

STRATEGIC AND CHANGE MANAGEMENT

Durban

20 February 2016



RULE # 1

R T B M



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 tomorrow



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



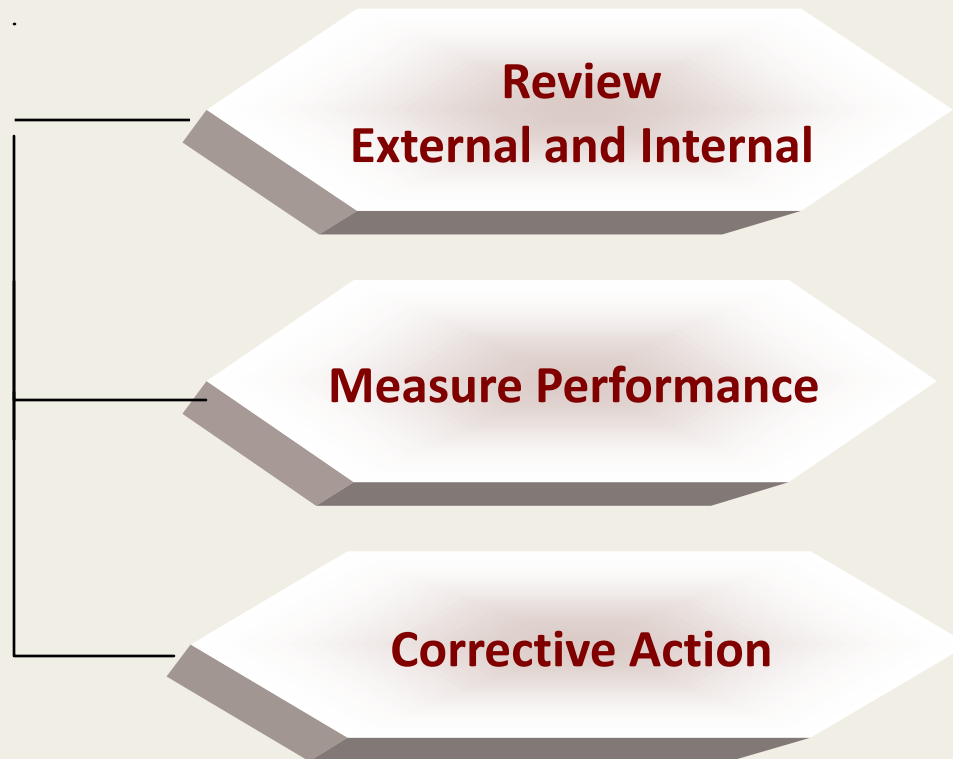
Issues in Strategy Implementation

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

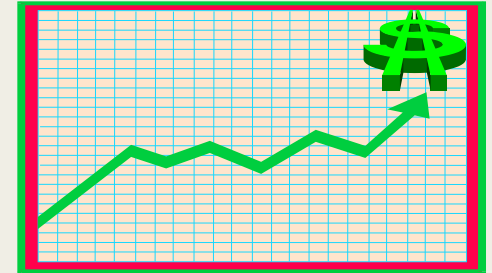
1. Continually adapting to changes in external trends and events and internal capabilities, competencies, and resources

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



What Is a Business Model?

