

Commonwealth of Learning Executive MBA/MPA

SC3 Strategic Management

Course Introduction

Course Author:

Dr. Robin W. Smith
Teaching Fellow
Graduate School of Business
College of Business
Massey University
Palmerston North, New Zealand

Course Designer/Editor:

Shari Virjee, BA, GD IM (Post-Graduate
Diploma in International Management)
Vancouver, Canada

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The Commonwealth of Learning
1285 West Broadway
Suite 600
Vancouver, BC V6H 3X8
CANADA
e-mail: info@col.org

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1 Welcome to SC3 Strategic Management

This course, SC3 Strategic Management, exists to provide you with knowledge of the concepts and language of strategic management and planning. This involves those aspects of organisational behaviour, development, and environmental change most concerned with the long term survival and growth of the organisation.

The course consists of eight study Blocks:

Block 1: Introduction to Strategic Management

Block 2: Managing the Strategy Cycle

Block 3: The Strategy Equation

Block 4: The Strategy Landscape

Block 5: Organisational Analysis

Block 6: Strategic Analysis and Choice

Block 7: Industry Environment and Strategic Choice

Block 8: Implementing Strategy and Strategic Control Processes

2 About the Course Author

Robin W. N. Smith, B. Econ Hons. (Queensland), MBA, PhD (MNZITT, MNZIM).

Any biases in text content may be attributed to the personal background and experiences of the course author. Here is a short bio on Dr. Robin Smith, course author for SC3.

Born and educated in Australia, the course author spent much of his early career in the South Pacific, especially Fiji, as a secondary school teacher. From the 1960s till early 1970s he served as Manager of the Fijian Association and General Secretary of the Alliance Party during and after Fiji's transition to independence. Apart from the directly political aspects of this work, his focus of responsibilities was on community and rural development planning and strategy. He left in the mid 1970s to undertake and complete an MBA and PhD at Massey University, New Zealand.

For the last two decades, Dr. Smith has led research on and taught the post-graduate level courses on Business Policy/ Strategic Management in the College of Business at Massey University. He is a Senior Lecturer in the Department of Management and a Fellow of the Graduate School of Business, teaching in the area of advanced strategy for the Massey Executive MBA.

Dr. Smith has consulted and taught widely in Asia, namely UNESCAP (Bangkok) and APEC (Singapore), the South Pacific (Fiji Public Service Commission, Cook Islands small business skills) as well as within New Zealand (territorial authorities, government departments and private associations and small and medium sized businesses).

3 Tutor Contact Information

Please use the following contacts if you have course related enquiries.

Course Tutor (Name):

Mail:

Phone:

Fax:

E-mail:

4 Course Introduction

This course, SC3 Strategic Management has been designed as part of the Commonwealth of Learning CEMBA/CEMPA Programme, as one of two specialist compulsory courses for students pursuing the CEMBA. As a 6-credit, 120 hour course offered by distance, the course is meant to be taken primarily as independent study, with limited face-to-face time with Tutor and other classmates (approximately 10 hours).

4.1 Course Overview, Objectives and Outcomes

4.1.1 Overview

This course examines the nature of strategic decision making in organisations and those factors that influence the process. The systems and techniques of strategic management, planning, and decision-making are examined in the context of the business organisation.

4.1.2 Objectives

- a. To develop an understanding of the nature of strategy, both as an area of knowledge and as a characteristic of the growth and development processes of organisations and environments.
- b. To develop an understanding of strategy formulation and implementation processes.

- c. To relate (a) and (b) above to the process of organisational planning.

The focus in this paper is on the development in the student of holistic thinking and an understanding of the evolution, operation and survival of complete organisational systems.

4.1.3 Outcomes

At the end of this course, you should have:

- an understanding of the terms, concepts and language of strategy
- developed an overview perspective on the organisation and in particular the ways in which strategic management and planning processes, systems and behaviours are expressed
- acquired strategic thinking skills and abilities
- an awareness and understanding of selected tools and techniques used in the strategic management process.

4.2 Navigating through SC3

Two types of student exercises support this course of studies:

- Questions for Consideration
- Activities.

You will encounter at least one set of Questions for Consideration and/or one Activity per Block.

4.2.1 Questions for Consideration

The Questions for Consideration have been designed to encourage the student to think in depth about the content of the course and the diversity and variety in the subject matter. In BLOCK 1 the questions are simply listed for consideration. In the remainder of the BLOCKS, the questions are positioned alongside a **propositional statement** designed to provide a background and a context within which the student should seek to develop their answer. This helps to focus the student's attention within a defined context and requires them to analyse and interpret the problem or issues from this perspective. This adds to their thinking discipline and has the effect of building their critical faculties. The bulk of the questions have been developed for the first four Blocks, which constitute the largest proportion of the curriculum.

The questions themselves provide a means for students to both acquire skills of analysis, and to gain practice in developing answers that will assist them in their preparation for

the final exam. To acquire these benefits it is necessary, therefore, that they attempt a sufficient selection from the range provided.

Note: Your Tutor may identify, *prior to the start of the course*, a short list of questions that students will be expected to prepare for discussion during the face-to-face contact time with the Tutor. This will give you the chance to prepare your arguments and develop material for further analysis within the context of a specified tutorial session.

4.2.2 Activities

The second component is built around a range of Activities designed to involve the student in desk and/or field research. Each activity focuses on an aspect of strategic management and if properly carried out, will help to develop in the student a greater knowledge of real world strategic activity as well as the connections that exist between concept and practice.

Through these exercises, students should be able to develop material that will serve to illustrate their exam answers and through which they may demonstrate their understanding of the links between theory and practice.

4.2.3 Optional Online Readings & Terms

The occasional online reading appearing in the text is considered Optional and has been provided for those students wishing to read further on a specific topic. The online location of these readings are referred to as 'Web Links'; in order to access these locations (on the World Wide Web), students would require connection to the Internet.

5 Assessment Scheme

You are required to submit **four Assignments** based on Activities within the Block text, for a total of 30% of the total grade for the course. The first two Assignments relate to Block 1, and carry a lesser percentage weighting; this gives you a chance to become familiar with the Tutor's marking scheme before attempting Assignments Three and Four, which carry a heavier weighting and a specific format. A **Final Exam** worth 70% is to be administered at the end of the course.

The below scheme provides details of the Assignments, and also suggests a timeline (based on completion of Blocks) for submission of these requirements.

Block	Description of Activity	Assessment weighting
Block 1	Assignment One: Defining Strategy A & B	5%
	Assignment Two: Activity (student selected)	5%
Block 2		
Block 3		
Block 4		
Assignment Three (student selected from across these three Blocks)		10%
Block 5		
Block 6		
Block 7		
Block 8		
Assignment Four (student selected from across these four Blocks)		10%
Final Exam		70%
TOTAL		100%

5.1 Assignment Formats

You are assessed in a variety of ways. You are expected to establish and maintain performance across all assessment areas. The mix of assessment has been designed to measure the clarity of your understanding of course concepts as well as your ability to apply these to practice. The written assignments are focused on the conceptual as well as the practical.

**See Section 5.2 for more details on the Final Exam.*

Below are two suggested formats for Assignments. They are intended primarily as a guide for students as they complete Assignments Three and Four, as well as that for Tutors as they evaluate students' submitted work. Tutors are to have prepared a 'Course Assessment Information Sheet' with specific Assignment details.

5.1.1 Essay

Title: Essay

Due Date:

Weighting: 10% of total grade

Purpose: *To develop an understanding of the concepts and models of strategic management.*

Format: You are expected to provide a thoughtful and well-thought response to one of the following questions:

Q1.

Q2.....

Note: Your Tutor may select 2-3 options from the **Questions for Consideration** included in the BLOCKS (Classroom Discussion and Debate style), or alternatively, from those questions in the Test Bank.

5.1.2 Investigative Report

Title: Investigative Report

Due Date:

Weighting: 10% of total grade

Purpose: *To encourage an understanding of the actual nature of a strategic condition, circumstance, or event in an organisation and its environment.*

Format: You are expected to prepare and present a 'strategy investigation' assignment as directed by the Tutor. This will follow the instructions and format as set out below. The Format in particular will help you to assemble your ideas and organise your thoughts into a consistent whole.

Note: Your Tutor may select 1-2 options from the list of **Activities** as set out in the various BLOCKS. These Activities should be pre-selected and included in the 'Course Assessment Information Sheet' (see section 5.3) so that the student is aware of the assignment details and the form of assessment from the start of their studies. The instructions may also include a specific Format to use when undertaking the assignment.

5.2 Final Examination

The final exam consists of three parts – Parts A, B, and C. The rationale for this is set out below:

Part A consists of Multiple Choice questions designed to test and probe a student's understanding of concepts used in the course. Most especially they are configured to challenge a student to discriminate between similar meanings and choices. The examiner can adjust the level of difficulty by using differing degrees of ambiguity in the options provided.

Part B requires students to extend their understanding of course concepts and definitions to a further level, and be able to illustrate their understanding through example. These questions may be drawn from the **Test Bank** (supplied with the course). The answers should be in an essay type format and kept to around 3-400 words (or 1-2 pages). The questions are designed to require the student to explain the content and relevance of a particular idea or concept and relate it to a given **example** drawn from their own experience or from information gained from the course. This is most important, as provision of relevant examples and illustrations will serve to demonstrate the student's understanding of the application or expression of the concept in practice.

In **Part C** the student should expect questions on the broader strategic issues and conditions facing all organisational types (business, not-for-profit, public and private sector, etc.) and their implications and consequences for the discipline of strategic management and planning as a whole. They should focus on current events and business practices and conditions. This ensures that the students develop an awareness and understanding of present conditions and circumstances and to do this, they need to engage in effective reading. The questions could be expected to cover various aspects of the following key themes:

- The evolution and changes that have occurred in recent years to industry and societal landscapes in (Country, District, Region, etc. of choice);
- The components of such landscapes and the various ways in which they can be analysed for strategic management and planning purposes;
- The composition and construction of organisations and an understanding of the strategic processes and conditions at work within them;
- The place, role and effectiveness of selected tools and models used in the analysis of such landscapes and such organisations;
- Significant shifts in strategic thinking and perspective (e.g., such as those that have accompanied the contemporary emphasis on performance Outcomes and well as Outputs when assessing the effectiveness of the implementation side of the strategic planning cycle).

5.3 Ask Your Tutor

If you did not receive it with your SC3 Course Package, ask your Tutor for a 'Course Assessment Information Sheet'. Your Tutor will have prepared this for you as a helpful guide and reference for completing the four Assignments.

6 Supplementing Your Course Readings

You are encouraged to extract new knowledge and information from academic and business publications, and to apply this to your course work and personal development.

6.0.1 Illustrative Reading

You will benefit from reading, on a regular basis, a selected set of business related publications (e.g., newspapers, magazines and journals) that provide information on your country's business activities, as well as on the overseas business scene that is relevant to the course. Your sources could include (country of publication in parentheses):

- The daily newspaper of your choice
- The national business paper/journal of your choice
- The Economist (UK)
- Far East Economic Review (HK)
- Asia Week (HK)
- Business Week (USA)
- Forbes (USA)
- Fortune (USA)

and other similar publications that are relevant to your own area of expertise and employment.

6.0.2 Supplementary Academic Readings

For those of you who are able to access academic materials through the Internet or through your local libraries, the following details on more academically oriented literature may assist you to structure your readings. Here is but a short list of some recent texts that may add to your knowledge and understanding of the subject.

Johnson, G., & Scholes, K. (2002).

Exploring corporate strategy: Text and cases (6th ed.). Harlow: Financial Times Prentice-Hall.

David, Fred R., (1997)
Strategic Management (6th Ed.) Prentice-Hall.

Richard Normann and Rafael Ramírez (1998)
Designing interactive strategy: from value chain to value constellation. Chichester: Wiley & Sons Ltd., 1998.

Anne Sigismund Huff (Ed.) (1990)
Mapping strategic thought Chichester; New York: Wiley & Sons Ltd.

Richard P. Rumelt, Dan E. Schendel, David J. Teece (Eds) (1994)
Fundamental issues in strategy: a research agenda. Boston: Harvard Business School Press.

William J. Cook, Jr. (2000)
Strategics: the art and science of holistic strategy Westport, CT: Quorum.

Shona L. Brown and Kathleen M. Eisenhardt (1998)
Competing on the edge: strategy as structured chaos. Boston: Harvard Business School Press.

Philip Evans and Thomas S. Wurster (1999)
Blown to bits: how the new economics of information transforms strategy. Boston: Harvard Business School Press.

Michael R. Lissack and Hugh P. Gunz (Eds) (1999)
Managing complexity in organizations: a view in many. Westport, Conn.: Quorum.

D.E. Hussey (Ed) (1996)
The implementation challenge / edited by D.E. Hussey. Chichester, New York: Wiley & Sons Ltd.

Per Jenster and David Hussey (2001)
Company analysis: determining strategic capability Chichester, New York: Wiley & Sons Ltd.

6.0.3 Library Databases

The following databases may be available to you via the Internet. Check with your Tutor and local library.

Business Source Premier

Business Source Premier is the main database for business and management information. It covers: Management, Economics, Finance and Accounting. About 2,800 journals are indexed, and 2,200 of these are available in full-text. Full-text coverage varies; the earliest is from 1965.

Emerald Intelligence

Emerald Intelligence gives full text access to over 100 journals published by MCB University Press in the areas of: Business, Economics, Education, Engineering, Marketing, Human resource management, Organisational development, Library and information management, Quality and operations management. Coverage of these subjects is from a UK/European perspective. Full-text coverage varies; the earliest is from 1994 onwards.

Expanded Academic ASAP – International

Expanded Academic is a multidisciplinary database. It covers the following topics: Humanities, Social sciences, and general sciences, Economics, Education, Women's studies, Sociological aspects of business. Coverage is from 1980 to present. Full-text coverage varies, but usually runs from 1995 onwards. Expanded Academic indexes 1900 journals, plus a further 900 in full-text.

International Bibliography of the Social Sciences (IBSS)

IBSS is a broad social science database, with strengths in the following areas: Economics, Politics, International relations, Sociology and anthropology, Public administration and policy, Religion and culture, Sociology of education and comparative education. Although there are some records with abstracts or full text links, most articles are indexed only. Coverage is from 1951 - present, and the database is updated weekly.

Papersfirst

Multidisciplinary; Indexes papers presented at conferences worldwide; 1993 – present; updated 24 times per year.

PsycInfo

PsycInfo is the primary database for psychological research. It covers the following areas: Human and animal psychology, Experimental psychology, Developmental psychology, Educational psychology, Communications, Physical and psychological disorders, Applied & educational psychology, Behavioural sciences, Organisational psychology and human resource management. Coverage is from 1887 - present, and PsycInfo is updated weekly. PsycInfo indexes and abstracts over 1,300 journals, plus books and book chapters in English.

Ulrich's Periodicals Directory

Ulrichs is a directory of journals, newspapers and magazines, providing information about current and ceased publications. It can be searched to find information about a particular title, or to find what journals are published in a particular subject area. The information provided includes publisher details, citation information, whether the title is available electronically, whether a journal is refereed etc. The database is updated weekly.

Web of Science

Web of Science is made up of the ISI Citation databases: Arts & Humanities Citation Index, Science Citation Index Expanded, and Social Sciences Citation Index. Web of Science provides access to multidisciplinary, high quality research information from the world's leading professional science, social science, and arts & humanities journals. Web of Science has the powerful feature of offering access to an article's cited references (its bibliography or reference list). Through this feature, cited items can be tracked, and related records found. Coverage is from 1980-present, and Web of Science is updated weekly. For earlier coverage, see the print versions 'Science Citation Index' and 'Social Sciences Citation Index'.

WorldCat

WorldCat is a catalogue of books and other resources held by libraries worldwide. It covers all material catalogued by OCLC member libraries, and is updated daily.

7 Some Helpful Notes

7.1 Final Exam

Please Note: The Final Exam is **Closed Book** which means you will **NOT** be permitted to take textbook or any other materials with you into the examination.

This means that you will need to go into the exam with a small set of examples in mind that can be used to illustrate your answers. You need to be able to reference your answers to an industry (ies) or organisation(s) with which they are familiar; in this regard, the material you will have developed for contact with your Tutor and group sessions should be of significant help. In this way, a portfolio of illustrations can be built up over the period of the course.

7.2 Plagiarism

If you use the words of another author you must enclose them in quotation marks. You must also cite a page number. When you have included the ideas of another author you are required to reference the source of those ideas. To use the words or ideas of another author without citing the source is plagiarism and is not acceptable. Check with your Tutor for the standard practise on citing/referencing published material in your own work.

7.3 Suggestions for presentation of written work

- All written work must be submitted on standard sized paper.
- Please write on **one** side of the paper only.
- Leave a 4-cm margin on the left-hand side for Tutor's comments.
- Double-spaced or 1_ line spacing is preferred for both typed and handwritten work.
- Your work does not need to be typed, but if you do handwrite it, please try to write clearly or print.
- Small handwriting or all capitals is very difficult to concentrate on and follow. Please adjust your style to assist the person who marks your work.
- Each page should be numbered in one continuous sequence in the top right-hand corner. Commence numbering from the page following the title page. Print your last name at the top of each page.
- All sheets should be securely attached together at the top left-hand corner

- Do **not** embellish the paper with a cover. Put the cover page on top of the work. This should give your full name and local address, your student number, the title, paper coordinator, the course, assignment number and paper title.

Enjoy your studies of SC3 Strategic Management. Good Luck!

Commonwealth of Learning Executive MBA/MPA Strategic Management

Course Introduction and Directions

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- Block 2 : Managing The Strategy Cycle
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- Block 6 : Strategic Analysis and Choice
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- Block 8 : Strategy Implementation and Control Processes

Commonwealth of Learning Executive MBA/MPA
SC3 Strategic Management

Block 1

Introduction to Strategic Management

Course Author:

Dr. Robin W. Smith
Teaching Fellow
Graduate School of Business
College of Business
Massey University
Palmerston North, New Zealand

Course Designer/Editor:

Shari Virjee, BA, GD IM (Post-Graduate
Diploma in International Management)
Vancouver, Canada

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The Commonwealth of Learning
1285 West Broadway
Suite 600
Vancouver, BC V6H 3X8
CANADA
e-mail: info@col.org

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1 A Tour of Block One: Objectives and Introduction

After working through Block One of this course, you should be able to:

1. Define strategy and its key ingredients
2. Explain concepts that are important to an understanding of the constituent elements of strategy
3. Distinguish between Prescriptive and Process views of strategy
4. Compare and contrast alternative ways of perceiving and describing the workings of the strategy process within organisations, and between organisations and their environments.

1.1 Introduction: The Nature and Value of Strategic Management

Through much of the contemporary world, forces at work are calling into question the way organisations are managed. This is true across the full range of business sectors and organisational types. It is constant and ongoing, and reaches into even the most traditional of industries and conservative of companies. All organisations are being required, and sometimes forced, to question the basics of their organisation's structure, culture and processes. Comfortable assumptions they hold about themselves and their 'world-view' are being challenged, both from within their organisation and outside.

In manufacturing, long established and successful companies are questioning their most trusted production technologies and processes; see Exhibit 1.1. Equally, in services, computerised information systems have transformed such traditionally inclined corporations as banks and other finance houses. This has come about through product development opportunities arising out of the technology itself; see Exhibits 1.2 and 1.3. These illustrations highlight a number of the variables that are of strategic importance to the organisation: the external pressures from consumers and suppliers, the distribution and use of resources, the importance of individual and organisational attitudes toward new ways of thinking and behaving, etc.

