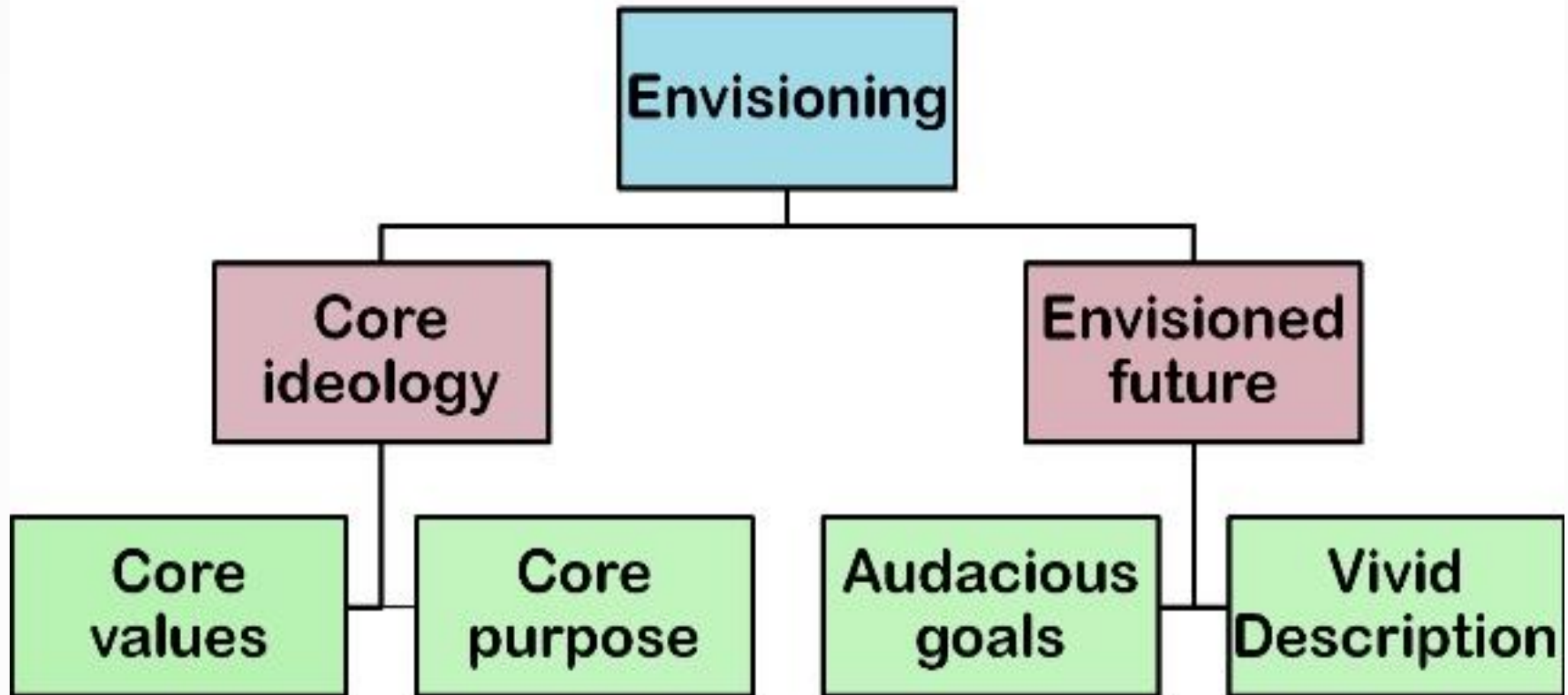


BROAD AIMS AND OBJECTIVES
to deliver the mission and vision



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

Envisioning



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.



New Opportunity-driven Business Development Model

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



Strategic Analysis

- industry analysis
- customer/marketplace trends
- environmental forecast
- competitor analysis
- assessment of internal strengths, weaknesses, resources



Strategy

The central integrated, externally oriented concept of how we will achieve our objectives

Supporting Organizational Arrangements

- structure
- process
- symbols
- functional policies and profiles
- rewards
- people
- activities

Mission

- fundamental purpose
- values



Objectives

- specific targets



THE STRATEGY DIAMOND

Staging & pacing: What will be our speed and sequence of moves?

- Speed of expansion?
- Sequence of initiatives?

Economic logic: How will returns be obtained?

- Lowest costs through scale advantages?
- Lowest costs through scope and replication advantages?
- Premium prices due to unmatched service?
- Premium prices due to proprietary product features?



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?

Vehicles: How will we get there?

- Internal development?
- Joint ventures?
- Licensing/franchising?
- Alliances?
- Acquisitions?