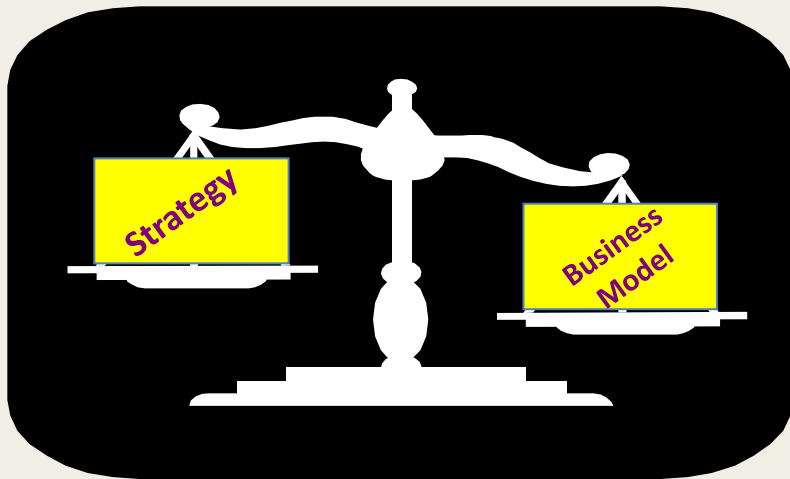
- A business model addresses “***How do we make money in this business?***”
 - Is the strategy capable of delivering good bottom-line results?
- Do the ***revenue-cost-profit economics*** of the strategy make good business sense?
 - Look at ***revenue streams*** the strategy is expected to produce
 - 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