Exhibit 1-1 The arrival of haute carture

The production line is dying. What began 75 years ago, when a model T chassis was winched by rope across the floor of Ford's Highland Park plant in Detroit while employees fitted various bits and pieces into it, is fast coming to an end – even in the car industry which has clung more stubbornly than any other to the mass-production techniques pioneered by Henry Ford. But now, borrowing modular manufacturing methods from the aerospace and electronics industries, car firms are learning to make

their cars in a radically different way. This will revolutionise the industry as much as did Henry Ford's innovations at Highland Park two generations ago.

The pressure for change is coming from the market. Increasingly, manufacturers need to produce a variety of products from a single product line; constantly to update and change these products; and to tailor them as close as possible to customers' demands.

As a result, car companies are fast evolving towards the bolting together of prefabricated modules. Now designers and assemblers, not manufacturers, they are devoting their energies to marketing a larger number of products to increasingly fashion conscious customers.

Source: Business: *The Economist*, July 29, 1989 (abridged).

Exhibit 1-2 Speaking on the Ford Motor Company:

Productivity, competitive advantage and responsiveness – all three visions of automation have created both successes and failures. But they are increasingly united by a common theme. To reap the benefits of new technology, companies must create ORGANISATIONS, doing new things in new ways. That means questioning the day-to-day traditions of centuries of business.

Mr. Michael Treacy, an information-technology consultant, tells an instructive tale about Ford's efforts to reduce the number of paper shufflers. What seemed at first to be a mundane efficiency campaign became a challenge to Ford's long established ways of doing business. Ford employed about 500 people to order components, receive the parts and pay suppliers. Mazda, a Japanese car maker with which Ford had formed an alliance cemented by a 25% shareholding, did the same job with less than 100. An elaborate automated system cut Ford's order-shufflers only to about 400. So Ford's folk took a harder look at Mazda. Mazda, Ford discovered, had fewer computers than Ford. Its secret was that it did not wait for invoices from its suppliers. When goods arrived at the loading dock, a warehouseman waved a bar-code reader over each box. That single action entered the parts into inventory, updated production schedules (if necessary) and sent electronic payment to the supplier.

This seemed like a bit of magic to some of Ford's managers. They had viewed invoices as a capitalist essential, like double-entry bookkeeping. Once shown the trick, the possibilities for boosting efficiency by eliminating the complications of matching parts and invoices seemed obvious. But tapping these efficiencies required changes in the way people worked: close relations with suppliers; a warehouse that can talk directly to the finance department and workers who adapt happily to new ways of doing things....

Source: Information Technology Survey: *The Economist*, June 16, 1990.

Exhibit 1-3 Speaking on banks and finance houses:

During the 1980s the computer transformed the nature of finance. In an effort to differentiate their wares from other banks on Wall Street and in London's Euromarkets finance houses devised new investing instruments or sliced and repackaged old ones, using computing power to calculate the new instruments' characteristics. Investors were soon faced with a shining array of products to suit their portfolios. Many products disappointed, failing to perform in the way that their creators promised: perpetual floating-rate notes are one example, portfolio insurance is another. Interest-rate and currency swaps, for instance, have served to bind once-discrete financial markets into a global whole.

An investor coming to the capital markets in the 1970s would have had just half-a-dozen financial instruments from which to choose: equities, treasury and municipal bonds, some blue-chip corporate bonds and a convertible or two. During the 1980s investment banks took these securities and, with the aid of raw processing power, reshaped them in a thousand different ways – here separating a security's principal payment from its interest payment, there adding an embedded option. Institutional investors liked the 'differentiation' that they were being offered, for it allowed them better to tailor their portfolio of assets to their liabilities, as well as to the risks they were prepared to take.

Source: Information Technology Survey: *The Economist*, June 16, 1990.

2 Strategy Definitions

The term strategy may be used in two senses. As an adjective assigning particular importance to some action, activity or process, it is possible to speak of strategic management, strategic planning or strategic decision making, all deemed to be activities which are essential to the organisation's survival. It is also used as a noun, to describe a pathway along which the organisation moves towards its goals. Below is a historical list of strategy definitions that shows the underlying similarity among a range of viewpoints.

The language of strategy stems from the natural, physical, behavioural and military sciences, but much of the terminology betrays its origins: terms such as life cycle, evolutionary niche, competitive behaviour, boundary and entropy, as well as mission, goals and tactics. For example, there are strong parallels between behaviour in corporate society, and that of the military world. As well, many of the survival solutions and behaviours, exhibited by life forms in the natural world, are mirrored in business and other human organisations.

There are as many definitions of strategy as there are experts and commentators in the field. A sample of these is given below. They illustrate the fact that despite the choice of

words and phrases there is considerable agreement on what constitutes the essential characteristics of strategic management.

1947

Strategy is a series of actions by a firm that are decided according to the particular situation.

Von Neumann & Morgenstern, *Theory of Games and Economic Behaviour*, 1947, pp.79-84.

1954

Strategy is analysing the present situation and changing it as necessary. Incorporated in this is finding out what one's resources are or what they should be.

Drucker, *The Practice of Management*, 1954, p.17.

1962

Strategy is the determination of the basic long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals.

Chandler, *Strategy and Structure: Chapters in the History of American Industrial Enterprise*, 1962, p.13.

1965

Strategy is a rule for making decisions determined by product/market scope, growth vector, competitive advantage, and synergy.

Ansoff, *Corporate Strategy: An Analytic Approach to Growth and Expansion*, 1965, pp.118-121.

1969

Strategy is the pattern of objectives, purposes, or goals, major policies and plans for achieving these goals, stated in such a way as to define what business the company is in, or to be in, and the kind of company it is, or is to be.

Learned, Christenson, Andrews and Guth, *Business Policy: Text and Cases*, 1969, p. 151.

1972

Strategy is defined as the basic goals and objectives of the organisation, the major programmes of action chosen to reach these goals and objectives, and the major pattern of resource allocation used to relate the organisation to its environment.

Schendel and Hatten, *Business Policy or Strategic Management*, Academy of Management Proceedings, 1972, p. 4.

1974

Strategy is concerned with long-range objectives and ways of pursuing them that affect the system as a whole.

Ackoff, *Redesigning the Future*, 1974, p. 29.

1975

Strategy is an analysis of the environment and selection of economic alternatives that will match the corporate resources and objectives at a risk commensurate with the profit and viability, which the alternatives offer.

McCathy, Minichiello, and Curran, *Business Policy and Strategy: Concepts and Readings*, 1975, p. 19.

1976

Strategy is a unified, comprehensive, and integrated plan designed to assure that the basic objectives of the enterprise are achieved.

Glueck, *Business Policy: Strategy Formation and Management Action*, 2nd ed., 1976, p. 3.

1977

Strategy is the forging of company missions, setting objectives for the organisation in light of external and Internal forces, formulating specific policies and strategies to achieve objectives, and ensuring their proper Implementation so that the basic purposes and objectives of the or Organisation will be achieved.

Steiner and Milner, *Management Policy and Strategy; Text, Readings, and Cases*, 1977, p. 19.

1979

Strategy is a mediating force between the organisation and its environment consistent patterns in streams of organisational decisions to deal with the environment.

Mintzberg, *The Structuring of Organisations*, 1979, p. 25.

1979

Strategy provides directional cues to the Organisation that permits it to achieve its objectives, while responding to the opportunities and threats In Its environment.

Schendel and Hofer, *Strategic Management: A New View of Business Policy and Planning*, 1979, p. 518.

1980

Strategy is the pattern or plan that Integrates an organisation's major goals, policies, and action sequences, into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organisation's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and continent moves by intelligent opponents.

Quinn, JR, *Strategies for Change: Logical Incrementalism*, 1980.

1980

Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principle policies and plans for achieving those goals, and defines the range of

business the company is to pursue, the kind of economic and human organisation it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities.

Andrews, *The Concept of Corporate Strategy*, rev.ed., 1980.

1983

Strategy is really no more than a plan of action for maximising one's strength against the forces at work in the business environment.

Ohmae, K., *The Mind of the Strategist*, Penguin Books, 1983, p.248.

1988

Strategy is the fundamental pattern of present and planned resource deployments and environmental interactions that indicates how the organisation will achieve its objectives.

Hofer, C.W. and Schendel, D., *Strategy Formulation: Analytical Concepts*, 11th reprint, 1988.

1988

Strategy is a unified, comprehensive, and integrated plan that relates the strategic advantages of the firm to the challenges of the environment. It is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organisation.

Jauch and Glueck, *Business Policy and Strategic Management*, 5th ed., 1988, p.11.

1988

Strategy is large-scale, future-oriented plans for Interacting with the competitive environment to optimise achievement of an organisation's objectives.

Pearce and Robinson, *Strategic Management- Strategy Formulation and Implementation*, 1988.

1989

Strategy is a deliberate search for a plan of action that will develop a business's competitive advantage and compound it.

Henderson, B.D., *Harvard Business Review*, Nov/Dec, 1989, p.141.

1990

Strategy is the pattern of organisational moves and managerial approaches used to achieve organisational objectives, and to pursue the organisation's mission.

Thompson and Strickland III, *Strategic Management - Concepts and Cases*, 1990.

1990

Strategy is the organisation's pre-selected means or approach to achieving its goals or objectives, while coin with current and future external conditions.

Digman, *Strategic Management. Concepts, Decisions, Cases*, 1990.

1991

... strategies, large-scale action plans for Interacting with the environment in order to achieve long-term goals.

Bartol and Martin, *Management*, 1991, p.190.

1993

Strategy is the direction and scope of an organisation over the long-term; ideally, which makes its resources match its changing environment, and in particular its markets, customers or clients, so as to meet stakeholder expectations.

Johnson and Scholes, *Exploring Corporate Strategy - Text and Cases*, 3rd ed., 1993, p.10.

1994

Strategy is the search for directions, which energise the life of an organisation.

Stace and Dunphy, *Beyond the Boundaries: Leading and Recreating the Successful Enterprise*, 1994, p.54.

To be effective strategists, managers of organisations must be able to ‘see’ or ‘picture’ themselves, their organisation, and its environment in certain ways. In particular, they need to be:

- able to see and work with the parts as well as the whole of an organisation
- aware of, and responsive to, situational or contingency factors and flexible in the use and interpretation of rule-governed behaviour
- sensitive to the flow and evolution of events and phenomena, as well as the influence of time and change on the behaviour and culture of organisations
- comfortable in multi-tasking environments and be able to handle multiple and parallel demands on their time, attention and energies
- able to strike a workable balance between the use of intuition and logic in managing and planning.

2.1 Activity: Defining Strategy A

Based on what you have read to this point, make a list of the factors that you believe define what is meant by strategy. Think in terms of some key perspectives such as the time horizon, organisational features and environmental and situational factors. Hold on to this list and re-visit it after you have completed the next section of this Block. See Defining Strategy (b). **Note:** this is a required activity.

List of factors that define ‘strategy’:

3 Key Perspectives on Strategic Management

There are a number of features that separate strategic management and decision making from other types of managerial activity. All of them are concerned with survival and growth, and the longer rather than the shorter-term aspects of decision making. They include positioning, conditioning, fit, adaptability, flexibility, evolutionary effects, the harmonisation of parts with the whole, resource deployment and coping with change.

There are many dimensions that are important to understanding the development and use of a strategic perspective in an organisation. A selection of some of these dimensions is set out below; each has a set of Questions for Consideration and an **(optional/required)** Activity designed to enhance and grow your critical understanding of the concepts employed, and their practical expression in the workplace. Most organisations, for-profit or not-for-profit, public or private all express, or are influenced by one of the themes below, to some degree:

- The competitive race: positioning and conditioning
- Organisational fitness and stretch
- Organisational adaptability and flexibility
- Evolutionary processes: life cycles, strategy and the passage of time
- Strategy integration – the woods and the trees
- Strategy integration and resource deployment
- Organisational capacity for change

3.1 The Competitive Race: Positioning and Conditioning

In most industry settings there is rivalry among member organisations for position. It is similar to the positioning activity of a runner in a race. Running at the front of the field is different to running in mid-field, or in a follower position at the end. The industry leader

determines the direction and pace of industry growth and development. They also attract both the benefits as well as the costs of breaking new ground, as innovation opens up new options and choices for all. Industry leadership may be developed or acquired at a number of points in the life cycle: at the start-up position of an industry life cycle, or at a later stage where the new entrant, through some form of merger or acquisition, assumes the positioning advantage. Ironically, occupying the lead position in a mature or declining market may simply leave the organisation at the 'top of the heap' in a landscape that is trapped by the very dominance that they fought so hard to acquire.

Like a competitive bicycle race, industries may contain a small group of front runners whereby the leading position shifts from one to the other in turn. In these circumstances, relative market shares are often stable over long periods of time and leadership depends of 'stealing' small advantages that last for short bursts of time and then are lost again to another competitive player in the next round of play. This tendency is commonly seen in financial markets – the banking industry in particular. An organisation acquires its position in the marketplace through such factors as market share, technology dominance, control and ownership of distribution networks, etc. Positioning can also be influenced by the changing nature of relationships that link the organisation to its key suppliers and customers. In some cases this relationship is central to the acquisition or loss of positioning; the value that these relationships inject into the business is assessed by whether they lift or reduce the depth and strength of its play. Changes in both business operation as well as societal environments also have the ability to affect and rearrange the patterns of forces at work on industry players, causing them to gain or lose relative advantage. **Note: See Appendix: Sample Answer** for one possible answer to Question 1 below.

Questions for Consideration: Positioning

1. How is industry positioning seen and defined by your organisation?
 2. What is your organisation's basic 'positioning' style? Does your organisation have the habit and practise of always looking to be first in initiating new products and processes or does it prefer to wait and adopt these changes as they are proved to work in practice? **Note:** Either position is legitimate and each offers its advantages and disadvantages.
 3. Where in the industry does your organisation see itself as best placed? Are you the front-runner, part of the leading group, in the mid-field or at the tail-end? Is your organisation a leader or follower? Why? Is there a difference between where it is currently positioned and where it would like to be? How much of your organisation's choice about positioning is self-determined and how much is driven by the behaviour of its competitors?
-

3.2 Activity: Positioning

Identify and compare the actual positioning of your organisation with that of its principle industry competitors. Select the criteria you would use to make such a comparison and assess how well it permits such a comparison. Present reasons and arguments for this selection. Having completed these tasks, determine how well the actual positioning matches the desired positioning.

3.3 Conditioning

How well a race is run will reflect the level of conditioning the athlete possesses. The conditioning of an athlete is measured in terms of muscle strength, breathing rate, blood oxygen levels, etc. For an organisation, its level of conditioning is reflected in the degree of efficiency with which it carries out its tasks and achieves its goals. The conditioning of an organisation is measured in terms of its ability or 'capacity' to respond to change, its ability to operate at satisfactory levels of performance in difficult circumstances (with regard to returns on capital, equity, investment, etc.).

It is important to note that different mixes of goals and their associated strategy pathways place differential demands on the levels of fitness for an organisation. A stroll along the beach calls for a different pattern of energy use and release than a run up the side of a mountain – a considerable stretch, especially if there is a lack of basic fitness. For the same reason, the goals that an organisation sets for itself will place 'energy' demands on its resource base and push the organisation to configure (or reshape) itself so as to be able to perform as required. If it is unable to do so it may collapse, especially if it has little or no control over the pace of change that is driving the industry's evolutionary cycle. Thus, the 'shape' an organisation is in will be revealed by whether it is able to sustain levels of activity and courses of action over the long-term.

Short burst demands on an organisation are very different to demands that continue to escalate into the foreseeable future. Likewise, the configuration of resource mix and use is very different over the short as opposed to the long haul. Conditioning involves management setting the tone for the organisation through its staff development and use of key competencies. The competencies of an organisation are the underlying mix of skills and abilities that play a large part in shaping the organisation to fit the demands that it places on itself. If it does not have the basic attributes necessary to run a particular type of business race, if the lack of these attributes makes it next to impossible to acquire the necessary conditioning, then it should consider an exit strategy. In summary an organisation is faced with two basic options: pick the race to suit your given conditioning (i.e., Fit) or reconfigure your conditioning to accommodate the circumstances of the race (i.e., Stretch).

Questions for Consideration: Conditioning

1. How does your organisation define, establish and maintain performance levels? **Note:** This would be the equivalent of the exercise and fitness measures that individuals use to measure their own health and performance such as heart rate (levels of profitability), oxygen intake rate (ROI), glucose absorption rate (ROE), red and white blood cell count (Asset utilisation), etc. These and others are all measures of both financial and strategic conditioning, as well as that for strategic health as a whole.
2. What are the main characteristics of the environment that stimulate or dampen down its drive to achieve such performance levels? **Note:** The level of competitive pressure may be such that much of an organisation's available resources for growth are spent in just surviving, maintaining position rather than building strengths to assist it to keep up with or ahead in the game.
3. What are the main characteristics of the organisation itself that also stimulate or limit its drive and ability to achieve sustainable levels of performance? **Note:** Organisational culture is often important in this regard – for example much of an organisation's energies and attention may be expended fire-fighting internal political conflicts between different lines of functional or small business unit management.

3.4 Activity: Conditioning

Identify the criteria (financial and non-financial) you would use to assess the strategic health and fitness (the conditioning) of your organisation. Rank them according to their importance to making effective decisions about your organisation's long-term future. Present reasons and arguments for your choice of ranking. Use the table below to set out your choices.

Ranked Criteria	Reasons for criteria choice and ranking
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

3.5 Organisational Fit and Stretch

Long distance runners take part in marathons; short distance runners stick to the one and two hundred meter events. The physical makeup of each type of runner is different, and suited to the specific conditions for which they have trained. The short distance runner is ill-equipped for the long slow release of energy that characterises the marathon runner. The converse is equally true of the 100-metre dash when large amounts of energy are released in very short periods of time.

Business corporations also need to identify their particular ‘strategic match,’ pick their competitive distances, and ‘train’ themselves to perform under those conditions. In this way they choose the race that best fits their capabilities. If the environment significantly shifts around them, they may need to stretch themselves to meet the changed demands of its customers and the market. Fit is concerned with the degree of integration and compatibility between an organisation and its external political and resource networks (i.e., societal environment). Stretch is concerned with the extent and willingness of the organisation to rearrange itself in order to extend itself beyond its current levels of output and performance. It is concerned with culture and behavioural dimension of the corporation as well as with developing the capacity to make such adjustments.

Questions for Consideration: Organisational Fit and Stretch

1. How well fitted (as with a key to its lock) is your organisation to the industry environment in which it operates? **Note:** By way of example, methods of distribution often vary considerably with local conditions and an operator’s bulk distribution of a product in one area, as in the case of cooking oils, (say by small tanker to supermarkets) may have to be scaled down to match the scale of demand and distribution in another area (say to small retail outlets that sell the product in small containers supplied by their customers. In this instance the vegetable oil distribution firm would have to adjust (stretch) itself to meet market conditions if it wishes to survive across a range of different operating environments. It may have to ‘stretch’ itself to meet different and varying customer needs and expectations. If it is unable or unwilling to do so it needs to find a different set of business conditions that better matches what it seeks to achieve.
 2. Has your organisation established appropriate and functional linkages to its external environment? Does its culture match the culture required to succeed in its competitive niche? Does it think, act and behave in the way it needs in order to have a chance at long-term survival?
-

3.6 Activity: Organisational Fit and Stretch

Identify the main organisational and environmental components that need to match so that the organisation is best configured to meet the demands of its industry environment. Show in detail how these matches contribute to the strategic positioning of the organisation in its landscape. **Note:** It is suggested that you use the following headings: Structure, Culture, Processes, and Resources in this way.