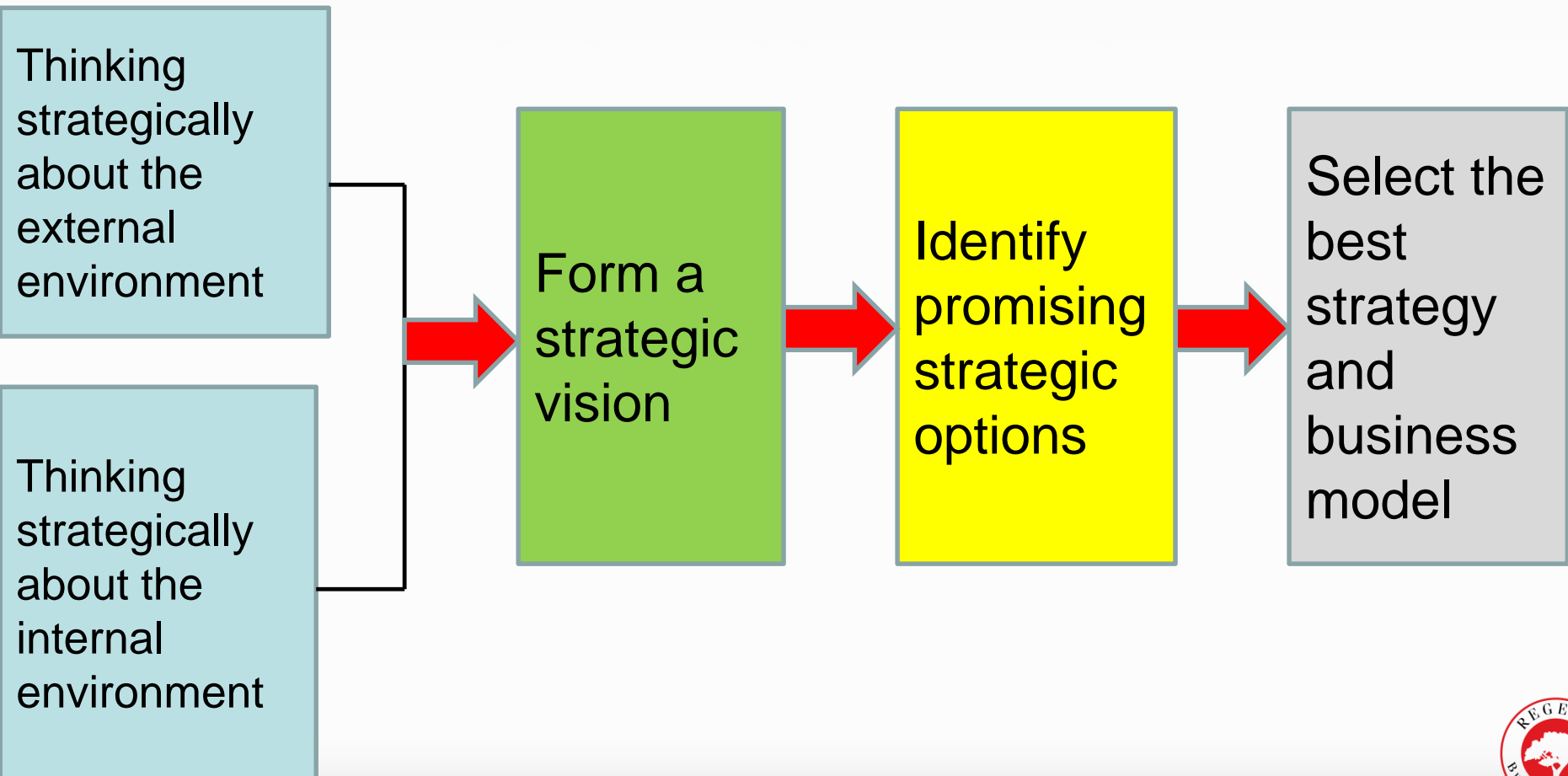
Differentiators: How will we win?

- Image?
- Customization?
- Price?
- Styling?
- Product reliability?
- Speed to market?

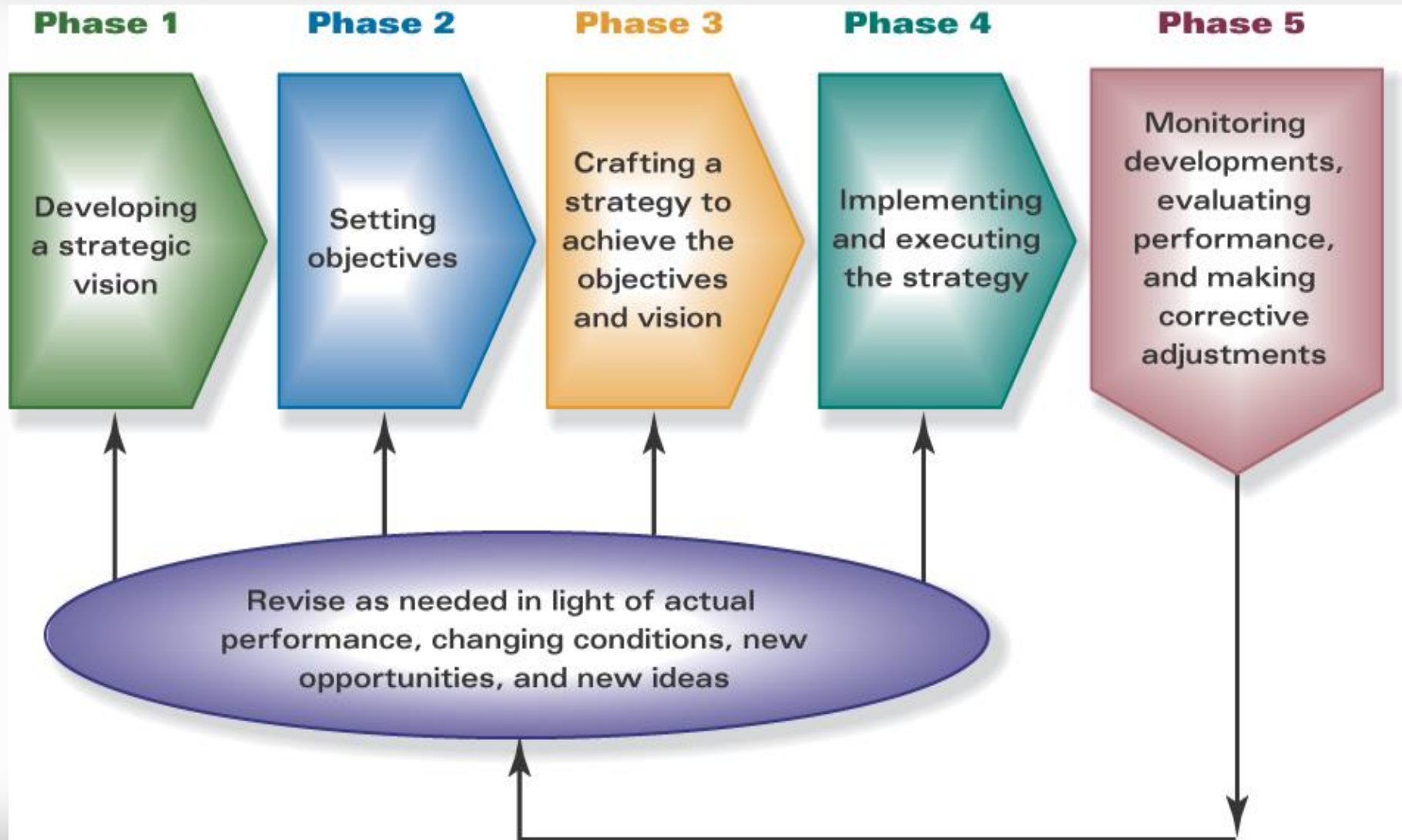
3 Stages of the Strategic Management Process