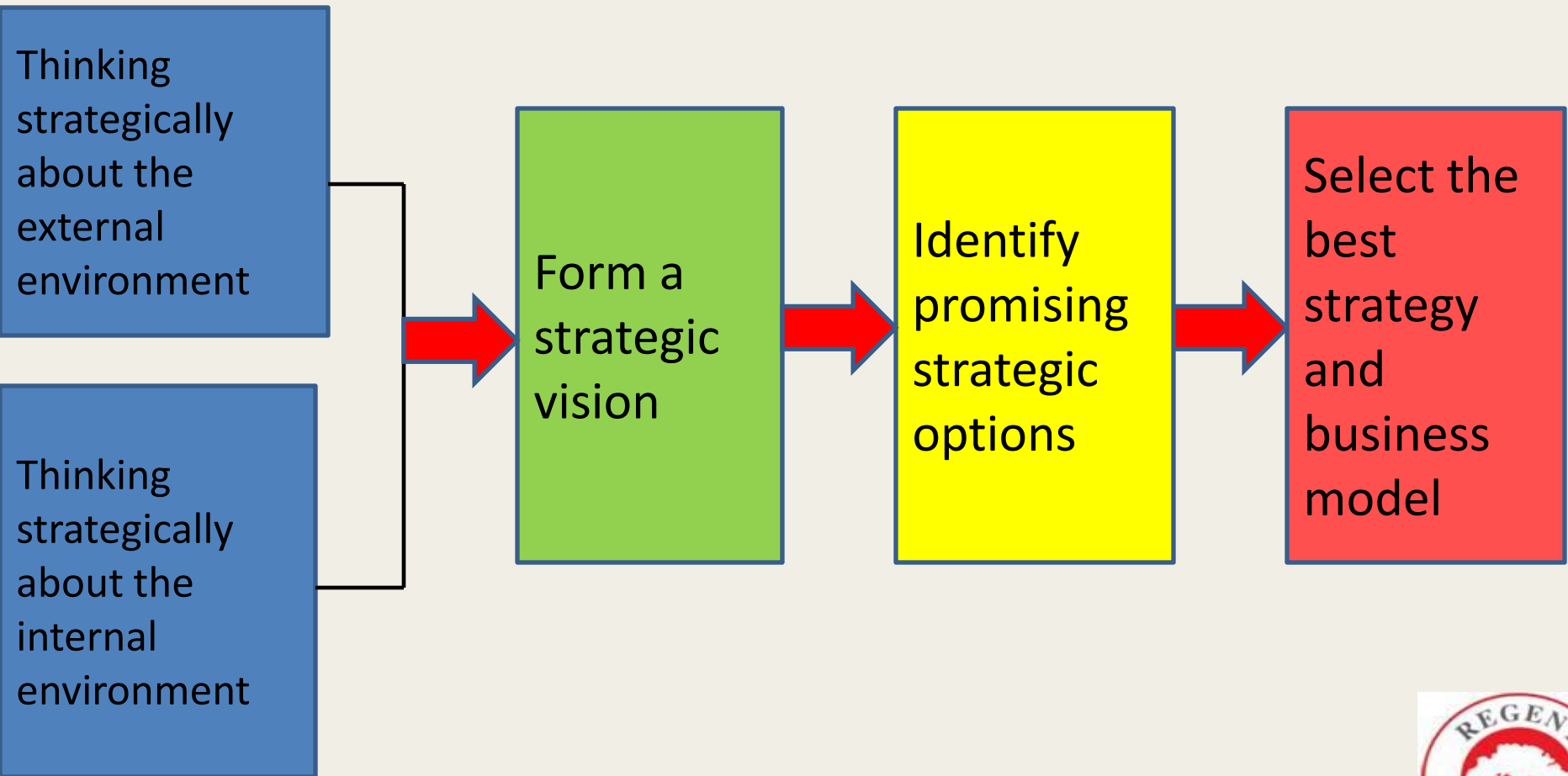


Benefits of Strategic Management

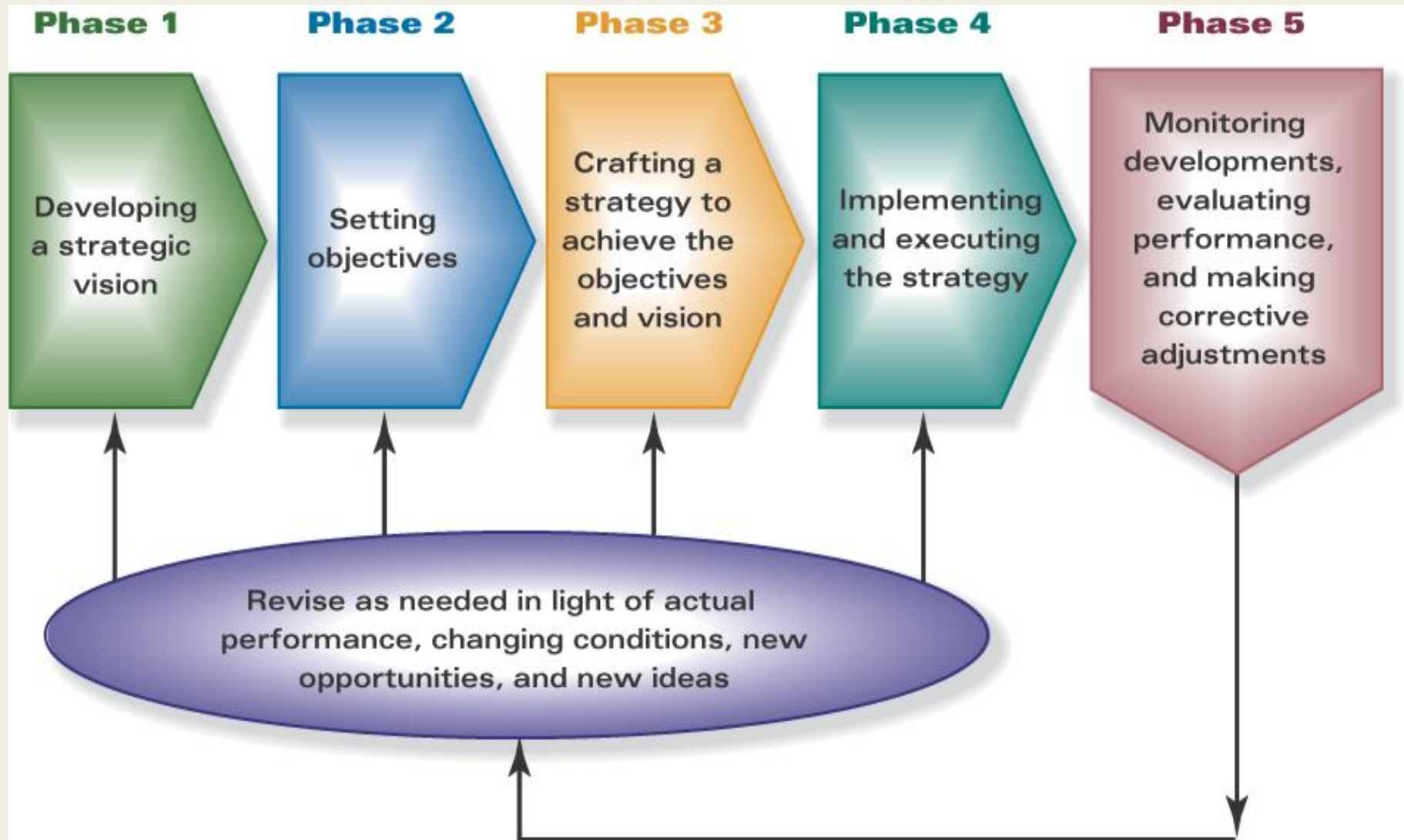
- Nonfinancial Benefits
 - Enhanced awareness of threats
 - Improved understanding of competitors' strategies
 - Increased employee productivity
 - Reduced resistance to change
 - Clearer understanding of performance-reward relationship
 - Enhanced problem-prevention capabilities