For example, what is its structure and does it match (and exceed?) current industry requirements and practices – such as too many or too few manufacturing sites to suit industry distribution chains, wasted and non-productive capital assets that do not align with supplier and customer requirements and customers wanting JIT relationships that cannot be met with current technology and logistics)?

Organisational Component	Environmental Requirement	Degree of Match or Mismatch
<i>Structure:</i> Heavily centralised and controlled by corporate HQ	<i>Structure:</i> Decentralised and localised required to meet very varied local conditions	<i>Structure:</i> Poor match which is causing low morale and excessive turnover
<i>Culture</i>	<i>Culture</i>	<i>Culture</i>
<i>Processes</i>	<i>Process</i>	<i>Process</i>
<i>Resources</i>	<i>Resources</i>	<i>Resources</i>

3.7 Organisational Adaptability and Flexibility

The natural world has developed two different strategies for individual and species survival. One involves extreme specialisation of structure and behaviour. The other follows a more generalised pattern of adaptation in which the organism is able to accommodate a range of environmental states. Where the environment is stable and little

change occurs across extended time periods, the specialist adaptation is perfectly functional. Hummingbirds, for example, have adapted to the precise structure and form of their target food sources – the flowers of tropical South America. However, with the destruction of the rainforests they are increasingly becoming an endangered species. Alternatively, the rat, cockroach, sparrow and seagull have been able to exploit human intrusion. They occupy a wide range of environments with equal facility and ease. In these two broadly different ways, all living organisms seek to survive.

For the business organisation, the basic proposition also holds that as the levels of uncertainty and complexity rise and environments become more turbulent, the more flexible (and less rigid) the organisation and its planning process should become. It is not, however, always easy to establish sufficient levels of responsiveness and flexibility. The reasons for this can stem from a number of factors. Take, for example, the following:

- Like super tankers, large organisations may take a long time to actually slow down and shift direction. The momentum generated by a commitment to a set of goals, objectives and strategies gives a certain inertia to the organisation
- Like aircraft, the company may have passed the point of no return, and financial obligations force them to continue whilst trying to cope with threats from the environment
- Like stubborn army generals, the culture of the company may be one of ‘never retreat,’ and this factor pushes it to extend the life of a strategy that might otherwise be better left to collapse.

In a similar fashion, human organisations become attached to particular patterns of existence. These patterns are in part determined by the approach the organisation takes to the management of entity-environment relationships. It is also partially shaped by the form of delegation, accountability and managerial autonomy at the periphery of the organisation. On the one hand, managers may be so constrained by formal rules of thought and behaviour so as to have no independence of action (autonomy) or choice of direction – such as the hummingbird. On the other hand, when environments are simple and stable, such prescriptive decision making can be an effective means of managing change. However, when they become more complex and dynamic, the organisation needs to be able to make adjustments in pace with the given rate of change – like the rat and sparrow. Rigid and complicated rules, together with too formal hierarchies for decision making, tend to hinder this ability. Habits of thought and action also constrain the ability of individual managers to act freely, when time and the situation demand. Trying to create such flexibility involves that the organisation in develop a management culture that is able to handle changing circumstances and events on a case-by-case or contingency basis.

Strategic management is therefore concerned with establishing an appropriate point of balance between rule-centred and situationally-based decision making, and between the strategic- and operationally-based management processes and cultures – which can often exist side by side within the same organisation. Establishing this balance is a problem that affects business organisations as well as nation states. Dow Chemicals has searched

for a solution to the centre-periphery problem for twenty or more years and their mission continues.

In a very practical way, evolution teaches that species survival rests in part on an ability to look around corners, into valleys and beyond the next range of hills in search of food or enemies. The adaptable survive. The role of seer, shaman, and priest and more recently the scientist has been to predict the pattern of future events and reveal the consequences of current decisions and actions; in turn, they strive to incorporate adaptive behaviour into custom and law. Although events and circumstances have changed, the same need to know that the future confronts the chief executives of the modern corporation as much as it did the leaders of past tribes and times.

There are two different approaches to defining futures. At one end is the objective, rational, quantitative and numeric approach. At the other is the intuitive, subliminal, subjective and qualitative approach. One may be considered to be logic- or 'brain' based, the other feeling, or 'gut' based. Good strategy requires the manager to use the right mix in tune with their personality and the circumstance.

Informal	-----	Formal
instinct-based		numbers-based
subliminal		objective
intuitive		rational
qualitative		quantitative
'gut' based		'brain' based

In recent decades much emphasis has been placed on the establishment and operation of formal planning systems. Behind this has been the assumption that it is possible to drive back the shadows and clarify future events by gathering, processing, analysing and interpreting information to support the strategic decision making process.

The strategic environment is, however, more multivariate than univariate. Managers need to be comfortable in situations requiring multi-tasking ability, where they need to be able to carry out tasks in parallel and to handle a number of different and possibly conflicting claims on their time. The usual method is to prioritise tasks for attention and action, and under conditions of stability, this is acceptable. When environments become more complex and demanding, the ability to act in parallel becomes vital to organisational survival. The use of models to simplify complex decision environments testifies to this. The BCG Matrix, the GE Screen and others (see Block 7) try to condense and focus information into a format that makes it more accessible to the chief executive and the planning team. They all represent attempts at extracting the key factors that describe the strategic aspects of any given situation.

Questions for Consideration: Adaptability and Flexibility

1. Define the attributes of your organisation that inhibit or enhance **flexibility**, and give an example of how the inhibition or enhancement takes effect. **Note:** this question focuses on flexibility – essentially, keeping the same structure, functions and processes, but able to adjust and rearrange them.
2. Identify what you consider to be the unique, **adaptive** elements in your organisation? Do these propel the organisation along specific strategy paths? How have these elements evolved and what has been the triggering or shaping forces that have influenced the evolution? **Note:** the focus of this cluster of question is on adaptability which I see as including flexibility but allowing for fundamental changes to different and alternative forms of structure, function, and process.
3. To what extent does your organisation take a ‘specialist’ or a ‘generalist’ (or mix of both) stance in the way that it seeks to position itself in its strategic environment? Identify those elements that you feel characterise such a stance.
4. What are the key characteristics that shape your organisation’s ability to respond with flexibility to environmental change? **Note:** Flexibility refers to the ability (also capacity) of an organisation to rearrange its parts (who and what it is) and its processes (what it does and how it does it) to meet and respond to contingent events, both internal and external to the organisation. [e.g., changes in workflow processes where workers carry out single, tightly defined tasks to one where a smaller workforce is trained to be multi-skilled and engages in multitasking activities – much TQM activity has been directed at creating Quality Circle production-centred processes both to enhance worker contribution to the bottom-line but also to create an improved workplace culture.]

3.8 Activity: Adaptability and Flexibility

Identify and describe the characteristics of adaptability (ability to respond to environmental change) and flexibility (ability to rearrange its component parts including attitudes) in your organisation, in terms of its activities (what it does) and processes (how it does them). You will need to think about how adaptability and flexibility interact with one another.

For example, can an organisation be adaptable to environmental changes if it remains largely inflexible in terms of a corresponding organisational change? Remember, structure and culture can both inhibit, and well as enhance flexibility and you will need to think through situations that may not be clear. In your analysis you may find that your organisation may need to balance, or trade-off the advantages and disadvantages of one extreme or the other.

Use the following chart to complete this activity.

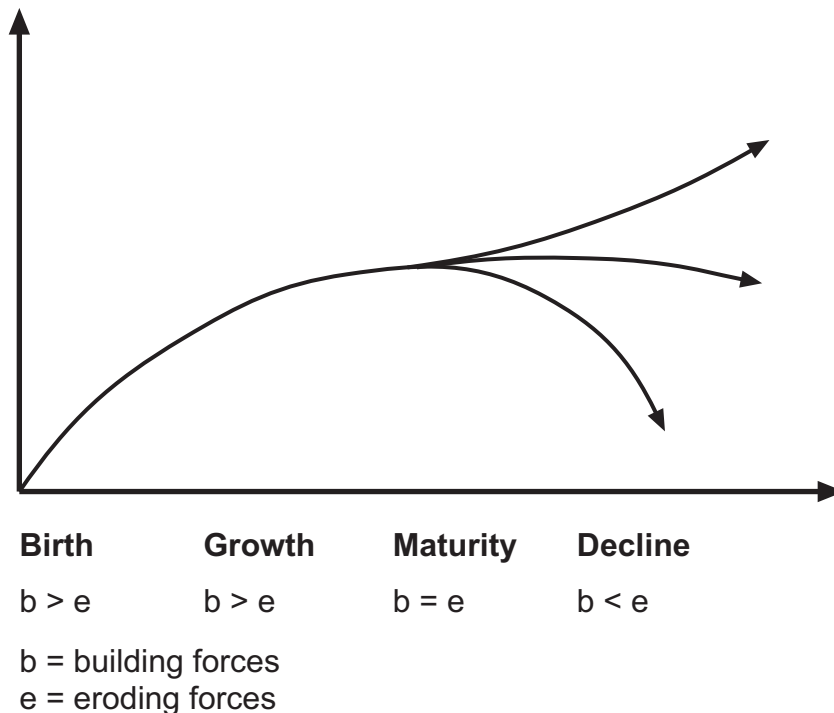
Organisational Component: activities and processes	Adaptability characteristics	Flexibility characteristics
Recruitment of specialist engineers	Able to adjust their skill mix to meet technology innovation	Inflexible terms and conditions of employment – strongly unionised

3.9 Evolutionary Processes: Life Cycles, Strategy and the Passage of Time

All athletic races have a beginning, a middle and an end. The athlete behaves differently at each stage. The start of a race for the short distance runner is very important. Over the shorter distance, the athlete's energy is delivered in a rapid burst. For the long distance runner, energy is released in a slow and conservative way so that there is enough left over to provide a winning finish.

From inception, all organisations face the complex and energy-consuming activity of survival and growth. This struggle takes the form of an evolutionary process in which start-up is succeeded by growth, followed by maturity and then, possible decline. See Figure 1-1 below.

Figure 1-1 The Classical Life Cycle Pattern



The life cycle approach to strategy and strategic decision making is used to describe product, organisation and industry cycles, each of which produces a constant interplay within the organisation, between building (up) and eroding (down) forces.

Strategic management is directed at ensuring that, over the longer term, growth outstrips erosion and the organisation stays intact. Unlike the athlete, the organisation is engaged in a race that does not always have a clearly fixed or definable end. Or, having run one product-market segment race, its needs to be prepared for the next event, which may be starting immediately.

Strategy managers need the ability to handle the effects that such evolutionary forces bring to bear on single products, organisations, and indeed, on whole industries. Where erosion gains the upper hand, the organisation may go into a persistent decline, leading to its demise. These countervailing tendencies are pictured in Figure 1-1 above.

Each stage (birth, growth, maturity, and decline) creates and reflects different strategic environments. Managers therefore need to have a sense of what the passage of time will

bring – they must anticipate the structural and cultural changes required of the organisation, and through anticipatory planning, manage the opportunities and difficulties as they arise. For example, an aging organisation may drift into behaviour based on habit and conservatism. Also, as organisations grow in size, issues of scale arise that affect aspects of organisational design such as departmentalisation, communication, power distribution, leadership style, patterns of resource allocation and so on.

The level and direction of future resource commitments is embedded in the choice of a goal, and the selection of the most appropriate strategy through which to attain it. In the example of the outdoor recreation club (Block Four), the members commit time, energy and effort to the attainment of their goal. The further they are along the strategy path towards that goal, the more their level of commitment grows to that particular choice.

In the early stages of a strategy, objectives can usually be modified or changed without too much cost. However, each objective attained along the way becomes a further investment in the utility and value of the final result – the goal. Thus, the important point is that good planning seeks to ensure that the decision-maker gets the decision right in the first place. Good planning also attempts to guarantee the value of the investment, by making sure that the goal maintains its utility beyond the day of its first achievement – and perhaps across the span of the organisation's life cycle.

A point to remember about the evolutionary process is that a business organisation is involved in three life cycle groupings at any one time:

- the life cycle(s) of the product-service/market(s) in which it deals; (Marketing)
- the life cycle of the corporate entity itself; (Behavioural)
- the life cycle(s) of the industry(ies) in which it competes. (Economic)

The inter-relationships between these life cycles may be infinitely varied (See Block 7 for further details). For example, it is possible to envisage a corporation that has reached a mature stage of development with well-established structures and processes. It may exist, however, in an industry still in the growth stage of its life cycle, in which competitors are building marketshare through rising levels of consumer demand. It may have three products in that industry: one, just entering; a second, enjoying growth; and the third, about to exit. Life cycle clusters of this type make special demands on the strategic aspects of management and planning. Differing combinations of life cycle stages help set the conditions within which organisations handle their affairs.

As organisations evolve from youth to maturity, different forces come into play to influence the form and expression of the planning process. The life cycle concept offers insights into what may lie ahead for organisations that are able to survive their early start-up years. The stage of the life cycle can give valuable clues to the strategy issues and options that face an organisation. For example, younger organisations must confront the problems that arise out of the growth process itself. These include finding the right way to balance the conflicting needs for centrality, devolution in authority, decision making and accountability. Older organisations may face a fall-off in the level of their

environmental awareness when organisational senses may be blunted by the passage of time and dulled by the security offered by a traditional market position.

There is some truth to all of this, but there is also a need to take note of the following:

Firstly, the idea of life cycles is often used loosely with no clear definition given as to what separates one stage from the other. For example, as in Figure 1-1, when does a company pass from one growth stage to the next? Clearly, measuring maturity by age alone is not enough when there are behavioural factors to take into account.

Secondly, the concept glosses over the idea of organisational renewal. Under these circumstances, a company may restructure and rearrange itself to achieve a new lease on life, or return to an earlier state of existence. This idea also applies to individual products as well as whole industries. Note how well the Swiss analogue watch has come back to recapture lost market share from the Japanese digital watch, after losing out for many years. Industry dominance passed from the Swiss to the Americans to the Japanese and back to the Swiss; from the analogue to the digital to the analogue to the Swatch.

Thirdly, organisations may stay within a particular stage of growth for a long period of time, which delays or defers any step-by-step progression through the life cycle. This may be a positive or negative event. Positively, it may mean that it is able to retain the form and vigour of its growth stage and through continuous renewal, keep its earlier strengths intact. Negatively, it may be that the organisation fails to metamorphose from one stage to the next and retains a form that is inappropriate to a changed environment.

Question for Consideration: Evolutionary Processes

1. Identify the main forces that drive the evolutionary process for an organisation and an industry of your choice. (e.g., are they market or technology-driven, are they attitudinal or behavioural, or a mix of these and others? Think through the actual details and how they are revealed in the form and behaviour of the organisation itself.)
-

3.10 Activity: Evolutionary Processes

Identify the stage(s) of evolutionary growth reached by your industry, your organisation and its range of products and/or services. Comment on and justify, with reasons, your choices of positioning. Use the following Table for this purpose.

Life Cycle Type	Life Cycle Stage			
	Start-up	Growth	Maturity	Decline
Product/Service life cycle				
Organisational life cycle				
Industry life cycle				

3.11 Strategy Integration: the Woods and the Trees

Business corporations may be pictured as organisational jigsaw puzzles in which the pieces are people, positions, networks and groups. Unlike a jigsaw that has a single right combination of parts, real life organisational elements may be combined in multiple ways. Each combination offers a particular mix of strengths and weaknesses.

A manager will normally work to a given set of guidelines when attempting to fit such pieces together. These game rules are shaped by the organisation's goals, objectives and policies. The extent to which the management group adjusts and rearranges the elements is determined by the demands of the environment, and the level and quality of available resources at that moment in time. This constant need to recombine and reshape means that management must be able to focus on individual units, as well as their place and fit within the organisation as a whole.

To achieve this, managers need to be able to stand back from their immediate point of reference, and develop 'overview' skills. They need to be able to simultaneously see the parts and the whole of an organisation as well as the inter-linking factors that tie the elements together. If they cannot do this, managers who are too close to their own specialist tasks may find they are unable to appreciate the interconnection between them and the larger organisation. In the same way, a person who stands too close to a tree will fail to see that it is part of a larger woodland. An ability to stand back from individual trees and see the whole organisational forest is an important managerial skill. This is especially true where the size and scale of the organisation is large and complex or where companies are spread over large geographical areas and varied industry types. In such organisations the interdependencies, or inter-linkages between the parts become as

important as the component parts themselves. There are a number of aspects to this that should be noted.

Firstly, because these linkages between organisational elements tend to be interactive in nature, there is a tendency for unit change within one organisational area to balloon out and produce ricochet or echo-like (ripple) effects throughout the organisation as a whole. Keeping the effects of change confined to one component or aspect of the organisation is a difficult task. Because of these inter-linkages, changes in one area ripple through the whole system, and stimulate effects at a considerable distance from their point of origin. Management therefore has to keep a tight rein on the amplifying effects of change.

The nature and level of such interaction stems from a number of factors, including organisational structure and decision making styles. It is especially important that managers be able to trace, beyond the immediate scene of action, the downstream and more strategic consequences of their decisions. Like an echo, the consequences of a particular decision or action may continue to bounce around the organisational structure for a considerable amount of time. In practice, each decision stimulus may become the cause of further action and response. It may die down and fade away, or it may amplify, as it moves outwards to a definite conclusion. For example, consider the old saying:

‘for want of a nail, the shoe was lost,
‘for want of the shoe, the horse was lost;
‘for want of the horse, the rider was lost;
‘for want of the rider, the battle was lost;
‘for want of the battle, the kingdom was lost;
‘and all for the want of a nail!’

Source: Ben Franklin (1706-1790).

The management lesson in this is that the loss of a nail (poor process control), an operational effect, can eventually lead to a strategic outcome, such as failure in battle (the market) and even the loss of identity (organisational decline and collapse). The lesson is that there is a close interconnection between strategic and operations management and changes in one will have reciprocal effects on the other.

Secondly, strategic management involves Solomon-like decisions over the allocation of resources among competing corporate uses, and users. The more the organisation moves away from a simple, undifferentiated structure, towards increasing departmentalisation, the greater is the potential for inter-group conflict as each separate unit seeks to secure its own future. Blending and reconciling the needs and demands of the sectional interests within an organisation is a cornerstone of the goal-setting process. In turn, goal-directed strategy demands coherence of thought, activity and direction within the organisational community itself. It also involves determining priorities and making choices.

For a business organisation, departmentalisation can mean a number of different things. For example:

- not allowing a particular functional activity to dominate the interests of the organisation (i.e., sub-optimisation);

- ensuring that the needs of individual products are balanced against the whole of the product range;
- determining that one strategy, such as cost-cutting, does not distort the overall need for a more mixed balance of strategies, appropriate to the situational needs at the time of product innovation and differentiation.

These effects can extend and cross over to the external as well as internal environments, and may involve a number of different business groupings and sectors in a complicated web of interdependencies. For example, one of the most obvious and important is the influence of oil supply and its price on virtually every other business sector including industrial, agricultural and service. Good strategy for any company involves anticipating and dealing with these fluctuations in supply and price, whether it be for an airline, an agri-chemical company or a plastics manufacturer.