- Strategy formulation
- Strategy implementation
- Strategy evaluation

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

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

- **Drivers**

Leadership, Organisational Culture, Reward systems
Organisational structure, Resource allocation



Drivers and Instruments for Strategy Implementation

- 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

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

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

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?

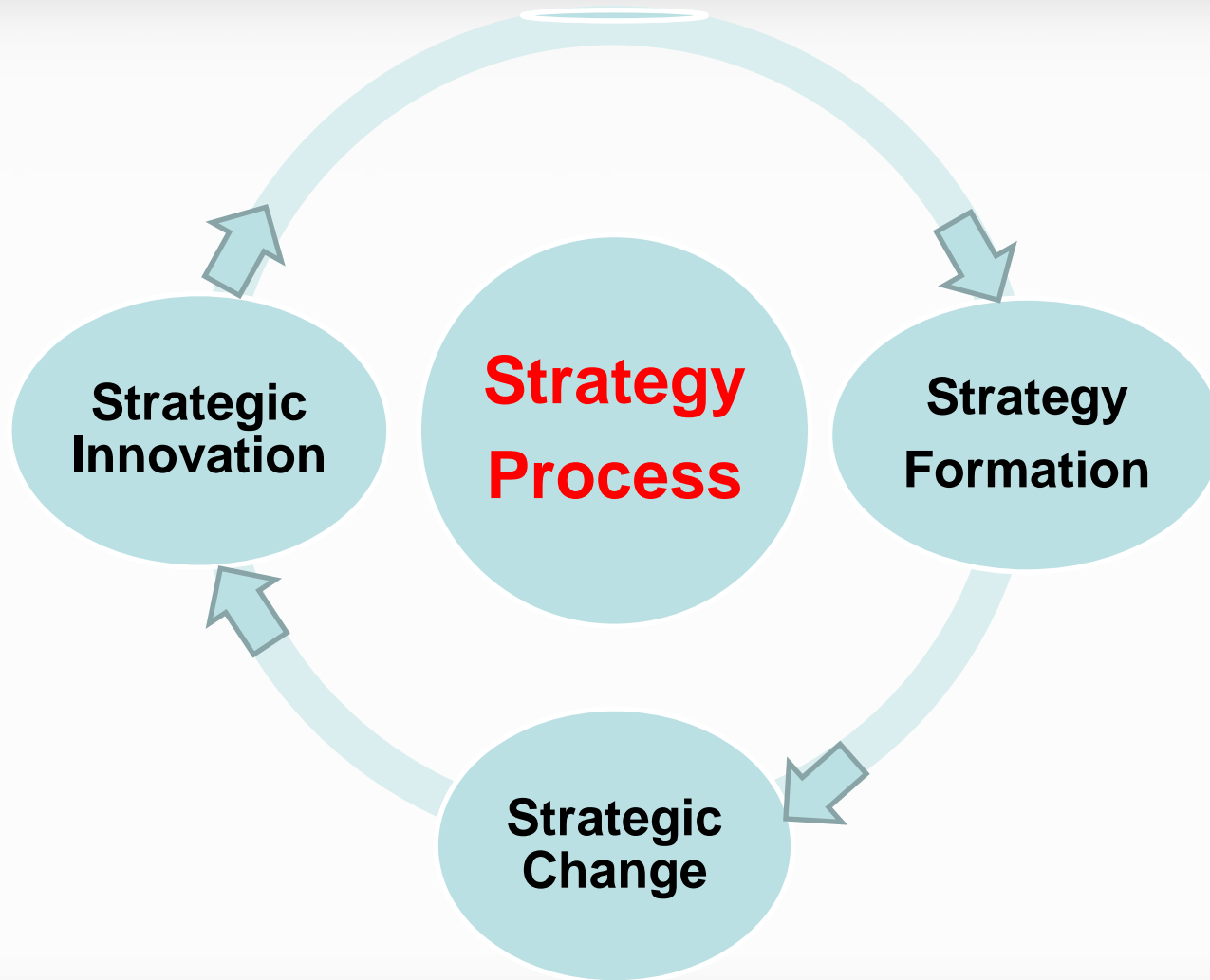
The Five Generic Competitive Strategies



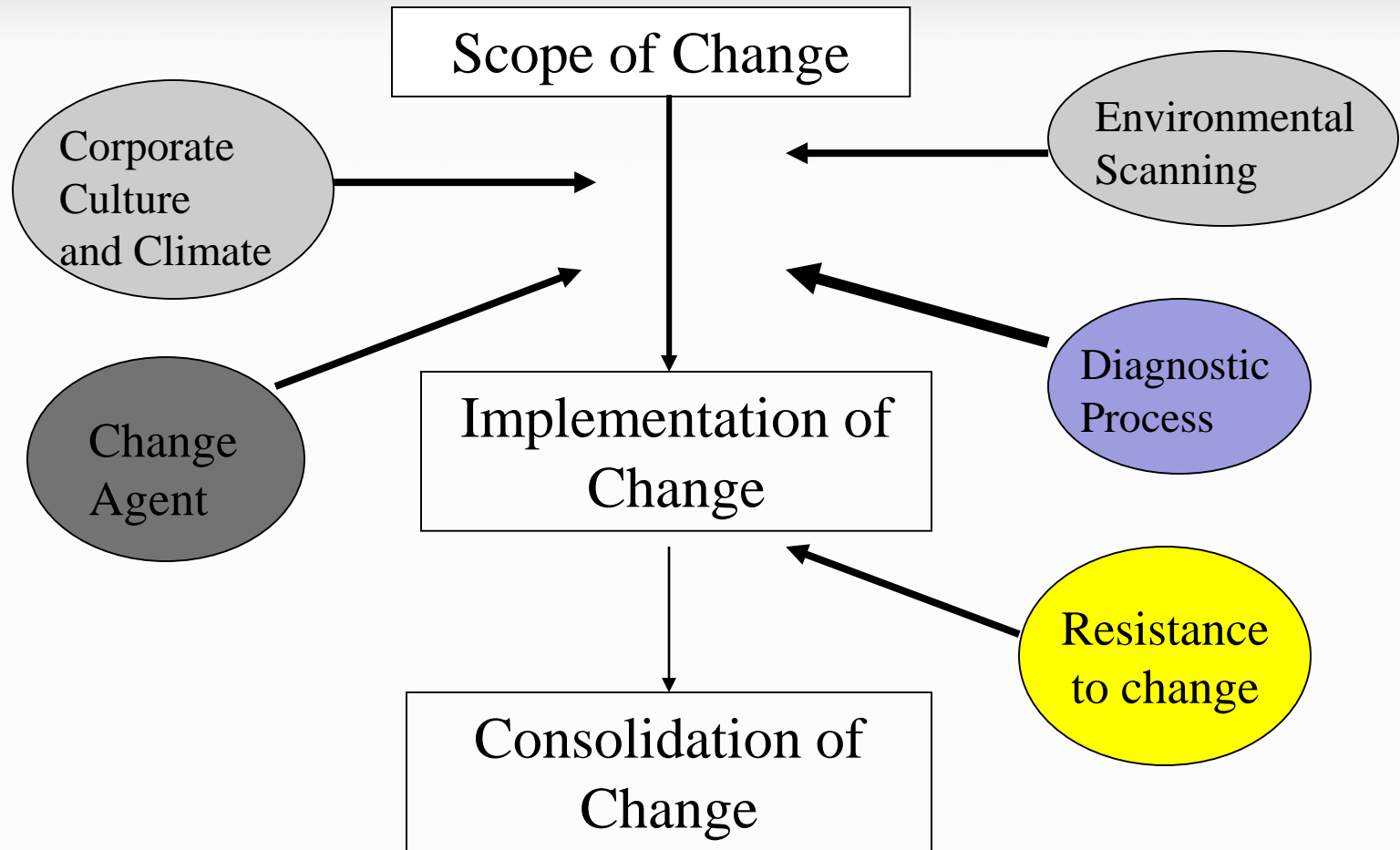
Grand Strategies

- 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



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

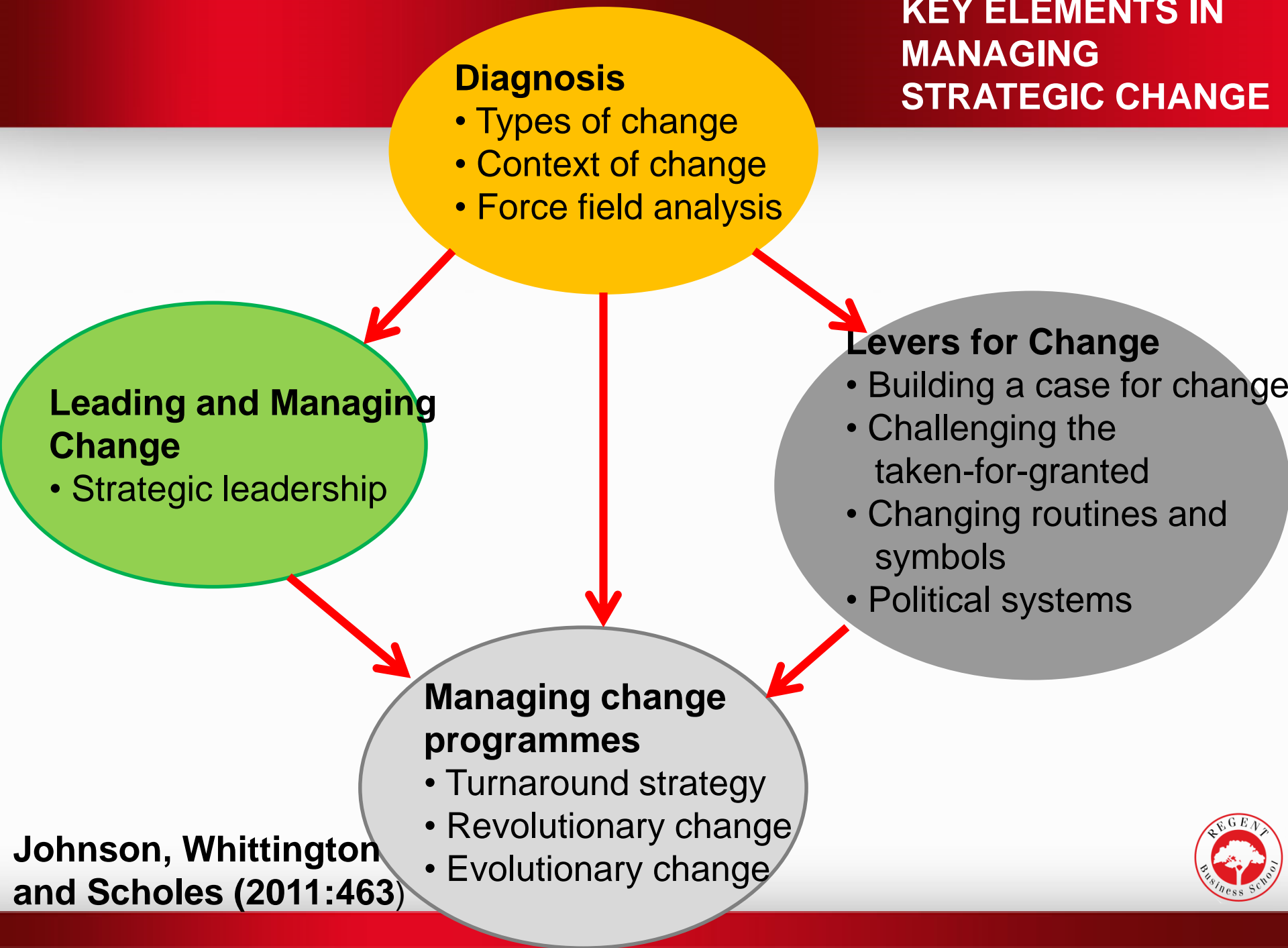
- Activity planning
- Commitment planning
- Management structures