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



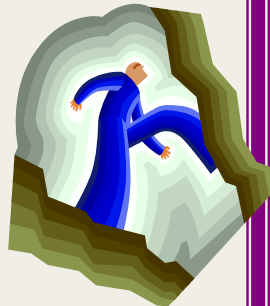
Foundations of Strategic Capability

- 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



Strategic Vision vs. Mission

- A *strategic vision* concerns a firm's *future* business path - "*where we are going*"
 - Markets to be pursuedFuture 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



Core components for strategy implementation

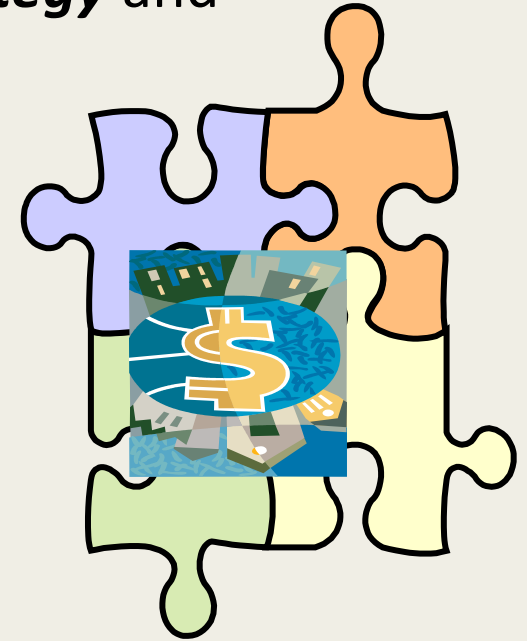
- Build an organisation that develops the necessary competencies and capabilities
- Strong strategic leadership to drive the implementation process
- Establish and nurture a strategy-enhancing corporate culture
- Link rewards and incentives to the achievement of set-out targets and milestones
- Establish an organisational structure that fits the strategy
- Allocate the resources that are necessary for successful strategy implementation
- Develop action plans, short-term objectives and functional tactics
- Design and incorporate information and operating systems
- Strive towards continuous improvement through implementing best practices

(Lazenby, 2014)



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

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?



Generic Competitive Strategies

Competitive Advantage

Uniqueness perceived
by the customer

Low-cost position

Industry
Wide

Differentiation

Overall cost leadership

Best cost provider

Particular
segment
only

Focus



The Five Generic Competitive Strategies



Grand Strategies (92)