Questions for Consideration: The Woods and The Trees

1. How rigidly structured is your organisation, and to what extent are group-based (and integrative) strategic planning activities the norm? **Note:** Think about the setting of goals and objectives across the organisation, and the establishment and interpretation of policy and strategy. Also, consider whether, strategic planning and thinking is restricted to the top of the managerial hierarchy and to the centre (head Office) of the organisation – or is it more broadly diffused and dispersed, across the business units and functions as well as up and down the management channel?
 2. Identify the nature of relationship boundaries in your organisation, and the ways in which group perspectives are reconciled with the whole – especially between different activity and product areas. **Note:** There are many such boundaries and they consist of the following:
 - Where the organisation interacts with its industry environment
 - Where the major echelons or coalitions of interest, authority and power within the organisation meet and interact (old culture meets new culture!)
 - Where functionally different lines meet and merge (finance meets human resources)
 - Where scale effects, such as scale and complexity, lead to organisational departmentalisation (SBUs).
-

3.12 Activity: Woods and Trees

Organisational myopia can occur in a number of different ways and for a variety of reasons. Typically it means that the ‘local’ view dominates over the ‘organisation as a whole’ view and that decisions get made based on provincial needs and wants rather than taking the interests across the organisation into account. Local could mean different towns and cities or regions within one country area. It could also be taken to apply to nation states when compared with international and global-wide business organisations. In fact, all viewpoints, local, national and global, have a role in strategic planning and in keeping the organisation grounded and relevant to all its various customer and stakeholder needs.

Consider a unit or component of an organisation of your choice, and seek to identify and describe the conditions and processes that work (positively or otherwise) to capture the contribution of that unit to the overall strategic positioning of the organisation. For example, in a hotel these separate units or components could break down into Restaurant and Bars, Housekeeping, Reception, Back Office; for a hospital it could be Accident and Emergency, Theatre, Pharmacy, or Laboratory.

Organisational Unit	Contribution to overall strategic positioning
Housekeeping	The health and hygiene of guests
	The privacy and intimacy components of service
Reception	They represent the face of the organisation They manage the logistics of visitor arrival and departure (both can be stressful)

3.13 Strategy Integration and Resource Deployment

Not all sports and athletic activity is concerned with individual achievement. Much of it is team-related. Team activity involves group behaviour and dynamics, and the assignment of specialty tasks and functions to individuals or positions in the field of play. In football and netball, this means splitting players between attack, mid-field and defensive positions. Similar arrangements exist for business organisations. Some activities, units and individuals deal with the external forces projected against the

organisation. Others are concerned with creating the products necessary to defend established market positions. A prime purpose of strategic management is to keep such arrangements intact. This involves an ability to integrate and reconcile differences within the organisation.

As organisations grow in size, they become increasingly differentiated by activity and function. These functional and activity splits divide the organisation into sub-units, based on functions like marketing and production as well as divided by product or project. Establishing, and sustaining the inter-relationships between sub-units involves arbitrating 'boundaries' between parts in a relationship. It also involves management in blending the components together. Each separate activity or interest grouping tends to develop its own perspective on the organisation, and its place within it. These differing viewpoints need to be reconciled and brought together. For example, in a soccer game, centre and mid-field players of the same team may compete between each other for possession of the ball.

Similarly, internal competition may emerge between different divisions of a company for product development financing. Conflicts may emerge between different functional viewpoints on organisational goals. The operational levels of management may develop different perspectives on dealing with the daily realities of installing executive decisions in the workplace. These all need to be taken into account when attempting to bring together a unified vision for the organisation. These separations also provide the base and structure on which political systems may develop, and through which conflict and competition may emerge within the organisation itself. Good management of these behavioural factors has considerable strategic implications. They involve issues of power and politics, and the investment of energy in holding the whole of the organisation together.

In team sports, how the ball is deployed and played throughout a game will vary with the quality and strength of each of the team members, as well as the makeup of the opposing team. This deployment pattern can fluctuate from game to game. Likewise for business organisations, the concern is about determining resource deployment and use. For example, deciding what new products should be developed, which divisions or projects should get R&D funding, how much is to be allocated to technology upgrades, etc.

These are all decisions that have long-term survival implications. They involve making present commitments of resources to future goals. Strategic management is therefore concerned with those decisions that determine the activities and actions on which the organisation will expend its energy to ensure survival. For example, where to get the cheapest, best and most reliable inputs and suppliers; how best to use these between competing and often conflicting inter-group options; how to enter and survive in the competitive arena of the marketplace; how to locate, hold and protect a viable customer base. These are all questions of strategic importance, and they absorb much of the attention of senior management.

Questions for Consideration: Resources

1. How and by whom should the allocation of scarce resources be managed for distribution to competing ends and means (goals and strategies)?
 2. How should resource claims (by departments, divisions, SBUs, functional areas) be prioritised? By short-term contribution to the bottom line (immediate survival) and/or by their contribution to long-term goals and opportunities?
-

3.14 Activity: Resources

For your organisation identify (using the table below) how the three organisational characteristics (Structure, Culture, and Process) influence the resource allocation and usage strategies that it pursues across each of the main resource areas/groupings – add or change these to suit your circumstances.

For example: Maintaining production over several geographically diverse sites can lead to resource wastage through duplication of effort. As well, different industrial relations cultures may emerge, reflecting local conditions and attitudes – some with positive, and some with negative influences on the effective and efficient use of resources. Use the following table for this purpose.

Organisational components	Resource Areas			
	Human	Financial	Technical	Informational
Structure (geo diverse)			Duplication of effort	
Culture (geo diverse)	Industrial conflict			
Process				

3.15 Organisational Capacity for Change

Finally, the overriding conditional factor is change. Coping with the process and effects of change involves developing a capacity to deal successfully with uncertainty and complexity. Doing so over the longer term, and in environments that constantly shift, is crucial to organisational survival.

In our sporting analogy it means running – and surviving – unpredictable races, in which the positioning of the athletes, and the landscape through which they move, is always changing. This has the effect of reducing levels of predictability, of forecasting the long-term time horizon. The ability to predict future events with some degree of certainty is

possible mainly in environments with low levels of both evolutionary and revolutionary change.

There are a number of elements associated with cycles of change:

- the number (frequency) of the cycles per period
- the regularity (uniformity or otherwise) of the cycles
- the amplitude (height and depth) of the cycles.

Using these three elements it is possible to picture the following scenarios:

Scenario 1: Number of Cycles

Environments where the number of cycles per period (say 10 years) can vary widely due to constant product innovation where each innovation stimulates another wave of change and each cycle overlaps the other to some degree – for example: consumer electronics where analogue has been overtaken by digital and tapes by compact discs and Sticks. The computer game industry is another case in point.

Scenario 2: From long-term to short-term cycle

Environments where the cycles of change have caused the long-term to become mid-term, and finally ending up as short-term in character and effect – the impact of computer simulation and modelling software on the design and development of cars and planes. In these instances the effect has been to reduce the development time for new models of cars from 7 to 5 and then to 2-3 years. The long-term has become near-term. For manufacturers and consumers alike, this has triggered new patterns of consumption and production.

Scenario 3: Incremental change

Environments where change has been mostly incremental and low scale, are suddenly reshaped by the effect of changes in the scales of production, distribution and supply. The retail-merchandising sector is a case in point. Here, change throughout Asia is being driven by the proliferation of mass merchandisers with disastrous effects on the livelihoods of small traders and merchants. In this instance, the amplitude of change has increased enormously and radical rearrangements of market structures can, and have occurred, over the very short-term.

In sum, such factors define the strategic management framework within which the organisation operates. They link the organisation to its agents, interest groups and competitors within the external environment. They also establish the survival orientation of the organisation as well as its capacity to handle dissonance and change.

Questions for Consideration: Change

1. Describe and define the cycles of change that shape and condition of your industry. List their characteristics.
 2. What constitutes the long-term horizon (? years) for your organisation? What are the conditions that have shaped such a time-line?
 3. Is your organisation a change-maker or change-taker? Does it drive change conditions or does it mostly focus on catching and riding the industry's wave?
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3.16 Activity: Defining Strategy B

There are a number of factors that separate strategic management and decision making from other types of managerial activity. Revisit your earlier list in Defining Strategy (a) in the light of your additional reading, and add/delete where appropriate. In your own words, set out your reasons for your choices. **Note:** this is a required activity.

Factors	Relevance to Strategic Management

4 Strategy Formation – Schools of Thought

The eleven descriptions in this section of Block 1 set out the main perspectives, or schools of thought, on strategy as developed through the insights and research of observers and writers on strategic management over the last 50 years. This overview is largely derived from the work of Mintzberg. He has identified a range of perspectives, each of which helps to highlight and clarify an aspect of the way in which the strategic

management process works within organisations. Following each of the descriptions of the eleven schools of thought you will find an associated commentary, and under Classroom Discussion & Debate a pair of Propositions and related questions designed to encourage individual, small group, and class critical thinking and interaction; it is suggested that you record your own notes while reading, and prepare for the classroom discussions.

4.1 Strategy Models – Schools of Thought

Schools of Thought

Prescriptive: *How strategies should be formulated*

To the following Schools:		Strategy Formation is seen as:		
Design	School	a	Conceptual	process
Planning	School	a	Formal	process
Positioning	School	an	Analytical	process

Process: *How strategies do in fact get made*

To the following Schools:		Strategy Formation is seen as:		
Entrepreneurial	School	a	Visionary	process
Cognitive	School	a	Mental	process
Learning	School	an	Emergent	process
Political	School	a	Power	process
Cultural	School	an	Ideological	process
Environmental	School	a	Passive	process

Life Cycle models

To the following Schools:		Strategy Formation is seen as:		
Configurational	School	an	Episodic	process

Source: Mintzberg, *Strategy Formation: Schools of Thought*

The table above identifies at least ten different ways of looking at strategy. These ten perspectives or Schools can be grouped into three clusters. Each cluster represents a main viewpoint: Prescriptive, Process, and Life cycle. The Prescriptive view seeks to define the way in which strategic management should be approached – it is strongly normative

in its orientation. The Process view looks at what actually goes on in practice, and defines strategic management in terms of observational wisdom.

The Lifecycle model combines both of the above but visualises the strategy processes as an unfolding event constantly changing in response to evolving environmental conditions interacting with the internal processes, culture and structure of the organisation.

Please take a moment after each description of a School of Thought, to record your own notes of the course material as well as additional thoughts that arise out of your own individual study and class discussions.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The key strategic issue for the modern business organisation is a failure to integrate and reconcile the varied perspectives that different managers bring to the strategic planning task.

Task: Consider this proposition in relation to the following question:
Do functionally different skills, experience, and backgrounds amongst managers (marketing, finance, human resources, information technology, etc.) automatically erect barriers to the creation of a single strategic vision?

Proposition 2: There is no one ‘right’ way to create and manage the strategy processes of an organisation.

Task: Consider this proposition in relation to the following question:
How does a manager know they have chosen the right strategy mix for their organisation?

4.2 Prescriptive Views: Overview

The Prescriptive view includes three so called ‘schools’ that share some common elements while exhibiting their own areas of emphasis – ‘design,’ ‘planning,’ and ‘positioning.’ As mentioned earlier, the prescriptive perspective is strongly normative in its orientation – focusing on what an organisation should do. It emphasises the importance of possessing and applying agreed procedures and guidelines to the planning function, the importance of the quantitative perspective alongside the qualitative and the need for data-informed and qualified decision making. The rational, scientific approach

to crafting and implementing strategic decisions is promoted as necessary to effective and efficient use of resources in often constrained and conflicting environments. All three schools emphasise the importance of formal planning and the need for rationality rather than subjectivity to underpin strategic choice. The differences between them are more a matter of emphasis than of substance.

In the case of the 'design school' the emphasis is on the application and use of the 'scientific method.' It is fuelled by the belief that organisational design is as much a science as it is an art and that, with the proper application of principle to practise, the CEO and senior management should be able to optimise the performance of their enterprise. It promotes the belief that an organisational formula can be developed that represents an ideal configuration for any given context.

In the case of the 'planning school' the emphasis is on the repositioning of the planning function (and managerial role) into a specialised 'staff' unit. It rests on the belief that to be effective, good strategic decision making needs the support of full-time dedicated staff whose work consists of collecting, analysing and interpreting data and information for supply to a consequently better informed line of management.

The 'positioning' school is best represented by the work of Michael Porter and scholars, researchers and consultants of the like. He and his like-minded colleagues, over the last 2-3 decades have continually represented the importance of rational and quantitative analysis within a framework that combines elements of economics and organisational theory. Strategy in this context has to do with best 'positioning' an organisation within its strategic context – the environment. The organisation is analysed in socio-cultural terms and linked through strategic analysis and selection to the environment, which is defined in economic terms.

Further details on these three Prescriptive schools of strategy follow.

4.2.1 The Design School

Underlying Premises are:

1. Strategy formation should be a controlled, conscious application of thought to action.
2. Strategies should be developed neither intuitively nor in emergent fashion, but in a conscious, deliberate manner based on formal training.
3. Responsibility for that control and consciousness must rest with the chief executive officer: that person is THE strategist.
4. There should be a single responsible agent who is the final 'architect' of strategy – the other managers and employees are the builders of that strategy.
5. The model of strategy formation must be kept simple and informal; elaboration will kill it.

6. Strategies should consist of 'imposing ideas' that provide the compass points and the navigational charts that give direction to the organisation.
7. Strategies should be unique; the best ones result from a process of creative design.
8. Good Strategies will reflect the unique conditions at work on the organisation and treat each as a separate event horizon – they should reflect 'Situational philosophy.'
9. Strategies emerge from this design process full-blown.
10. This design approach leads to the idea of a 'grand strategy' – hence the characterisation of the process as one which focuses on the conception side of strategy development and only then on its implementation.
11. These strategies should be made explicit and, if possible, articulated, which means they have to be kept simple.
12. Finally, only after these unique, full-blown, explicit and simple strategies are fully formulated can they be implemented.

The underlying premises above set out the belief that the success of any strategy rests in large part on the preparation phase. The more time and resources invested in studying options and alternatives, the better the final choice. Good strategic decision making is not to be rushed. For example, an explorer increases their chances of success (as well as survival) by investing time and energy in preparing for the expedition. This involves researching and analysing the options and choices before choosing the 'best' route. The early explorers of extreme environments, such as the Antarctic, prepared long and hard to minimise risk and danger before venturing beyond the harbour mouth. A winter in the southern ocean is totally unforgiving. The success of the venture is built largely around the 'preparation for choice and action' phase. There is an alternative proposition that says that all risk cannot be removed and that trying to do so to excess will result in 'paralysis by analysis.' In other words, spending too much time thinking about what to do risks missing the moment. Wait too long to act and the ice freezes over and you are left isolated and powerless to move. The argument is made that the rates and scales of change are so great in the contemporary world that organisations must acquire the ability to craft effective strategies on the run.

At an individual level the language of strategy contains a whole range of expressions which encourages action over inaction such as, 'he who hesitates is lost' or 'Carpe Diem' ('seize the day') or 'nothing ventured nothing gained' or 'there is a moment in the affairs of men which taken at the flood leads on to better things.' All of these expressions are directed at encouraging action rather than talk. They encourage the individual to seek a working balance between risk and security. Good strategy processes in an organisation should address their goals in the same way. This means they must establish systems and behaviours that allow the organisation to find the degree of formality it requires in order to increase its chances of making correct choices about ends (Goals) and means (Strategies) – no more, no less. They must find a point of balance between thought and action that meets the organisation's immediate survival needs as well as its long-term ambitions.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The receipt of strategic information in organisations is restricted and biased and therefore, the process of strategy formation is distorted.

Task: Consider this proposition in relation to the following question:
Can better organisational design improve the signal to noise ratio of information flows within an organisation? (Is it possible to better 'tune' an organisation's communication system so as to reduce or eliminate the levels of 'rubbish' in such a way as to improve the quality of strategic decision making?)

Proposition 2: Strategies are perspectives, or concepts, that are formed in an individual's mind and by extension in the collective mind of the organisation.

Task: Consider this proposition in relation to the following question:
In what ways or otherwise does the 'collective' mind of the organisation resemble the 'hive' mind of social insects (wasps, bees, ants, etc.)?

4.2.2 The Planning School

Underlying premises are:

1. That strategy formation should be a controlled, conscious, and formal process, decomposed into distinct steps, each delineated by checklists and supported by techniques.
2. That responsibility for the overall process rests with the chief executive in principle; responsibility for its execution rests with the staff planners in practice.
3. Strategies emerge from the process in the form of full and detailed reports, so that they can then be implemented through careful attention to goals, objectives, policies, budgets, programmes, and operating plans of various kinds.

The above premises refer to the belief that Management's planning role (amongst their other roles) can and should be delegated in large part to an expert functionary within the organisation. It stems from the belief that planning is an increasingly complex and demanding task and the time requirements are excessive. Modern managers need support in information gathering, filtering, analysis, and interpretation in order to cope with the daily information demands of their positions, let alone stay current and expert in their specialist fields.

To integrate such a mass of data and knowledge requires a separate division or staff unit whose prime purpose is to perform this role as an advisory function on behalf of line management. Under this model the actual decision making is left to management but all else is carried out without their direct involvement.

This option proved popular during the late 70s and 80s as corporates sought to lift the pressures of reading, researching and analysing off the shoulders of their executives. Executive time is costly and better used in making actual decisions than in trying to capture all dimensions to support a strategic positioning argument. Taken to the extreme, it also runs the risk of separating the manager from the context of the decision and transferring too much informational and political power into the hands of the planner.

The 1990s saw a swing back to a more balanced position that allows for the capture of expert knowledge and advice from the planner but which ensures that the actual makers of the final decision, the managers, are 'aware' and knowledgeable in their own right.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The more formal the approach to strategic planning the more effective will be the final result.

Task: Consider this proposition in relation to the following question:
Does a formal approach to strategic management and planning always work well irrespective of the levels of environmental uncertainty?

Proposition 2: The best use of senior management time is to relocate the planning role of management to a specialist full-time unit, existing in a staff relationship with line management.

Task: Consider this proposition in relation to the following question:
Does stripping the strategic planning role out of management's responsibility set create one cluster of problems (isolation from the data source, another layer of inference and potential dissonance) as it solves another (freeing up of management time, efficiencies gained from task specialisation).

4.2.3 The Positioning School

Underlying premises are:

1. Strategies are generic, specifically common, tangible positions in the marketplace. They can be divided into two main clusters: cost-based, and differentiation-based.

2. The marketplace (the context) is economic and competitive.
3. The strategy formation process is therefore one of analytical selection based on calculation. The object is to analyse formal data (preferably quantitative) on the industry and the competition, in order to select the optimal strategy.
4. Strategies as positions lead other types of strategies (e.g., functional ones) sometimes within clusters that define generic 'strategic groups' of firms within industries.
5. Analysts play a major role in this process, feeding the results of their calculations to managers, who officially control the choices.
6. Strategies thus emerge from this process in full depth, and are then articulated and implemented; thus, market conditions dictate positional strategies that dictate other strategies that dictate organisational structures (including systems and plans) that determine performance.

The above premises represent the position generally associated with Professor Michael Porter. It places a strong emphasis on the importance of the quantitative side of decision making, and on the integration of organisational and environmental analysis into the formation of strategy.