Sustaining momentum

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

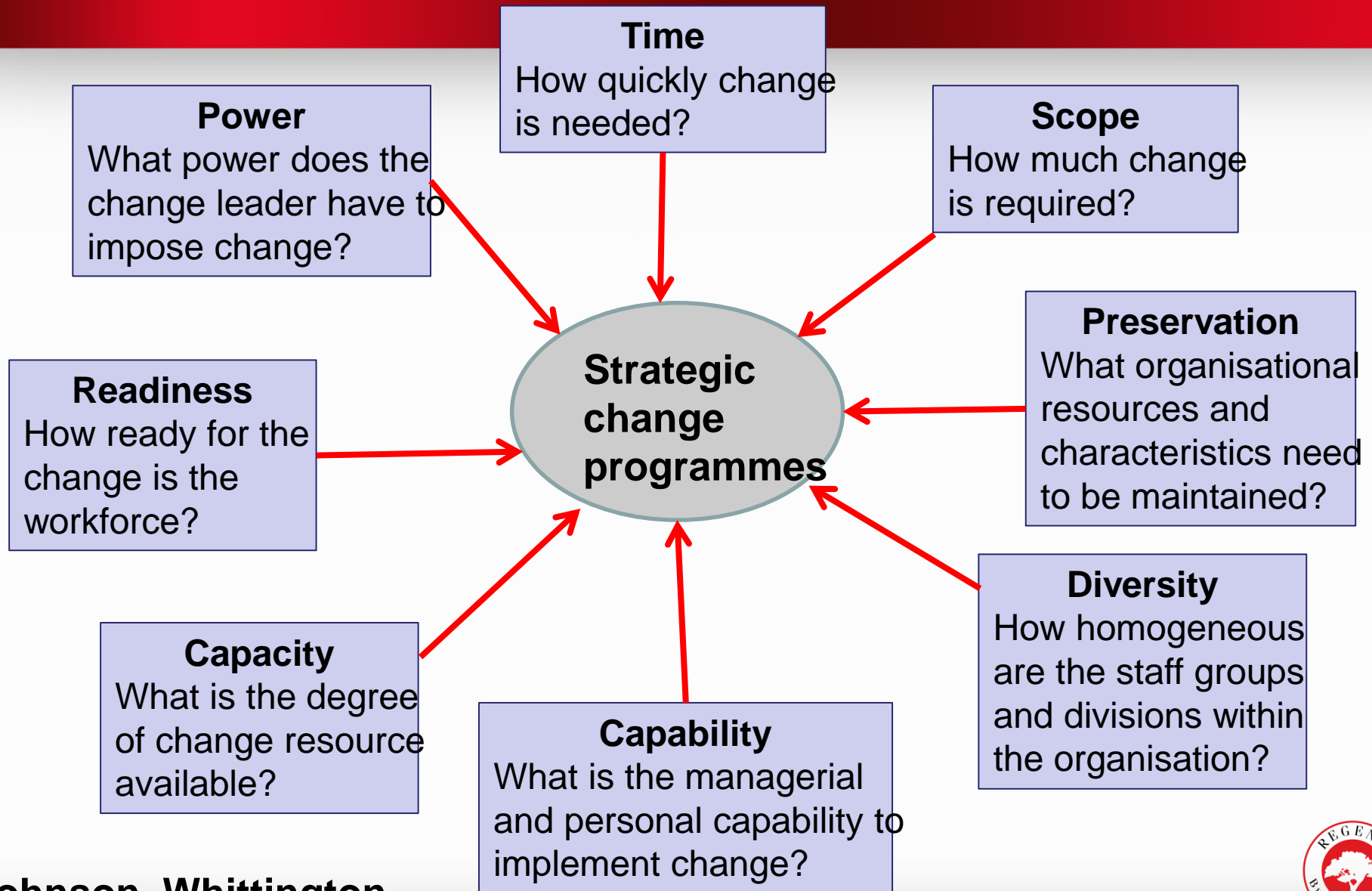
Effective change management

KEY ELEMENTS IN MANAGING STRATEGIC CHANGE