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



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

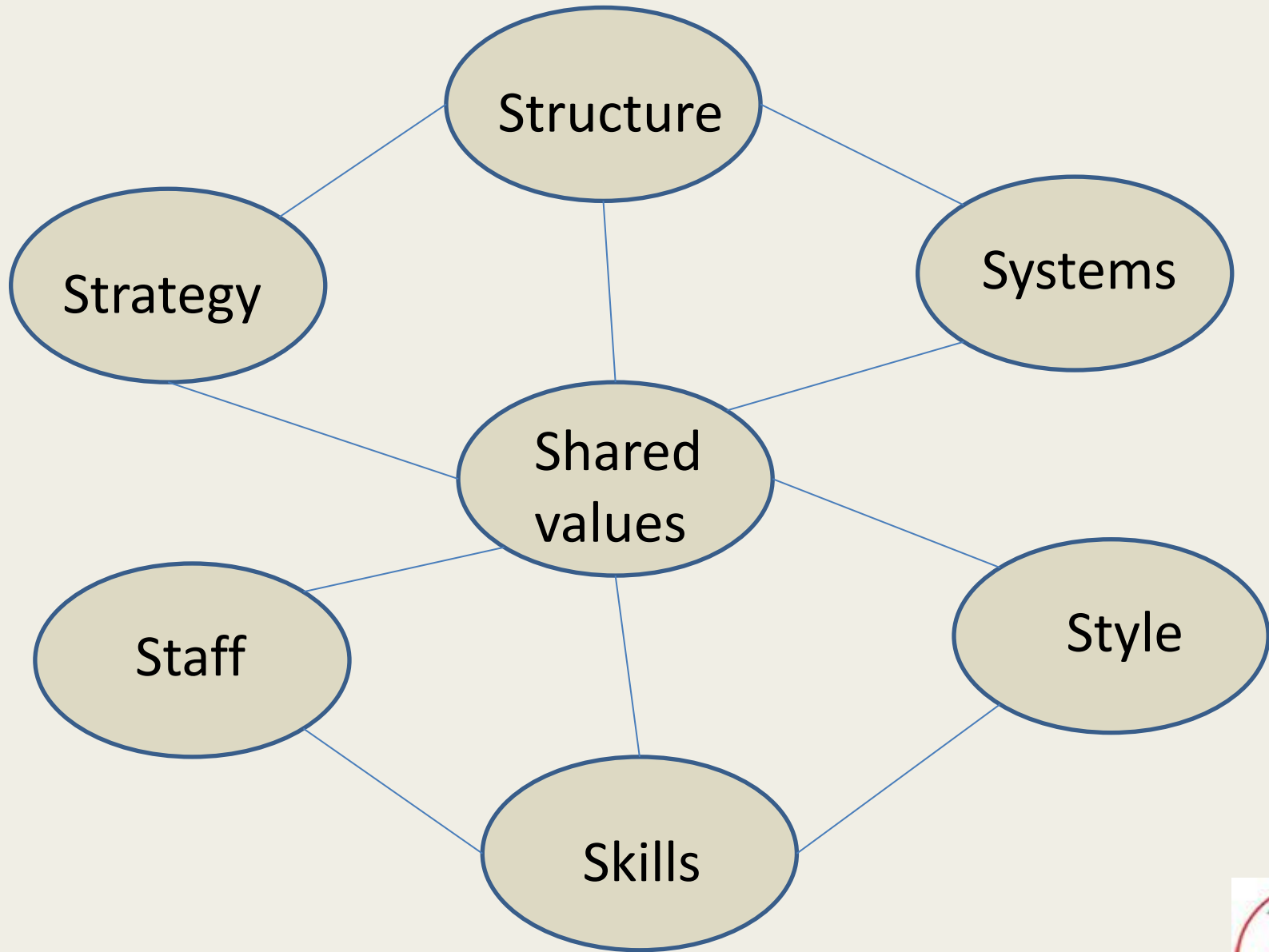


McKinsey 7S Framework

- 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



THE ASSIGNMENT ????



RULE # 2

A T Q



**Refer to your Course and
Assignment handbook**

Assignment

- **3 Case studies**
(refer assignment
guidelines)
- **Application of
theory in each
case**



THE ASSIGNMENT



Case study 1: Semco

3 questions 1.1 and 1.2 are linked
1.3 is on CG

Case study 2: Carlsberg

3 questions 2.1 and 2.2 require evaluation
2.3 Future target

Case Study 3: Renault

3.1 Power-interest matrix
3.2 and 3.3 Evaluation required





QUESTIONS



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