The model encourages the user to set organisational decision making within the context of the industrial landscape of which it is a part. Strategic choices are defined by competitive force terms, and reflect the relative strengths and weaknesses of the competitors themselves within a landscape defined by their relationships with Customers, Suppliers, and their Direct Competitors.

It shares much in common with the previous perspectives but emphasises both the qualitative as well as the quantitative aspects (the Metrics) to strategic decision making and choice.

This model thus gives us a behavioural approach to the organisation married into a simplified economic vision of the marketplace.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The modern marketplace is as much defined and shaped by patterns of co-operation as it is by patterns of competition.

Task: Consider this proposition in relation to the following question:
Is cooperation little more than the absence of competition, or is it simply competition in another form – that self-interest always rules?

Proposition 2: Goals that are not measurable and not measured are not managed.

Task: Consider this proposition in relation to the following question:
Should all goals possess a quantitative as well as a qualitative component?

4.3 Process Views: Overview

The following six ‘process schools’ present a very diverse range of perspectives on the ways in which the strategy processes of organisations can be interpreted and explained. Rather than seeking to define the ‘how,’ they focus on describing and analysing the ‘what is.’ They advocate looking at strategy as it unfolds in practice, and from this, work back to general principles drawing conclusions from observed wisdom. Included are the following range of viewpoints: the ‘entrepreneurial,’ ‘cognitive,’ ‘learning,’ ‘political,’ ‘cultural,’ and ‘environmental’ schools.

The ‘entrepreneurial’ perspective tends to be the one promoted by the business press that pictures strategy as the product of the intellect and personality of the CEO and that it originates and proceeds from their personal vision and influence on the future directions of the organisation. It is also pictured as a skill or attribute that is innate to the individual but can also be shared (somewhat organically) by like minds. As such, the entrepreneurial spirit or vision is seen to initiate creative growth in products and systems or process technologies developed by the organisation to outmanoeuvre or steal a run on the competition.

The ‘cognitive’ perspective originates from the attempts that have been made to apply different theories of behaviour and personality (including cognitive psychology) to the management of organisations. From this angle, strategy (good or bad), is shaped by the capacity and abilities of the mind and personality of the strategist. Good cognitive skills are thought to provide a potential for the derivation and implementation of successful strategic choices – by permitting those with the gift to ‘see’ and ‘visualise’ options and choices that others miss (e.g., threats that could also be opportunities, weaknesses that can be turned into strengths).

The ‘learning’ perspective on strategy sees the strategy process as best served by the acquisition and use of information as acquired through experience and then applied to the next and on-going rounds of decision making. Learning thus becomes a distributed faculty to which all areas of the organisation need to be attuned. In other words, good strategy is therefore derived from informed decision making where the organisation as a whole learns, and in which the collective acquires and deploys new knowledge.

The ‘political’ perspective on strategy sees strategy emerging and being shaped by the interplay of organisational forces and special interests – turf wars that result from the struggle for position and privilege and for the right to control resources and make decisions on their ownership and use. The victors of such conflicts own and control the strategy formulation and implementation cycle, and the right to choose a future lies in the hands of the dominant authority. Ultimately a balance needs to be struck between

organisational and individual self-interest such that it becomes a WIN:WIN rather than a WIN:LOSE scenario for all protagonists involved, further ensuring a less destructive and more constructive interaction between the players in the game.

The 'cultural' perspective pictures strategy as emerging out, of and reflecting, 'the way things are done around here' – the combination of habits and practices, attitudes and beliefs that shape the way members of an organisation (and therefore the organisation as a whole) see the world and their place within it. Choices about what to do and which strategic path to take are driven by the accumulated wisdom of the past and the all-pervasive hand of current culture at work in the minds of the decision-makers within the organisation. Culture can be both liberating and confining in its effects, serving to both 'close' and 'open' the eyes and minds of the strategist. If out of synch with the needs of the times it can trap an organisation in a maze of preconceived ideas and solutions about where to go (goals) and how to achieve them (pathways). Culture in the 3rd component alongside Structure and Process that shapes the ways in which resources are deployed for strategic purposes.

The 'environmental' perspective of strategic choice) is essentially Darwinian. It is about mutual interaction and competition between competitors within the context of their landscapes, and the influence this has on their evolution across time and space. Life Cycle models of strategy also contain Darwinian elements that are successively revealed as the organisation and its industry mutually evolve through successive stages within the life cycle. Strategic choice viewed within this context is only partially in the hands of any one industry member and it is important to look to the aggregate effects of all participants on each other's ability to make such choices.

Each of these six perspectives, or Schools, are considered in more detail below.

4.3.1 The Entrepreneurial School

Underlying premises are:

1. Strategy exists in the mind of the single leader as a perspective; specifically, as a sense of long-term direction, a vision of the organisation's future.
2. The process of strategy formation is semiconscious at best, rooted in the experience and intuition of the leader.
3. The leader maintains close personal control of the implementation as well as the formulation of the main vision, tying the two together tightly through personalised feedback on actions.
4. The strategic vision is thus malleable, existing within a simple structure responsive to the leader's directives.
5. Entrepreneurial strategy tends to take the form of a niche, one or more pockets of market positions protected from the forces of outright competition.

The premises above set out the classical picture of what many observers associate with business success. It is an enterprise view of business organisations and focuses on those individuals who, through creative ideas and energy, give shape to new products, industries, and directions. The long-term future of an organisation stems, in this view, from how well it is able to innovate and create new choices and options from within.

Building and capturing this creativity for an organisation's purpose is central to the strategic process. Achieving and sustaining this process is perhaps the most difficult part. Many examples exist of organisations that have failed to outlive their founder or which have failed because of an inability to translate the entrepreneurs ideas into long-term sustained action.

It has been suggested that as organisations progress along the lifecycle, different skill sets are required, and that keeping the entrepreneurial spirit alive thus becomes increasingly difficult if not counterproductive. Keeping the entrepreneurial spirit alive within the bottom-line culture of the marketplace, or the cost-driven culture of a struggling business, can be a challenge.

It is also important to note that organisations can be entrepreneurial not only in terms of R&D and product development but also in terms of systems and logistics as well as human factors and technology. Its entrepreneurial competence could also lie more in the application of innovation than in its invention.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The role and importance of the entrepreneur in creating and sustaining the strategic vision of an organisation shifts and changes as the organisation progresses from start-up through to maturity and beyond.

Task: Consider this proposition in relation to the following question:
Do all entrepreneurs have a finite shelf-life as far as their role in their organisations is concerned? Across the organisational life cycle, do the costs of entrepreneurial leadership gradually outweigh the benefits?

Proposition 2: Without the 'entrepreneur' there can be no strategic vision for an organisation.

Task: Consider this proposition in relation to the following question:
By nature do entrepreneurs have more of a vision for their own innovation than a vision for the organisation, which must bring the innovation to the marketplace?

4.3.2 The Cognitive School

Underlying premises are:

1. Strategy formation is a cognitive process that takes place in the mind of the strategist.
2. Hence, strategies are perspectives, or concepts, that form in the mind.
3. The strategist's environment is complex, their cognitive capabilities limited by comparison factors; consequently, the receipt of information is restricted and biased and the process of strategy formation is thereby distorted.
4. As a result of their individual cognitive makeups, strategists vary significantly in their styles of strategy formulation.

The premises above set out the viewpoint made popular by Konichi Ohmae in the 1980s that individuals, and therefore organisations, visualise the world in ways that reflect their education, their life experience, and their culture. The world around us is pictured as a reflection of the mental models that we ourselves have acquired and that we use them to interpret and explain the workings of that same world.

It builds on the concepts of cognitive psychology and learning theory and argues that the ability to think and act strategically is governed by the characteristics of the mental framework itself. He used this device as a way of explaining why, at that stage, the Japanese 'way of doing business' seemed to be leaving the 'North American' version in its wake. It begs the question of what has subsequently happened to the Japanese way during the 1990s to-date.

Improving the strategic decision making and planning skills of management is therefore about improving and evolving the mind-sets and mental competencies and perceptions of managers and employees so that they can 'see' the future better. It implies that good strategic management for an organisation consists in part of acculturating its employees to look at themselves and their responsibilities with insight and self-awareness – a proactive approach in which envisioning and re-envisioning the organisation is central to its future survival. At the strategic level it means being able to see around corners; to reach over the visual horizon; to anticipate future weaknesses arising out of current strengths or opportunities leading to as yet unforeseen threats.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: An organisation's capacity for creating effective strategy is defined and shaped by the quality and character of its cognitive makeup.

Task: Consider this proposition in relation to the following question:
What conditions hinder or block the establishment of 'clear thinking' principles and practices in an organisations?

Proposition 2: Strategies arise as perspectives, or concepts, that form in the mind. Good strategy therefore requires mental agility and acuity on the part of an organisation's leadership.

Task: Consider this proposition in relation to the following question:
What does it take for an organisation to begin to see threats as potential opportunities and weaknesses as strengths in the making? When is a glass half full or half empty?

4.3.3 The Learning School

Underlying premises are:

1. The complex and dynamic nature of the organisation's environment, often coupled with the diffusion in the organisation of its knowledge base for strategy-making, precludes deliberate control. Strategy making must, above all, take the form of a process of learning over time, in which, at the limit, formulation and implementation becomes indistinguishable.
2. While the leader must learn and sometimes can be the sole learner, more commonly it is the collective system that learns. There are many potential strategists in most organisations.
3. The learning proceeds in emergent fashion, through behaviour that stimulates thinking retrospectively, so that sense is made of action.
4. The role of leadership then becomes not to pre-conceive deliberate strategies but to manage the process of strategic learning.
5. Accordingly, strategies appear first as patterns out of the past, and only later perhaps as deliberate plans for the future.

The premises above set out the proposition that effective strategic management in the context of a modern economy is an organisation-wide process and that no one individual can or should attempt to fly solo. Although individuals may make final decisions, collective knowledge and experience provides the broader knowledge matrix within which improved and enhanced decision making can proceed.

Strategic learning, like all learning, arises out of the steady accumulation of knowledge gained through experience. It is the organisation's loss if it deliberately precludes or filters out the full breadth of knowledge available to it. Defining and calibrating the types of knowledge and the extent of learning required is a crucial part of bullet-proofing the strategic health of the collective.

MIS, DSS, and Data Mining are all systems and techniques designed to aggregate, sort and select organisational and environmental information and direct it towards the decision making needs of management. If it includes proper feedback and interpretation, then the organisation has a chance to learn and inject that learning into the next planning cycle – daily through to yearly.

Building a learning organisation is not easy as it implies a significant and continuous investment in resources – human (through training and education) as well as technological. It also implies that organisations need systems that can code and store knowledge independently of individual employees as a means of protecting the organisation from its loss through their resignation, retirement, external recruitment, etc.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The role of organisational leadership is to manage the process of strategic learning.

Task: Consider this proposition in relation to the following question:
Do line managers make the best teachers of strategic thinking, and are they best positioned to facilitate strategic learning?

Proposition 2: There are many potential strategists in most organisations.

Task: Consider this proposition in relation to the following question:
If the number of potential strategists is potentially so large, why then, are there so few who get the chance, or themselves desire to realise their abilities?

4.3.4 The Political School

Underlying premises are:

1. The strategy formation process is fundamentally a political one – usually serving parochial ends that often generate conflict, whether focused within the organisation (micro politics) or reflecting actions by the organisation (macro politics).
2. Political strategies, whether realised by deliberate plan or emergent patterns, tend to take formed positions and ploys rather than perspectives.
3. In micro politics there is no dominant actor, but rather a number who vie with each other to control organisational outcomes, or also to challenge vulnerable actors.

4. In macro politics, the organisation promotes its own welfare through aggressive deliberate strategies of a political nature.
5. Micro politics tends to take place in times of major change, either imposed on the organisation externally or else arising internally as a result of the realignment of the organisations power system (such as the rise of a previously weak source of influence or the breakdown of an established one).
6. Macro politics reflects the closed-system nature of an organisation, namely its power, relative to the external influences around it.

The premises above set out the viewpoint that human endeavour, including strategic management, is shaped and skewed by the patterns of individual and collective power and interest. This applies both within an organisation and between organisations within their sphere of operation.

It follows therefore, that for the strategic process to be effective, any negative or positive components need to be minimised or correspondingly enhanced. The issue then is about seeking compromise and balance between conflicting forces, channelling energies in ways designed to reduce and moderate negative reaction.

It also implies that conflict, expressed as strongly-held differences of opinion, needs to be managed so as to improve rather than diminish effective decision making. It is too easy to reduce conflict by appointing to a task people of like mind and disposition. Small group decision making theory and practice suggests that constructive differences can be managed to enhance rather than reduce the utility of any final action or result. Creating organisations to work in this way and achieve these results is the tricky part.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The strategy formation process is fundamentally a political activity

Task: Consider this proposition in relation to the following questions:

Are political processes in and of themselves necessarily good or bad?
Does it matter if the 'Ends' are achieved largely irrespective of the 'Means'?

Proposition 2: It is individual self-interest that shapes and drives the strategic decision making processes of an organisation.

Task: Consider this proposition in relation to the following question:

Is politics the 'art of the possible' and does the political process merely provide the means for individual self-interest to be harnessed to the goals?

Without such a connection, would there would be little loyalty or allegiance?

4.3.5 The Cultural School

Underlying premises are:

1. Strategy formation is fundamentally a process of collective behaviour, based on the beliefs shared by the members of an organisation.
2. As a result, strategy is rooted in intentions (though not necessarily explicit) and reflected in patterns, which make it appear deliberate.
3. Co-ordination and control in the organisation are largely normative, ought and should, and based on the influence of the shared beliefs.
4. Given the importance of the internal belief systems, the organisation tends to be proactive in comparison with the environment that appears to be passive and diffuse in its influence.
5. Culture and especially ideology, do not encourage strategic change so much as they perpetuate existing strategy; at best they allow for shifts in position within the organisation's overall strategic perspective.

The Cultural School proposes that organisations are communities of interest and function much like other forms of the human collective: families, villages, settlements. It argues that it is the sum of the attitudes and behaviours of its members or extended relationships (managers, employees, shareholders, investors, debtors, creditors, etc.) that collectively defines and mediates its culture. This in turn shapes its abilities and capacities to respond to the demands of both managing as well as sustaining the vision, goals, and strategies of an organisation.

Much organisational and strategic change literature focuses on the importance of culture to the change process itself. Culture can both hinder as well facilitate change, depending on whether the cultural formula or configuration is appropriate for the time and prevailing conditions. Structural and process change, however, is generally ineffective without an accompanying change in the culture – restructuring an organisation breaks old cultural patterns as it seeks to impose the new. Resistance from within the current culture can be the greatest impediment to effectively implementing change. Changing a process in the system is often linked to changing the viewpoints and perspective of those most affected.

Culture acts like a lens through which the organisation views its surrounding world – its industry and societal landscapes. If it is out of focus for whatever reason, the organisation will receive and act on distorted images that are not properly aligned to the (intended) reality.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: Strategy formation is fundamentally a process of collective behaviour, based on shared beliefs and commonly held understandings about what shapes and defines the 'now' and the 'future.'

Task: Consider this proposition in relation to the following question:
What is the link, if any, between the culture of the organisation and the shape and character of its patterns of strategic choice? (In this regard, contrast hierarchically-configured as opposed to net-worked-configured organisations.)

Proposition 2: Culture and especially its ideological component inhibits, rather than facilitates, effective strategic decision making.

Task: Consider this proposition in relation to the following question:
Given time, does the liberating power of innovative beliefs eventually become the paralysing force of entrenched dogma? (i.e., New behaviours become old habits that live on well past their organisational expiry date.)

4.3.6 The Environmental School

Underlying premises are:

1. The environment, in general or manifested as a set of abstract forces, dictates strategy by forcing organisations or their attributes into ecological-type niches; those that refuse to adapt must eventually 'die.'
2. Thus, there is no real internal strategist nor any internal strategy-making process, and leadership, as it has long been depicted in the strategic management as well as its own literature, is a myth.
3. Strategies are positions, niches where organisations are sustained until whatever nourishes them there runs out.

The Environmental School is broadly Darwinian in its approach. It is centred on the overriding influence that the environment has in driving and shaping both the organisation, in a structural, cultural, and process sense, but also on the options and choice that are available to it.

It is perhaps simplistic to emphasise one side only of the relationship and that industries are equally shaped by the behaviour and actions of their membership.

Just as elephants or crocodiles will shape a piece of forest or swamp to meet their needs, significant players in an industry will attempt to shape their relationships with their industry to better suit their own needs and comforts. Smaller firms and businesses will tend to fit themselves around the key players just as other animal species will seek to benefit from the environments created by the elephants and crocodiles. Even within larger industrial landscapes, micro-environments evolve that attract niche players.

The interaction between the landscape and its occupants is rather more complex than a one-sided descriptive model would suggest. Key players in an industry can and do individually and collectively determine its evolutionary direction and long-term health. In recent decades, as governmental regulation of industries have declined worldwide, the underlying forces within an industry are unleashed and players need to be sensitive to both the influence of it on them, but also of their own degree and direction of influence on all such forms of external regulation. The international airline industry is a good example of this, as is also the pharmaceutical industry. In both of these industries, liberalisation of the rules of competitive play has triggered global consolidation as well as rearrangements in ownership, product positioning and distribution. As these examples demonstrate, player behaviour can change the very shape of the industry.

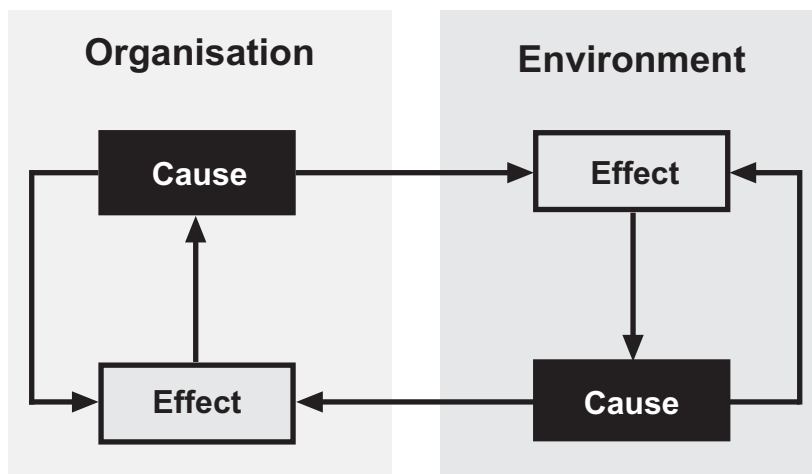
Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The environment dictates strategy by forcing organisations or their attributes into ecological-type niches.

Task: Consider this proposition in relation to the following question:
To what extent and in what ways do organisations themselves proactively shape their own environments?

Figure 1-2 Organisation and Environment



Proposition 2: Strategies are positions, niches where organisations are sustained, until whatever nourishes them there runs out.

Task: Consider this proposition in relation to the following question:
Are industry landscapes better described and analysed as a collections of many specialist micro-environments (niches), rather than as a single and mostly uniform macro environment?