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

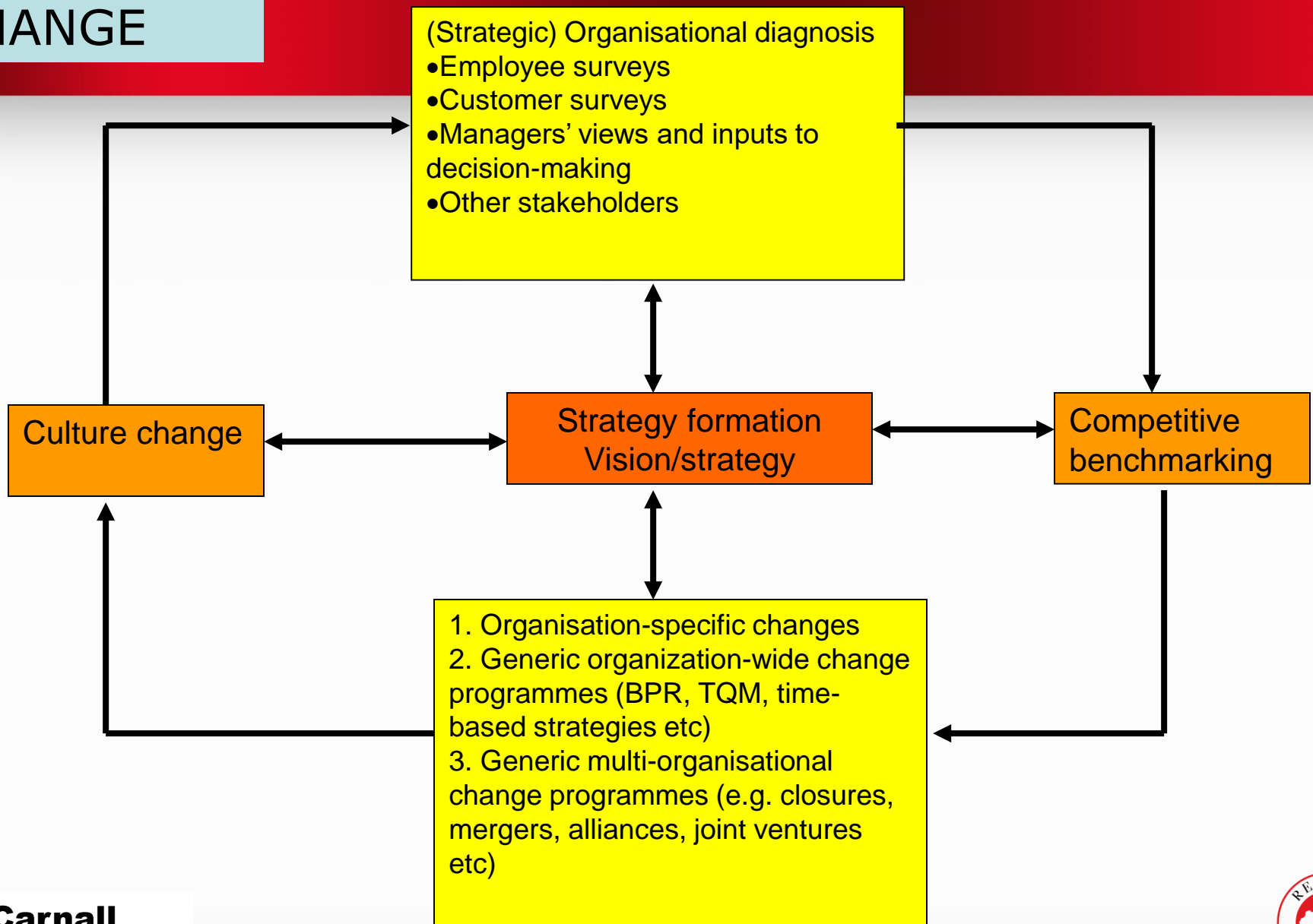
THE CHANGE KALEIDOSCOPE



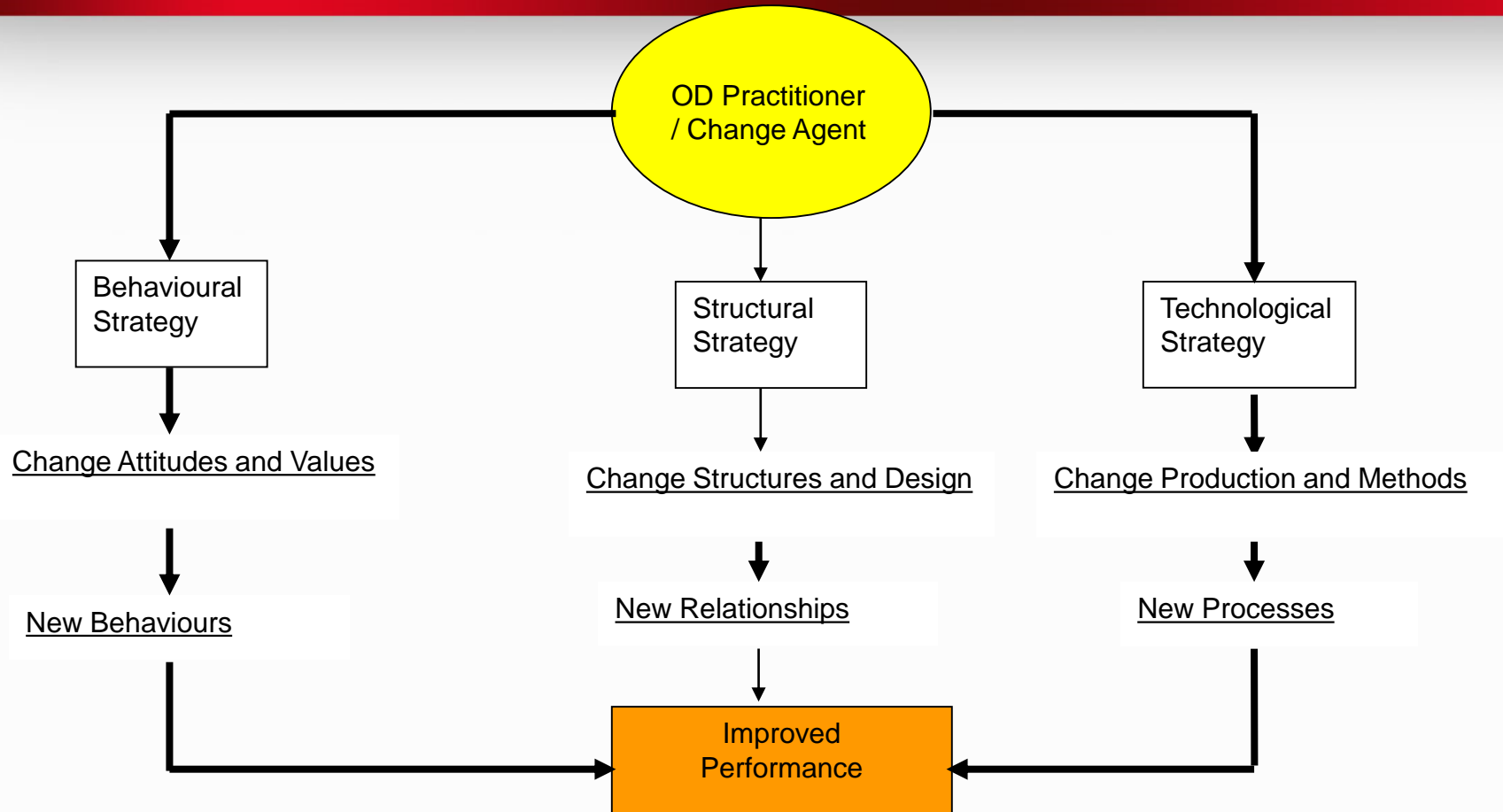
**Johnson, Whittington
and Scholes (2011:467)**



STRATEGIC CHANGE



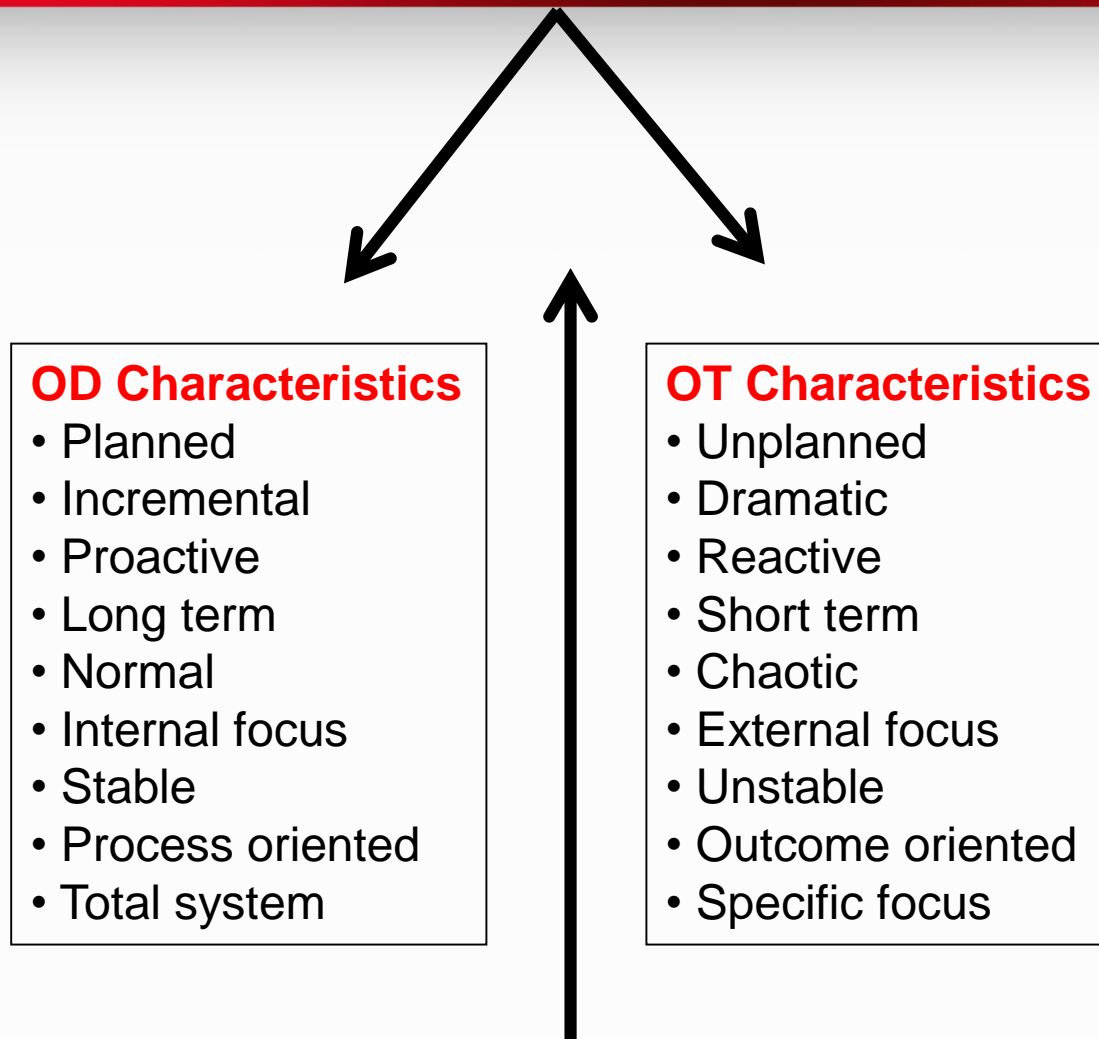
AN INTEGRATED APPROACH TO CHANGE



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

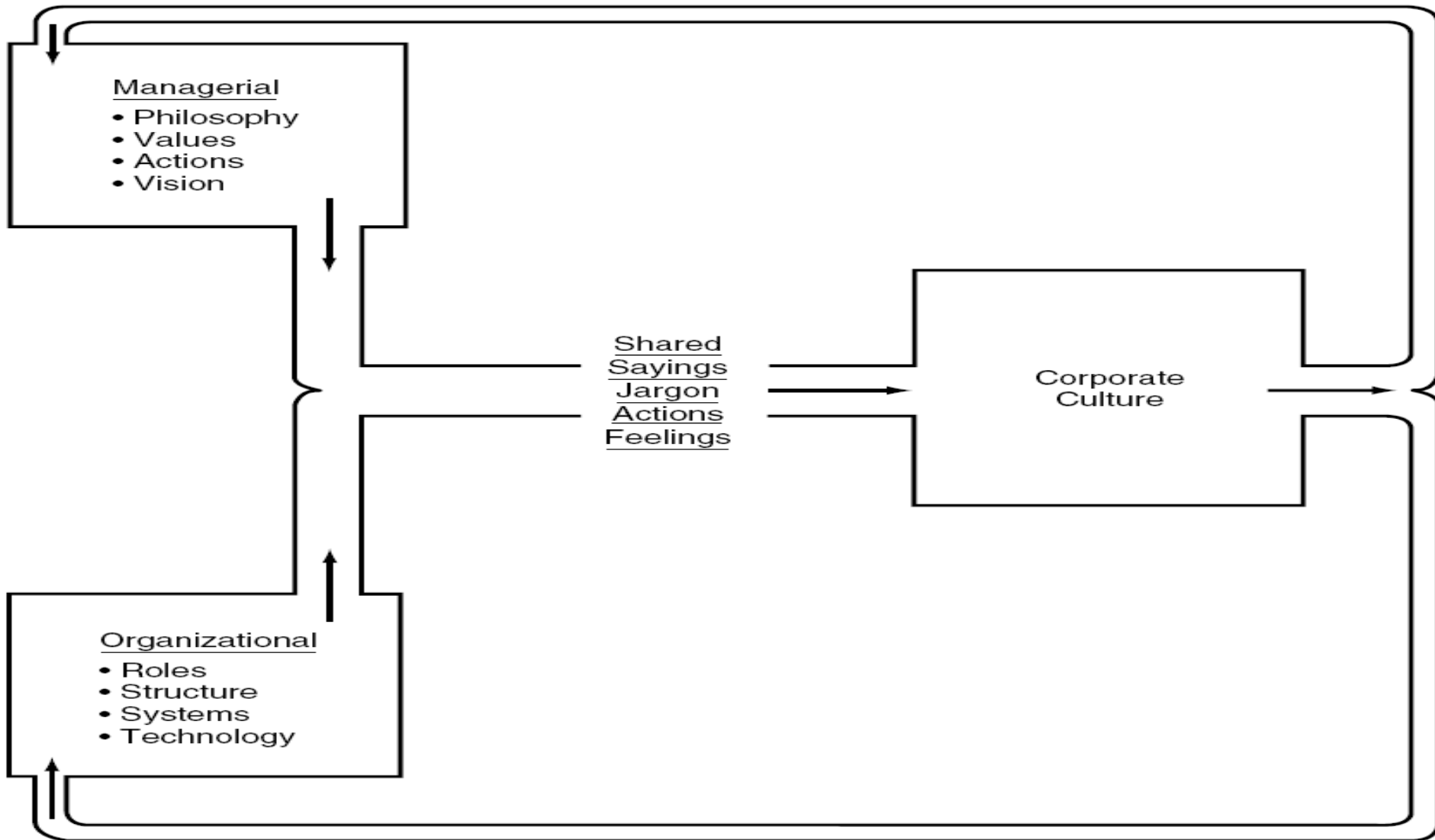
Outside factors define culture.

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 ????



RULE NUMBER 2#

ATQ

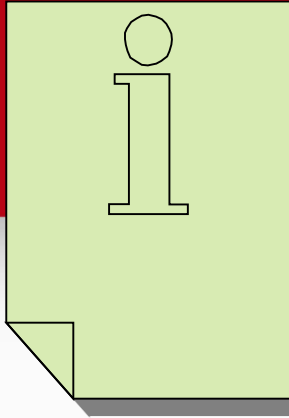
The Examination

- 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.



QUESTIONS

Contact



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