4.3.7 The Configuration School

Underlying premises:

1. The behaviours of organisations are best described in terms of configurations: distinct, integrated clusters of dimensions concerning state and time.
2. In particular, strategy formation is an episodic process in which a particular type and form of organisation, matched to a particular type of environment, engages in a particular form of the process for a distinguishable period of time.
3. Accordingly, the process can be one of:
 - conceptual design or formal planning,
 - systematic analysis or intuitive vision;
 - individual cognition and/or collective learning or politics;
 - driven by personalised leadership, organisational culture, or the external environment;
4. The resulting strategies can take the form of
 - plans or patterns, ploys, positions, or perspectives;
 - each must be found at its own time and in its own context.
5. These periods of the clustered dimensions tend to sequence themselves over time in patterned ways that define common life cycles of strategy formulation.

The premises above suggest that basically all of the above-mentioned Schools of Thought are true (the Design School through to the Environmental School). Each School of Thought contributes one part only of the total picture. If each were part of a Strategy Elephant, it would not be possible to see the full picture of the animal until the insights contributed by the parts were brought together. Consider the following Poem from Saxe (1816-1867) subtitled for the purpose of this study guide as ‘The Strategy Formation Beast.’

The Blind Men and the Elephant

It was six men of Indostan
To learning much inclined.
Who went to see the elephant
(Though all of them were blind)
That each by observation
Might satisfy his mind.

The First approached the Elephant.
And happening to fall
Against his broad and sturdy side,
At once began to brawl:
“God bless me but the Elephant
Is very like a wall.”

The Second feeling for the tusk.
Cried, “Ho! What have we here
So very round and smooth and sharp?
To me ’tis mighty clear
This wonder of an elephant
Is very like a spear!”

The Third approached the animal,
And happening to take
The squirming trunk within his hands,
Thus boldly up and spake:
“I see,” quoth he, “The Elephant
Is very like a snake.”

The Fourth reached out an eager hand,
And felt around his knee,
“What most this wondrous beast is like
Is mighty plain,” quoth he;
“’tis clear enough the Elephant
Is very like a tree!”

The Fifth who chanced to touch the ear,
Said: “E’en the blindest man
Can tell what this resembles most;
Deny the fact who can,
This marvel of an Elephant
Is very like a fan!”

The Sixth no sooner had begun
About the beast to grope,
Than, seizing on the swinging tail
That fell within his scope,
“I see,” quoth he, “the Elephant

Is very like a rope!”
And so those men of Indostan
Disputed loud and long,
Each of his own opinion
Exceeding stiff and strong,
Though each was partly in the right,
And all were in the wrong!

Moral

So oft in theologic wars,
The disputants, I ween,
Rail on in utter ignorance
Of what each other mean
And prate about an Elephant
Not one of them has seen!

Source: John Godfrey Saxe (1816-1887)

This poem does a nice job of pointing out that the processes of strategy can only be fully pictured and understood by following and exploring each of these different models, as well as others that you yourself might consider relevant to the debate.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: Strategy is best left to the processes of the mind rather than those of instinct – such as the ‘heart’ or ‘gut.’

Task: Consider this proposition in relation to the following question:
Is ‘instinct’ little more than stored past experience waiting to be tapped and activated when the situation and context requires?

Proposition 2: Good strategy making is as much an art as it is a science.

Task: Consider this proposition in relation to the following question:
When in doubt, is it better to follow ‘gut instinct’ or the dictates of the the mind?

4.4 Activity: Organisational Process Analysis

For an organisation of your choice consider the following questions and set out your answers in the accompanying table.

1. Which of these Schools/Processes do you believe exist and function within your selected organisation?
2. What form does it take?

Schools/Processes	Exists? Yes/No	What Form does it take? Give the details as you observe them.
Positioning/Analytical		
Entrepreneurial/Visionary		
Learning/Emergent		
Positioning/Analytical		

5 Summary

Block One reminds the student of strategy that there are many positions and perspectives that can be adopted on strategic choice, action, and behaviour and that all of these are shaped by the internal and external facts of organisational life – evolutionary forces at work, political power battles, mental short-sightedness, an inability to learn from experience. So often, these differences reflect a great deal about whether or not the individual or organisation is an observer or a participant – in other words, where you stand influences your view on things.

Few decisions are taken with a full knowledge of the ‘facts’ and most are taken under conditions of considerable uncertainty. In these circumstances, past experience, often intermixed with intuition, plays an equal part alongside more formally and rationally based approaches to choosing **a** future rather than **the** future. Many doors open and close along the path of the strategy cycle and good strategy need to be opportunistic as well as calculating in its application and use.

Few decisions are clearly right or wrong, and most decisions contain elements of both. What is right to the managers of one generation can become outdated and of little value to the next. Underneath, however, there is much that is strategically common and constant across the cycles of product, organisational, and industrial change.

6 Appendix: Sample Answers

6.1 Sample Answer One

Sample Answer for students attempting the Questions for Consideration (See Question 1 in Section 3.1 of Block One).

Question:

How is industry positioning seen and defined by your organisation?

Sample Student Answer:

I discussed this question with the general manager and the marketing manager of (XYZ Co) and they provided a good description, from personal experience, of the local market conditions. Although they are part of a larger nationwide firm, they indicated that they were only rarely and infrequently briefed about conditions elsewhere. The company's positioning appears to be targeted to single males and females, with average to high incomes who indulge in considerable spending of a generally discretionary nature. Their business is high-end fashion clothing. The direct local competitors consist of small retailers with limited ranges (some dealing in remainders and surplus runs with possibly illegal brand labels) that are price-cutting the market into small and largely uneconomic pieces.

6.2 Sample Answer Two

Sample Answer for students attempting the Questions for Consideration (See Section 4.3.2 of Block One).

Proposition 1: An organisation's capacity for creating effective strategy is defined and shaped by the quality and character of its cognitive makeup.

Task: Consider this proposition in relation to the following question:
What conditions hinder or block the establishment of 'clear thinking' principles and practices in an organisation?

Sample Student Answer:

The following conditions and ways of thinking and acting affect the ability of an organisation to make good quality choices about strategic ends and means. Where an

organisation wishes to go (Goals) and how to get there (Strategies) are affected by how we see ourselves, and the world around us. There are a number of ways in which this may occur:

Creating inappropriate or inadequate models for thinking about the future

Organisations are composed of individuals each possessing ways of thinking about themselves and their surrounding personal landscapes. These “ways of thinking” are acquired and shaped over time from birth (startup) through to maturity and beyond. They become invested with utility and value for the individual and are designed to assist them to interpret their past, present and prospective futures. They become part of the culture, passed on as approved patterns of thinking and behavior and as agreed upon and recognized tools for analysis and choice. A relationship thus develops between the individual and their community in the same way as it does between the employee and their employing organisation.

If we grow up in societies that encourage us to think and act as individuals, this creates its own dynamic – good and bad. The benefits of creativity offset against the costs of conflict. By contrast, if we grow up in societies which emphasize consensus and conformity, we may achieve agreement of action but at the cost of inventiveness and innovation. Overall, the organisation may need the benefits of both strategies but lack the cognitive underpinnings necessary to widen and diversify their options.

Looking at or reacting to one half only of a duality

In a practical sense it means being able to “see” that strengths and weaknesses are part of a continuum and that under certain specified circumstances, each has the potential to change into the other. Assumptions cannot therefore be made that the present will continue into the future and that today will follow tomorrow much the same as it always has. Strengths may evolve into weaknesses, and Weaknesses be reconfigured into strengths. The same reasoning applies to Opportunities and Threats. To two different people, a glass of water may be seen by one as being “half-full” but to the other it appears “half empty”. Some organisations thrive on adversity and challenge and see threats as a spur to growth and as a stimulus to change. Others see them as situations to avoid and defend against. The difference appears to lie in part in the ways in which the individual or the organisation chooses to picture or model and represent the surrounding landscape.

Failing to deal adequately and/or appropriately with complexity

How an organisation deals with complexity has a direct influence over its understanding of cause and effect and its interpretation and understanding of the multivariate nature of its real world landscapes. A search for oversimplification can lead to the creation of a shallow and superficial understanding of the forces at work that drives its options and choices. Conversely, an over-indulgence in complexity may lead to inaction and obsession with detail, and a reluctance to act. Knowing how and what information to screen in and out is a crucial part of setting the context and parameters for making strategic decisions. How to resize the volume of information to fit the strategic decision making need is the corollary to this.

Fitting yourself to the world and/or fitting the world to you

Cognitively, an organisation may tend to picture its relationships with the outside world from an inside to outside perspective. Its focus is inwards and directed towards finding a best use for its existing skills and competencies. It seeks to find the “best fit” for itself in the market place – the key chasing the right lock. The competitor may view itself and the world from the outside in – seeking to find the opportunity around which it can redefine its future – having found the right lock, the task is now to fabricate the correct key. The first is focused on FIT and the latter on STRETCH. Both may be appropriate for their separate circumstance, but each represents a different way of seeing and dealing with the world. In practice, each may coexist with the other or succeed one another in successive cycles of change.

Thus, each of these elements of “seeing” adds or subtracts from an organisation’s ability to think in cognitively appropriate ways. Each is shaped by the societal as well as industry cultures of which the organisation is a part. Thinking clearly is therefore as much about “understanding” the material as it is about how to best structure the process of “understanding” itself.

Commonwealth of Learning Executive MBA/MPA

SC3 Strategic Management

Block 2

Managing The Strategy Cycle

Course Author:

Dr. Robin W. Smith,
Teaching Fellow
Graduate School of Business
College of Business
Massey University
Palmerston North, New Zealand

Course Designer/Editor:

Shari Virjee, BA, GD IM (Advanced
Diploma in International Management)
Vancouver, Canada

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The Commonwealth of Learning
1285 West Broadway
Suite 600
Vancouver, BC V6H 3X8
CANADA
e-mail: info@col.org

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1 A Tour of Block Two: Objectives and Introduction

After working through Block Two of this course, you should be able to:

1. Explain (or demonstrate an understanding of) the function and composition of the Strategic Management and Planning Cycle (SMPC)
2. Distinguish between the terms and concepts employed by the Cycle
3. Describe how a selected set of conditions will influence the strategic decision making process
4. Identify strategic elements within an organisation.

1.1 Introduction – the Strategic Management and Planning Cycle

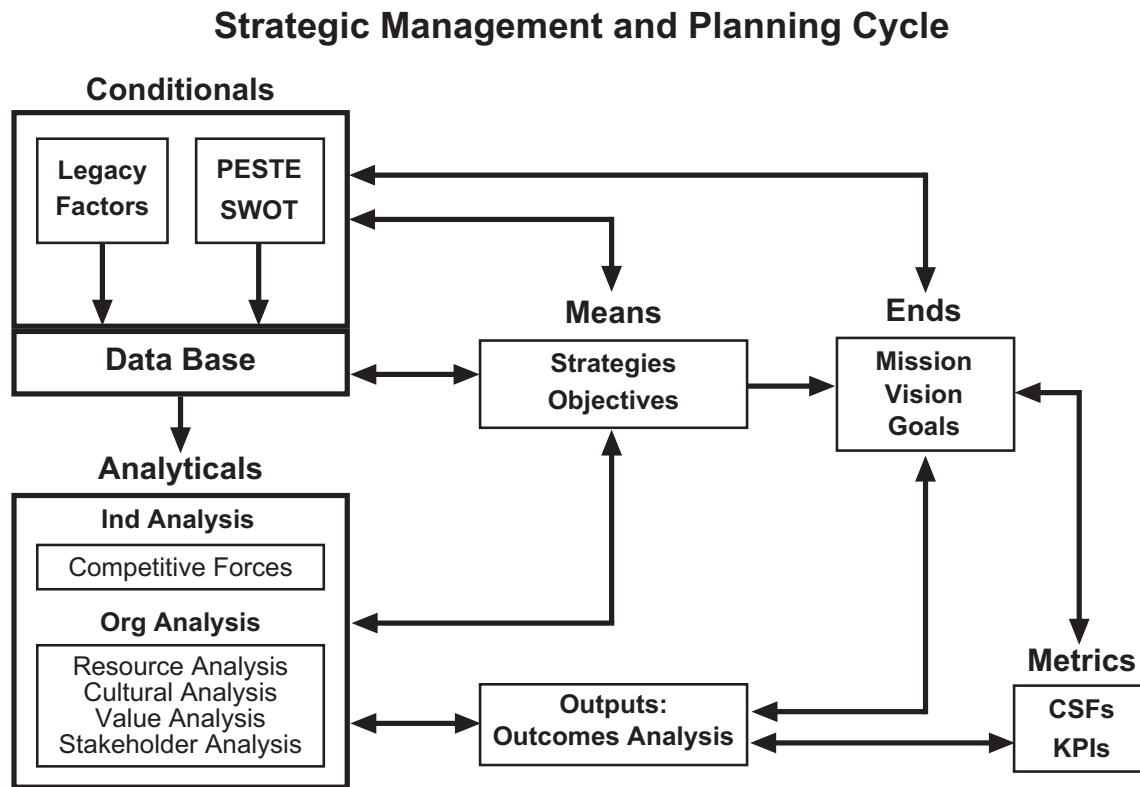
Why strategically manage and plan? The basic reason is to try and increase the chances of lifting the survival rate for the organisation and positioning it for future advantage – making the best possible decisions and trying to be right as much as possible. It is also a central activity around which the organisation may foster co-operation and coordination towards agreed and mutual ends and means – expressed as the mission, goals, objectives, etc. This raises two important questions:

Firstly, how are the **ends (Vision, Mission, and Goals)** established and agreed upon in the first place?

Secondly, how are the **ways and means (Strategies and Objectives)** identified and chosen to accomplish those ends, together with the policies that guide them?

Together the Ends and Means constitute the Strategy Equation and this is addressed in detail in Block 3. The Strategy Equation represents the final result that emerges as the organisation progresses its way through the Strategic Management and Planning Cycle (hereafter referred to as the SMPC). The component parts of the SMPC are shown in Figure 2-1.

Figure 2-1 The Strategic Management and Planning Cycle



As pictured here, the SMPC represents the process and flow of activities that an organisation undertakes to build its strategic positioning. It consists of the following elements.

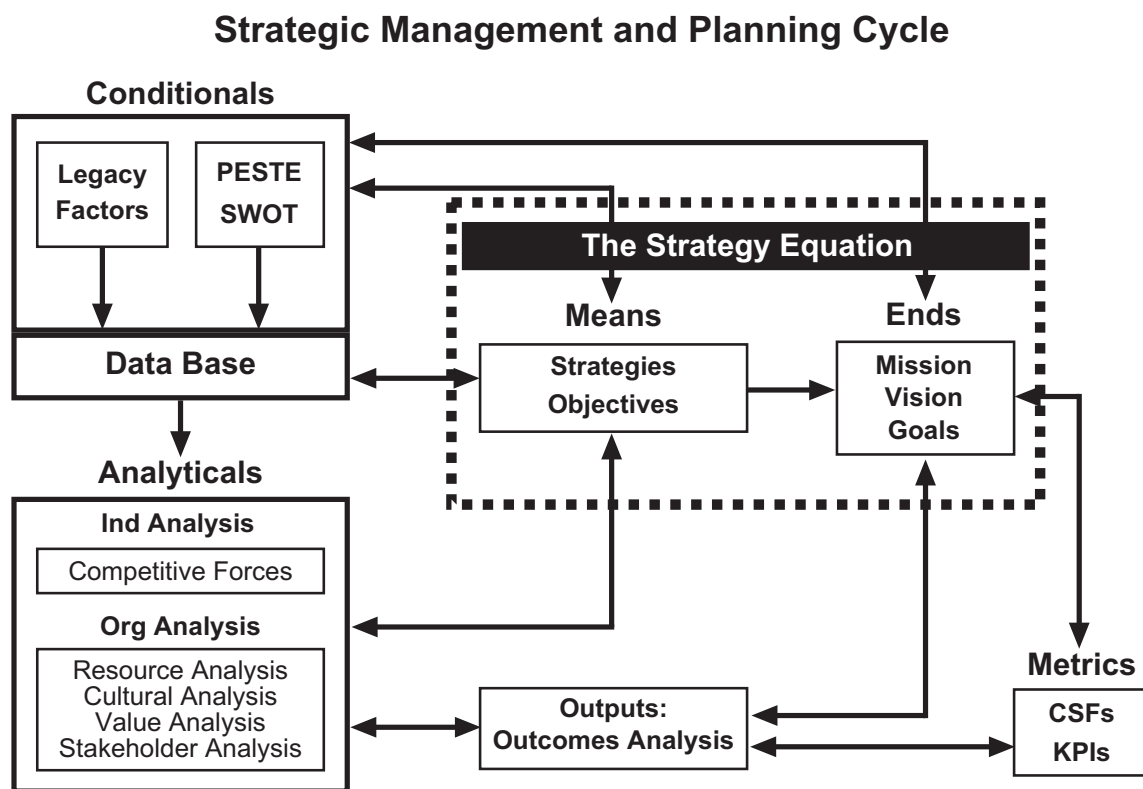
1.1.1 The Conditionals

This component of the SMPC seeks to establish the patterns in organisational and environmental conditions that influence any decision about Means and Ends. The SWOT tool (see Block 5) is most commonly used to develop the analysis. When properly used, as we shall see later in the course, the SWOT is a powerful tool and well suited to this purpose. There are a variety of ways in which it may be applied and the function it serves is crucial to good data collection, good analysis, and the testing of strategic options and choices. For existing organisations with some history, the Legacy factors represent those traits and conditions that have shaped the organisation that exists today. Knowing and understanding the past is a powerful advantage in shaping and selecting an appropriate future.

1.1.2 The Data Base

This sits underneath the Conditionals and draws its content, at least in the first instance, from the results of the SWOT analysis. It is best constructed and operated as a relational database and like all relational data bases the information (data elements) that it contains should each be capable of being cross-linked to all others. Although the bulk of its information comes from the SWOT or other similar tools, additions also flow in from other SMPC activities and especially from the results generated by the Analyticals. In this way the Data Base provides a store of knowledge about the organisation to which the manager and planner can refer when, for example, they may wish to cross-check proposals for action against possible barriers – the organisational weaknesses and environmental threats. Ends and Means analysis and selection fits into the SMPC as shown by the rectangle in Figure 2-2. Together they constitute the Strategy Equation, which is dealt with in detail in Block 3.

Figure 2-2 The Strategy Equation as part of the SMPC



1.1.3 Analyticals

These can consist of a wide variety of tools and techniques for gathering and analysing information of relevance to strategic decision making : a knowledge of the state and condition of the industry within which the organisation exists; how the organisation

assesses and deploys its resources; organisational culture and its impact on business attitudes and behaviours; the creation and flow of value within the organisation and between the organisation and its suppliers and customers; and the needs, requirement, and influence of its stakeholders on strategy choice and selection.

These are but a representative sample of the many ways in which analysis supports decision making (see Blocks 5, 6, and 7 for details).

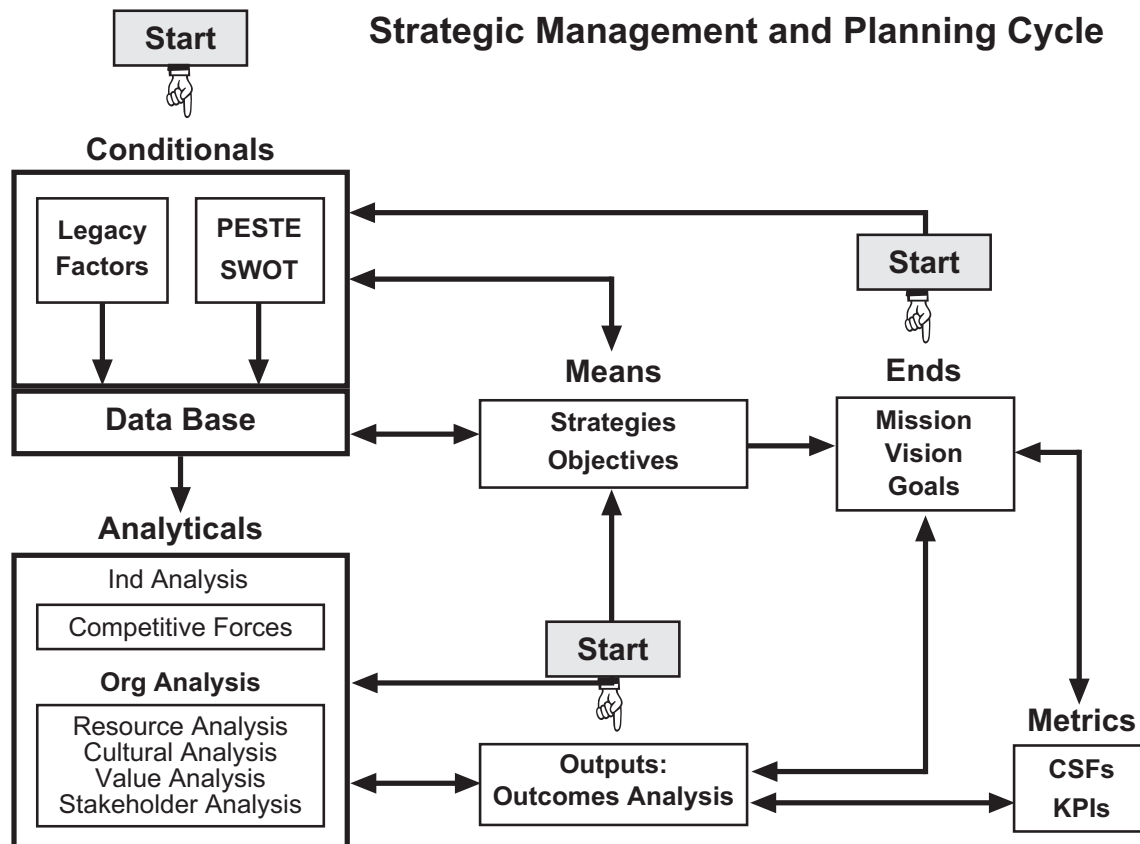
1.1.4 Outputs and Outcomes

This is where the actual goods and services produced by the organisation are aligned with the benefits sought by the various stakeholder groups and most particularly the customers – industrial and or final user, channel or retail. It is the lynchpin relationship that locks into the end of the Value/Process chain and allows the organisation to define and assess the effectiveness of its patterns of resource allocation and use (see Blocks 5 and 9 for details).

1.1.5 The Metrics

These are the tools and measures employed to assess how effectively and efficiently the organisation has implemented its strategic equation – the Means and their associated Ends. It is concerned with the measurement of the strategic health of the organisation as well as providing the data and information streams necessary for management to both macro and micro manage the strategic positioning of the organisation. Numbered amongst the measures that it uses are Critical Success Factors (CSFs) and their related Key Performance Indicators (KPIs). There are three main points of entry into the SMPC. These are set out in Figure 2-3 below.

Figure 2-3 Starting Points for the SMPC



Although each offers a different beginning point, they will still need to cover similar steps along the way to a finished strategic management and planning document. It is a matter of debate, however, as to whether the details and particulars will vary depending on the preferred point of entry and to what extent the choice of any particular starting point reflects something different from the way in which the planner and the management of the organisation sees it (i.e., the world as seen through different eyes – see ‘The Strategy Elephant’ in Block 1).

The alternative starting points are:

- **Conditionals:** starting with the SWOT (Strengths-Weaknesses-Opportunities-Threats) and or PESTE (Political, Economic, Sociodemographic, Technological, and Environmental) analysis and determining the state and condition of the organisation and its environment – what is sometimes termed a situational audit. From this the organisation can then start the process of working forward to determine the ends it is possible to reach and the pathways required to achieve them. (A more detailed outline of the contents of a SWOT and PESTE is given in Block 4.)
- **Outputs and Outcomes:** here the planner chooses to focus firstly on determining the ‘benefits’ sought by the current or prospective customer group and having

determined what they are to work back to determine the suitability or otherwise of the 'conditionals' for the delivery of such benefits. Appropriate 'Ends' statements are then put in place around which to build the necessary customer service delivery strategies.

- **'Ends' statements:** these often provide the beginning point for a strategic plan writing exercise. The presumption is that if the organisation can start out by defining where it wants to go and what type of business it wants to be, then it can set out to establish its market niche and the customers whose needs it seeks to meet. As part of this process it will need to analyse itself and its environment in order to determine its capacity to meet those chosen goals.

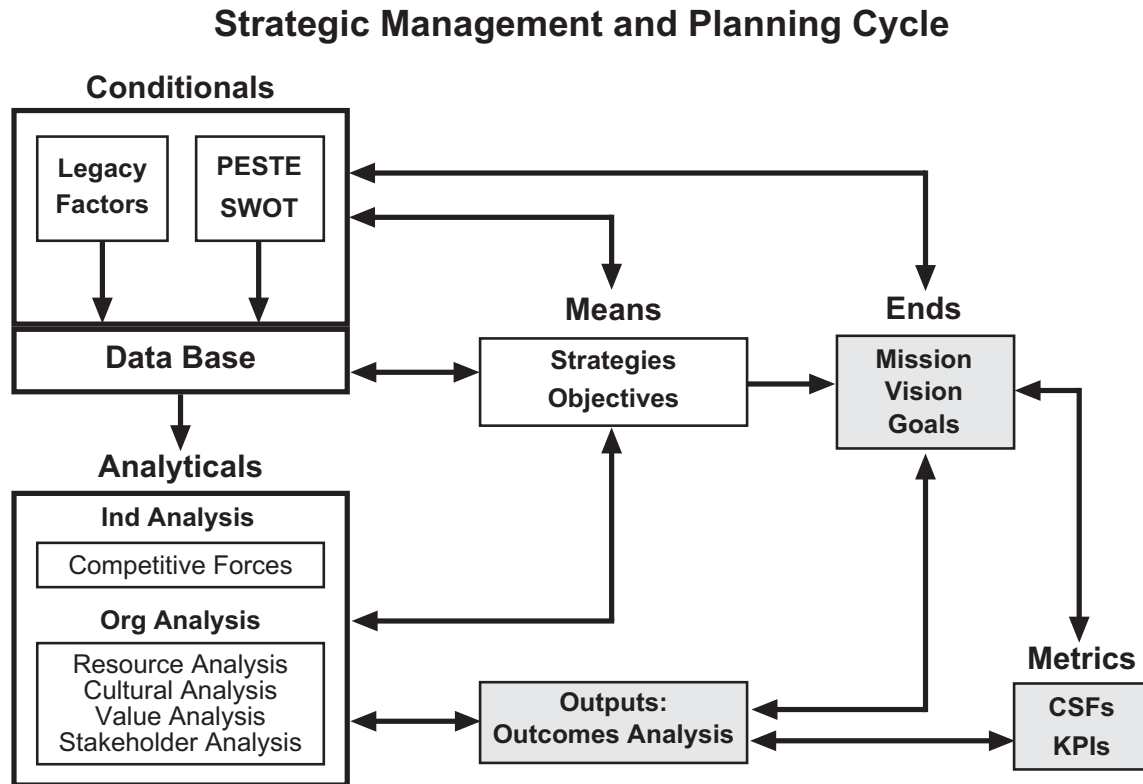
In summary, the strategic planning process as developed in the SMPC assists in accomplishing the following:

- A reduction in the levels of uncertainty by anticipating and managing for the consequences of change.
- There are limits to how far into the future an organisation can look. These limits will move back and forth as the levels of turbulence and complexity rise or fall in the environment. Guessing the future with any degree of accuracy is only possible in the relatively short term, and for those industries that enjoy a degree of stability from one year to the next.
- In extreme situations planning may simply reduce to dealing with one wave of change after another, and all energies are concentrated only on survival. In theory, planning makes good sense, but it may absorb excessive amounts of the time and energy that the organisation needs to employ on short-term 'staying-alive' activity. 'Thinking' activity rather than 'doing' activity.
- An increase in organisational efficiency, by requiring management to think through the consequences of its behaviour and activity. This is true, in the sense that most forms of discipline help build order in the organisation. However, one of the unintended outcomes of planning, is that it sometimes ends up being the central reason around which the organisation structures itself. Planning then runs the very real risk of becoming both a means to an end, as well as an end in itself.
- An ability for management to measure the difference between what they want to achieve and what is actually realized. If there is a clear idea of where an organisation wants to go, then that organisation can make the necessary course changes as it goes along. Rather like a boat that is being pushed by wind and tide, the sail and rudder may be trimmed to take account of this, and by doing so, the boat reaches its destination. In the same way, the destination goals and step-by-step objectives of an organisation are shaped both by its environment, and by the resources it has available.

If the organisation checks at regular intervals, it can make necessary adjustments to its strategy and goals. Measuring these adjustments constitutes what is known as *gap analysis*. This form of measurement is part of the planning cycle, and it allows the organisation to regulate itself, while continuing to close in on its targets. Gap

measurement is focused in particular on three areas of the SMPC. These are identified (highlighted) in the following Figure 2-4.

Fig 2-4 SMPC and Gap Analysis



‘Gaps’ arise when ends are set, but not met and measures of this can be taken from within the Outputs and Outcomes relationship as well as with respect to the relationship between prescribed Goals and Objectives. The gaps will arise as a result of exceeding or falling short of predefined levels and measures of organisational performance. Thus an Output that fails to meet a measured expectation can reveal a gap in production performance – for example a measure of reliability or functionality that failed to perform to prescribed standards. This is equally the case with an Outcome where the expected benefit fails to arise from the consumption and use of a designated Output. Gap measurement can also be applied to Goal and Objective achievement, where failure to meet such ends will reveal itself in measures of organisation-wide performance.

2 Managing the Strategy Setting Process

Strategic planning is the process of positioning an organisation to ensure its survival and growth into the future. In essence it has to do with:

- decision making ; as Drucker has said it does not deal with future decisions but with the futurity of present decisions;
- reconciliation and synthesis of personal and institutional pathways – for both the individual and the organisation;
- coping with change and developing a capacity to deal successfully with uncertainty and complexity;
- evolutionary patterns of creation and extinction including:
Organisation/environment relationships (e.g., adaptation) and Organisation to organisation relationships (e.g., competition and cooperation);
- ‘on’ or ‘over-the-horizon’ space/time positioning.

2.1 Strategy and Decision Making

The main purpose behind investing time and effort in the formal formulation of strategy is to be able to forecast the patterns of future events as far into the future and as accurately as possible. It is also about making present decisions last as far as possible into that future to establish and maintain utility. Continuous key decision changes and amendments result in major organisational stress. The organisational ship needs to be able to plan its course on the basis of as many ‘givens’ and ‘knowns’ as possible. If the decisions on direction are poorly taken in the first place, or the environment produces too many unknowns or surprises, it tends to reduce the overall viability of the decision making process. Good strategic decision making seems to require a blend of rational thought and intuitive judgements. It is also about being able to plot and sail a course for a sufficient period of time during which the organisation can make actual progress towards a set of goals. Too much backtracking or deviation from chosen routes, undermines individual and organisational confidence in the decision-makers, and their decision making powers and abilities.

2.2 The Integration of the Organisational ‘Vision’ with the ‘Self’ Vision

Good strategy is partially built on the marriage of self-interest with organisational or group interest. An organisation’s vision and the viability of that vision is closely linked to the leadership characteristics and personality traits of its CEO and leadership group. Mismatch in vision or interests between individual and collective needs is a common source of planning failure. The formulation and choice of strategy pathways for an organisation mirrors this interplay between individual and group needs. Good strategy should outlive the individual and be owned by the institution.

2.3 Strategy and Change

The 'flat plain' and 'steady state' industrial environments of the past are gone forever. One of the more dangerous beliefs about the current rates of change is that they will abate as individual countries achieve a new economic mix of assets, attitudes, and abilities. If each global player existed in isolation, this proposition may contain some truth. Globally, however, the rates of change are increasing, and the leadership of the international race is being continuously contested by new entrants. Japan and the USA are but current leaders among many new aspirants heading for the front-running position on the world industrial scene. As time passes however the few countries at the front of the race are increasing in number as additional economies aspire to global prominence. This means that as one leader drops back, another takes their place and ensures that the pace of the race continues, or even accelerates. This pattern, or sequence of advance, roll-over, retreat, and advance again is not unlike the jostling for position that occurs in a bicycle road-race.

Good strategy involves accepting this new reality and upgrading the organisation's ability to cope. Building that capacity into an organisation is not easy, nor is it a one-time-only concern. Constantly changing environments provoke reactions within the organisation to resource allocation and use. Poor planning of such activity can easily upset an organisation's carefully established and hard-won market position.

2.4 Strategy and Evolution

The strategic mix of culture, resources, and structure of an organisation changes as it matures in age, size, and complexity. A young, small, and innovative company opening up a new industry or product, addresses the strategic planning process from a very different perspective compared to one that is large, complex in its mix of products and industries, fixed and conservative in its personality and beliefs, and dominant in its market shares and positions. The relationships between these organisations and their environments and competitors will therefore be very different at different stages along their industry and individual life cycles as well.

2.5 Strategy and the Planning Horizon

The planning horizon varies from industry to industry. In fashionwear it consists of one short season of a few months only. In consumer electronics it may last from one to three years. In pharmaceuticals the product development through to market supply is anywhere from five to ten years. In steel manufacture or oil exploration and extraction from five to ten years.

Strategic management and planning is concerned with this dimension as it affects an organisational growth and survival. It is closely attuned to the product life cycle in some situations, and with the industry life cycle in others. The most distant point on the planning horizon becomes the long term goal, the point on which the organisation can take its navigational fix and which serves as both an arrival point as well as the ultimate destination. At sea, the navigator is concerned with achieving the next landfall that may

only be hinted at by cloud effect or bird flight – the type of compass used by early Polynesians to navigate across ocean distances. On land, as in a desert, it is concerned with finding the next oasis.

2.6 Planning Horizons

When moving from short to long-term planning horizons, and when there is a change from informal to more formal planning processes, the following shifts tend to occur.

From	to	More
Random	to	Systematic
Reactive	to	Proactive
Incremental	to	Synoptic
Operational	to	Strategic
Isolated decision making	to	Team decision making
Subjective/Intuitive	to	Data based
Guessing results	to	Evaluation
'Gut' based	to	'Brain' based

The shift from a *random* to a more *systematic* approach corresponds with the need for increasing order and method as the planning horizon extends further into a future (i.e., longer time frame). As well, day-to-day problems and issues can be dealt with on a case-by-case basis.

Trying to anticipate an event somewhere out in the future, calls for more methodical and deliberate calculation in the preplanning stage for what may or may not eventuate. It also implies more rule-making and guidance for assisting all members of the organisation to deal with unanticipated change.

To be *proactive* means to lean forward, to search out opportunity, and to anticipate danger even before the signs are clearly visible. It places the organisation on its front rather than its back feet. The further out (into the future) the planning horizon lies in time, the more the organisation must lean outwards in order to oversee the distance. The organisation learns to lean forward and adopt a proactive stance towards the future. Leaning forward also generates a degree of momentum, which forces the organisation to develop and maintain a healthy measure of pace in their activities. A proactive attitude also transmits a sense of purpose and determination to the organisation to keep moving and not to slacken the pace.

An *incremental* approach is one that focuses on the step-by-step, section-by-section, part-by-part approach to survival. It means dealing with events on a daily and/or piece-by-piece basis. Alternatively, a *synoptic* approach deals with the development of overview skills, overall perspectives on the organisation, and the ability to handle global relationships within and between the organisation and its environment.

A shift from a short to a long-term perspective is generally thought to coincide with a shift in perspective from *operational* to *strategic* action and decision making. It roughly corresponds to the change in responsibility and task, as between the bottom and the top of the organisational hierarchy. The operator level is concerned with actioning strategy of the task. The senior management level is concerned with strategic positioning and overall growth and survival issues for the corporate body as a whole.

As organisations and their environments become more complex and heterogeneous, the likelihood of having single ‘gifted’ decision-makers covering all bases and perspectives, declines. This is especially the case when organisations are forced to work with a larger proportion of unknowns in their planning equations. This reality points to the need for a corresponding increase in group-based decision making rooted in the belief that pooled or group-based knowledge is important for an organisation seeking to deal with future unknowns. The idea of aggregating knowledge and judgement makes some sense, so long as a strong management process is in place to stream collective opinion towards a clear path to making the necessary decisions.

When organisations are young and in a hurry to succeed, there is a tendency for management to use their own intuition and personal judgement in problem solving. Since decision making is driven mostly by management’s view about the rate of growth and slope of the product/market curve, most decision making tends to be short-term in thinking and concerned with outpacing and outguessing the competition. In larger organisations, and those that are more advanced in their life cycle, there is a tendency to apply more formality to the decision making processes. As well, development strategies that involve issues of corporate survival tend to be reinforced with as much statistical underpinning as possible.

To further explain in nautical terms, this shift from individual to collective decision making represents the need to gain as much information as possible about unknown waters before the commencement of the voyage. Many corporate planners and CEO’s face unknowns that can put the survival of the organisation into question. Navigating a ship on a river or lake is vastly different from navigating at sea. Navigating in coastal waters is also very different from sailing in the deeper oceans. Thus, each environment creates its own dangers, and a mix of fact and personal judgement is usually required to undertake higher risk and longer term ventures.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The idea of ‘long term planning’ is a misnomer. The ‘long-term’ has in fact become the ‘short-term’ as the planning horizons of industries and organisations have shrunk, driven by an evolving mix of increasing levels of competitive force, rapid product turnover, and change, and constant technological innovation.

Task: Consider this proposition in relation to the following questions:

What are the organisational and environmental conditions that determine how far into the future an organisation can project its vision? What helps and hinders the organisations ability in this regard?

Proposition 2: That the strategic mix of an organisation’s structure, culture, and processes changes as it matures and grows in age, size, and complexity. Strategically speaking, a ‘seasoned and battle-hardened’ organisation has a very different view on the world from those that have just come into being.

Task: Consider this proposition in relation to the following question:

What assumptions underlie the belief that, irrespective of organisational type and condition, the strategic performance of an organisation can be improved by using formal planning processes?

2.7 Activity: Planning Horizons

Select an organisation of your choice and identify what it considers to be its short, medium, and long-term planning horizons. Determine their reasons for making their choices and what their expectations for the future are – will they contract, expand, or collapse and merge together? And, what are the forces and conditions that may provoke such a change? Use the following template to record your answers.

Use this survey sheet to conduct your information-gathering interview with your chosen organisation. Circle the point on the (month-by-month) timeline below that best represents their Short (S), Mid-term (M) and Long-term (L) planning horizons. You should circle one number only for each of three timelines provided.

Planning Horizons Survey	
Timelines [Measured in number of months]	Short Term (Circle ONE number only) 0_1_2_3_4_5_6_7_8_9_10_11_12_13_14_15_16_17_18_19_20+
	Mid Term (Circle ONE number only) 0_1_2_3_4_5_6_7_8_9_10_11_12_13_14_15_16_17_18_19_20+
	Long Term (Circle ONE number only) 0_1_2_3_4_5_6_7_8_9_10_11_12_13_14_15_16_17_18_19_20+
What are the reasons for their choice?	Reasons:
What are their future expectations?	Expectations:
What are the forces at work that shape their expectations?	Shaping Forces:

3 Planning and Performance

It is not always easy to establish a clear cause-and-effect link between planning and improved corporate performance. Generally speaking, when companies are young and in a growth industry, prosperity comes from the ‘growth’ factor rather than the ‘planning’ factor. This is especially so if they are the founding company, or an early entrant into a particular product, market, or industry. It is when growth begins to slow, and when the organisation has grown to an unruly size, that the demands begin for more structure and formality in their behaviour and dealings.

Companies, such as BIC and Nike, which rose to early prominence for their lead in writing instruments and athletic shoes respectively, discovered the need for greater planning as their industries began to mature and growth slowed in the late 1970s and early 1980s. More recently, companies such as Apple Computers found the same need

after the early years of growth, when other competitors began to exert pressure on the home PC market. Apple then began to shift its planning emphasis, from being technology centred, to one that paid greater attention to the marketplace. This led directly to the development of Macintosh and the advent of such user-friendly software as Microsoft Windows.

However, the importance of the planning process stretches beyond the value of the activity itself. Performance enhancement comes to many other activities in the organisation, when they are linked to the discipline that planning introduces to the system. For example, there are a number of things to note about the long and the short-term aspects of planning. And, very important changes take place when organisations shift from the short to a long term planning perspective.

These include:

- Organisations being required to become more systematic in their planning behaviour

When contemplating a long walk, preparations need to be made with respect to food, water, rest, and shelter, and this often requires careful thought. It would be a foolish person who started off on a long distance walk without some careful preparation. This is also true of organisations. Once they commit themselves to a particular long-term path, they need to be sure that it will actually get them to where they wish to go. Being *Systematic* in thought and action will assist in the achievement of this.

- Organisations needing to become more proactive and less reactive in their planning culture and style.

To be 'proactive' means to go ahead, to be confidently moving forward. For an organisation to achieve this, it needs to be one that turns over every stone and examines every crevice, looking for opportunity. It must be able and prepared to act ahead of others.

To an extent, the organisation's ability to act mirrors its attitudes towards risk, as well as its willingness to make decisions based on incomplete or inadequate information. It is rarely the case in planning that you will have all the information or the time you need on which to base your decisions. A proactive firm will be at the forefront of their industry's development, and will often have to make strategic decisions based as much on intuition as on rational judgement.

- Organisations facing a growing need to build team decision making into the planning process.

The assumptions behind such a proposition is that group decision making broadens the information base; as well, it increases the efficiency of the decision making process, by providing a variety of opinion and judgement. Additionally, it deepens the commitment of employees to jointly agreed goals and objectives. That is, it creates a sense of ownership of the plan. This contrasts with the idea

from capitalist mythology of the sole entrepreneur making all major decisions. In practice, any such tendency gradually comes into conflict with the need for a more broadly based consensus.

- Organisations needing to gather and make more use of data in their decision making.

When travellers set out on a long trip to little known lands, they need to research as much as they can about their final destination, and how to get there safely (i.e., chart the path). To do this they need to look for as much hard fact and information as they can gather. This would involve reading books, studying maps, and speaking to people who had gone on the same journey. Sometimes the travellers may even hire a guide who knows these facts, and who can help them to achieve their aims. The same procedure is also true for an organisation undertaking a journey to such a distant goal. The further away the goal is in time or in distance to be covered, the more important it is to gather whatever information exists, to chart its path.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The time spent planning is of debatable value and is a cost to the present rather than an investment in the future.

Task: Consider this proposition in relation to the following question:
Can an organisation ever over-plan? Does too-regular strategic analysis eventually and inevitably lead to organisational paralysis? (These questions are concerned with the need to find a point of balance at which effort invested in terms of time and resources gives a positive payback on that investment.)

Proposition 2: The insights and foresight of a strategically gifted individual leader is of more strategic value than the best of group based judgements. The search for consensus can paralyse an organisation and diverts attention from results-seeking to process-doing.

Task: Consider this proposition in relation to the following question:

Do too many strategists spoil the clarity of a Vision? (While diversity in opinion and judgement may contribute to better decision making, at what point and under what circumstances does it become counterproductive?)

3.1 Activity: Goal Measurement

Consider the proposition that ‘Goals that are not measured are not managed.’ Select a set of goals from an organisation of your choice and determine the measures that are taken in order to determine their successful achievement.

Goals	Measures

4 Formality and Planning

Planning can be formal or informal, and the degree of that formality has a lot to do with the demographics and culture of the organisation. How old is it, what is its size, and does it encourage formal decision making processes? These and other factors as outlined below can play an important part in determining the degree of formality in an organisation’s approach to planning:

The decision making processes of the organisation and the way it handles factors such as change and risk.

Some organisations function better when there are few rules and signposts. They prefer to make their way as they go along, and handle each issue and problem as it arises. For such organisations, planning tends to be informal and intuitive. Each day brings a new landscape, and the day’s journey is plotted on the spot. By contrast, other organisations try to plan as far into the future as they can. They may express a culture that goes to the extreme in this regard.

The type of industry to which the organisation belongs.

Some organisations require considerable formality in their planning, because of the nature of the industry to which they belong. The air transport industry, freight and passenger, is well known for its complexity and its sensitivity to changes in costs, consumer disposable incomes, general economic factors, etc. Using intuitive judgements alone in the decision making process, under these conditions, would invite difficulties and dangers for its business.

The way the management team or the CEO views the need to plan.

Planning is tied to decision making, and the management structure that underpins it. Each manager or group of managers tends to develop a decision making style that reflects their own personal perspectives and habits. In part, this is a product of how much they trust their own instinct, and to what extent they make number-based judgements.

Subjective or *intuitive* decision making judgements about future directions are mostly based on personal experience and assessment. *Scientific* or *rational* planning is largely 'brain' based and concerned with developing and using quantitative information. An extreme example of this is given in the Illustration below.

Exhibit 4.1 Cypress Semiconductor: Number Theory

Each week the 1,300 employees of a small California chip company, Cypress Semiconductor, set themselves 6,000 goals. Every passing moment their performance and that of their company's machinery are measured – the year's productivity is portrayed in a stack of statistics an inch high. Every month each employee receives a personal performance report. And every year each employee receives an annual pay rise calculated from a formula based on the hundreds of numbers used to measure his performance over the previous 12 months.

For most executives, management is half art, half science, with even the scientific bits drawn from the qualitative theories of sociology and popular psychology. But for Cypress's boss, Mr. Thurman ("TJ") Rodgers, management is an exact science, a question of measurement and vigilance. Cypress is managed more like a physics experiment than a collection of human beings. According to Mr Rodgers, "anything or anyone which is not measured, is not managed."

The Economist, September 23, 1989.

4.1 The 'Practice' of Strategic Management

In practice, the development and implementation of strategy does not always follow straight lines; conditions may arise where the formal side of the strategic management and planning process can become fuzzy and somewhat ambiguous. Here are some examples of the 'practical' side to the strategic planning process:

- **Blurring:** in actual situations it is not always easy to distinguish sharply between Mission and Vision, between goals and objectives, between objectives and strategy, and between strategy formulation (entrepreneurship) and strategy implementation and execution (administration).
- **Order:** the sequence of steps from Mission through to goal setting and objectives, to strategy, to implementation and execution, to evaluation and re-formulation, is

something that general managers do not actually always follow in this neat, exact order.

- **Environment:** the tasks of strategy formulation and strategy implementation are seldom accomplished in planned, systematic fashion in isolation from everything else.
- **Consistency:** the needs of strategy management are irregular, and the progress made in both the formulation and implementation of strategy usually takes the shape of incremental adjustments rather than grand designs and giant leaps forward.

One of the problems that bedevils the manager is the degree of definition and formality that should be applied to the planning process. The rational or scientific perspective argues that precision is important to the removal of uncertainty surrounding an organisations sense of purpose. The alternative viewpoint argues that it is difficult and wasteful of time and energy to pursue consensus beyond the simplest and broadest of agreements. They argue that effective decision making stems more from intuitive and instinctive judgement than from any data bank of fact and knowledge. Too much emphasis on searching for definitional perfection reduces progress to the level of constant debate and talk.

Change is a constant factor, and if its effects and influences aren't addressed but are left to accumulate, it may become a severe constraint on growth and development. The degree of accumulation is partly a function of the planning process and cycle of the organisation. Organisations that plan on a rigid yearly basis have to deal with twelve months of change within and without the organisation. Those that roll over the critical elements of the plan on a shorter cycle, deal with correspondingly smaller increments in the change vector. Strategy setting and implementing processes will take on different characteristics depending on which type of time cycle an organisation elects to follow. Whatever time frame is chosen, continual inputs and discipline are required to maintain the planning effort.

The linkages between the organisation and its environment are complex, and this complexity in itself makes any formal planning activity energy consuming one. Modelling or predicting potentially winning strategies requires a good level of understanding of the interaction between key variables in the equation. Keeping such models up-to-date requires effort and commitment to the strategic management and planning process itself. This is one reason for a tendency to drift into an informal mode and rely more on personal judgement rather than fact based decision making.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: Too much formality and emphasis on planning processes will slow down and stifle the ability of an organisation to respond to change; too little formality, and the organisation will never develop the discipline necessary to navigate through difficult times.

Task: Consider this proposition in relation to the following question:

Does an emphasis on formality in strategic planning processes necessarily mean that an organisation automatically limits its ability to think and act in a creative manner?

Proposition 2: Formal planning requires such an on-going and constant investment of organisational energies at all levels of management, that its overall effect may turn out to be negative rather than positive for the organisation. Planning can waste time and resources and is a distraction from the daily tasks of survival.

Task: Consider this proposition in relation to the following questions:

1. What is the importance of accurate measurement to effective management? To how many decimal points should the measurement of strategic facts and information be taken? (**Note:** This addresses the level of detail required to make quality strategic decisions.)
2. Is irregular measurement as bad as inaccurate measurement for good strategic decision making ? (**Note:** This addresses the need for consistency and reliability in measuring the results of strategy.)

5 The Role of Strategy Related Policies and Procedures

Policy has a central part to play in staking out the rules of strategic play. Most especially, it assists by supporting the process of strategy development and implementation by keeping strategy-centred activity on track and focused, and by creating a climate that facilitates the establishment of a strategy-centred culture focused on long-term survival. In particular:

- **Leverage:** policy acts as a lever for introducing and institutionalising strategy-supportive practices and operating procedures on an organisation-wide basis, thus orienting day-to-day activities in the direction of efficient strategy execution.
- **Limitations:** policy places limits on independent action and sets boundaries on the kinds and directions of action that can be taken. By making a statement about how things are now to be done, policy communicates what is expected, guides strategy-related activities in particular directions, and places boundaries on unjustified variations.

- **Alignment:** policy acts to align actions and behaviour with strategy throughout the organisation. It thereby minimises zigzag decisions and conflicting practices. It establishes some degree of regularity, stability, and dependability in how the organisation should operate as it attempts to make the strategy work.
- **Culture:** policy helps to shape the character of the internal work climate and to translate the corporate philosophy into how things are done, how people are treated, and what the corporate beliefs and attitudes mean in terms of everyday activities. Policy operationalises the corporate philosophy, thus potentially playing a key role in establishing a fit between corporate culture and strategy.

When a management decision is tagged as ‘policy,’ it receives an aura of legitimacy and across-the-board acceptance. It is hard to argue against practices or procedures that have the weight of historical precedent behind them. Policy also brings covert pressure to bear on individuals for acceptance of what is seen to be consensus-based decision making within ‘legitimate’ or policy boundaries.

One of the problems that new and/or rapidly growing organisations must face is the need to integrate an organisation’s energies and purpose with that of the individual. Individual effort and motivation needs to be focused on key goals in a way that benefits all parties. Policy rules and guidelines can help or hinder this process by being too tight and definitive or too loose and vague. Finding the right fit between individual and organisation, authority and autonomy, is a difficult and sensitive task for management.

In reality, and especially in environments experiencing constant change (i.e., in a constant state of flux), the use of policy to align individual difference needs close and careful attention. Too much demand for conformity can lead to the creation of two conflicting points of view. There are those who hold that the normal rules of engagement should be followed at all cost and insist on working to the letter of the law; there are others that believe that rules should allow for situational circumstances to influence the organisation’s response. Flexibility of response, and delegated responsibility for decision making, are seen to be as important as keeping to the standard rules governing behaviour.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: Policy operationalises the corporate philosophy (Vision, Mission, and Values), thus potentially playing a key role in establishing a fit between corporate culture and strategy. (**Note:** Without policy guidelines there is a lack of behavioural focus within employee groups and this eventually leads to a process and systems breakdown and the creation of disconnection between and across organisation levels and networks – equivalent to a breakdown in the ‘rules’ that establish order and coherence in thought and action.)

Task: Consider this proposition in relation to the following questions:

Does the absence of organisational rules (policies) always bring anarchy?
Can the routines, processes and 'rules of work' impose their own sense of order and a sense of what the future will bring?

Proposition 2: Policy directives and prescriptions lay down a framework to which organisational culture can attach and grow. Much of what we call culture are rules of behaviour encoded in policy and organisational practice, and which are, in turn, expressed as patterns of organisational thought and action. (i.e., our actions reflect our thoughts and behaviours.)

Task: Consider this proposition in relation to the following questions:

Unless constantly reassessed, does the reason for a particular policy being in place gradually fade over time? Does the policy itself become more like a rule that needs to be obeyed out of habit rather than as an intelligent guide to action and thought?

6 Organisational Levels and Strategic Planning Roles

Organisational theory states that the higher up the organisational ladder (hierarchy), the more management should be concerned with the long-term and the broader directions of growth. In classical, pyramid-type structures this is probably still true. There are, however, a number of factors which can modify the process. They include the following:

- As organisations become flatter (i.e., horizontal), and decision making becomes more distributed and group-centred, strategic planning roles and duties also become more dispersed. Also, as organisations become larger and more complex, the need increases to delegate planning responsibility downwards through the hierarchy. This allows management to get closer to the action and be able to respond in more relevant ways, and permit a more ready-reaction when confronted with change. It is partly in response to such needs that *strategic business units* (SBUs) and *matrix* forms of management have evolved.
- Operations and strategic planning are linked in a cycle of reciprocal stimulus and response. The results of operational experience stimulate strategic change for the organisation as a whole. Strategic change, in turn, provides the broad parameters within which operational practice again evolves. This in turn then becomes the stimulus for further cycles of strategic influence, etc.

Consider the following examples of such inter-linking between the operational and strategy levels of an organisation:

- Operationally, a production engineer may observe inefficiencies through input and output, which affect unit production and levels of product quality. When

reported on, this knowledge could contribute towards a decision to upgrade manufacturing equipment, in order to automate production and raise the level of the company's ability to compete in the marketplace – *it becomes a part of a strategic plan*.

- Operationally, a warehouse supervisor may see and report on the effects of excess inventories on good stock control and profitability. This could lead to the introduction of a Just-in-Time (JIT) form of production, which allows inventories to be kept at only the necessary minimum – *in this way it becomes a component of corporate strategy*.
- Operationally, a senior salesman may recognise the negative impact of a company's pricing strategy on retailer motivation. Poor pricing and inadequate retail margins can affect the distributor's willingness to promote the company's products through the allocation of prime shelf space. This effect, when reported to senior management, should *stimulate a reappraisal of strategy in this area*.

The reports and feedback on these kinds of activities (operational realities) become the inputs to organisation-wide planning, and provide performance guidelines on which to help base the strategic plan.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: Group centred strategic decision making best suits the ultra-competitive business environments of the 21st century. Today there is less room for 'solo' players and the real strategic advantage comes from exploiting multidisciplinary teams that bring varied skills and depths of experience to problem solving and decision making.

Task: Consider this proposition in relation to the following question:

In what strategic conditions would it be best to use individuals rather than groups to make the key choices and decisions?

Proposition 2: A shift from a short to a long-term organisational perspective is generally thought to ensure a corresponding shift in management processes and practices from *operational* to *strategic* action and decision making.

Task: Consider this proposition in relation to the following questions:

Irrespective of organisational level, is all decision making 'strategic' to some extent?

Does operationally-centred management remain too often bogged down in detail and fail to see the big picture when circumstances and conditions change?

6.1 Activity: Strategy Roles and Job Positioning

Select an organisation of your choice and identify the strategic relevance of a selected range of job positions and their associated roles. Examine in detail the roles and responsibilities of each position and seek to establish their relevance to the overall strategic management of the organisation. (Examples would include factory workers engaged in meeting quality control standards for a manufactured good; service workers seeking to meet Over the Counter (OTC) customer expectations, etc.)

Job Positions	Roles and responsibilities carried out	Strategic relevance to the organisation

7 Summary

The Strategy Cycle is simple in concept but generally poorly applied in practice. Commitment to using it is complicated by a weak understanding of (and appreciation for) the discipline necessary to extract real value from the processes involved. Consistent and dedicated use of the planning cycle requires a considerable investment in time and wealth and few organisations are able or prepared to make that level of commitment.

Too often only parts of the cycle are attempted and little effort made to ensure that there is an internal consistency and logic applied to the analysis, selection and implementation of strategic decisions. Some organisations will draft up a series of end statements and

leave them disconnected from associated actions. Others will begin and end a brainstorming session with insights and possibilities that get left to drift back into obscurity and be buried in the heat and rush of daily survival.

The processes and techniques employed by the strategy cycle impose their own disciplines on user thought and action. Practitioners are required to ensure that their reasoning is logical and consistent and that component parts of the cycle fit together – that analysis leads clearly to unambiguous action, that the strategic and the operational sides of organisational behaviour are well integrated and complementary to one another, and that the finished planning document has utility for planner and manager alike.

Commonwealth of Learning Executive MBA/MPA

SC3 Strategic Management

Block 3
The Strategy Equation

Course Author:

Dr. Robin W. Smith
Teaching Fellow
Graduate School of Business
College of Business
Massey University
Palmerston North, New Zealand

Course Designer/Editor:

Shari Virjee, BA, GD IM (Post-Graduate
Diploma in International Management)
Vancouver, Canada

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The Commonwealth of Learning
1285 West Broadway
Suite 600
Vancouver, BC V6H 3X8
CANADA
e-mail: info@col.org

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1 A Tour of Block Three: Objectives and Introduction

After working through Block Three of this course, you should be able to:

1. Explain the function and composition of the Strategy Equation
2. Distinguish between the terms employed by the equation
3. Construct a Strategy Map for an organisation.

1.1 Introduction – the Strategy Equation

The Strategy Equation consists of the set of statements that define the strategic positioning of an organisation. There is a tight and interactive relationship between each of the component parts of the equation. Each component part defines an essential element of the overall equation and interconnects with all other elements in specific and defined ways (see accompanying Figure 3-1 below). The Strategy Equation consists of three clusters or groupings:

1. **Defined ENDS:** the Vision, Mission, and Goal statements are concerned with the ‘ends’ that the organisation seeks to achieve
2. **Defined MEANS:** the Strategies and Objectives are focused on the ‘means’ to achieve the ends
3. **Defined RULES:** the Policies and Values set out the rules and behaviours appropriate to the pursuit of both the Means and the Ends.

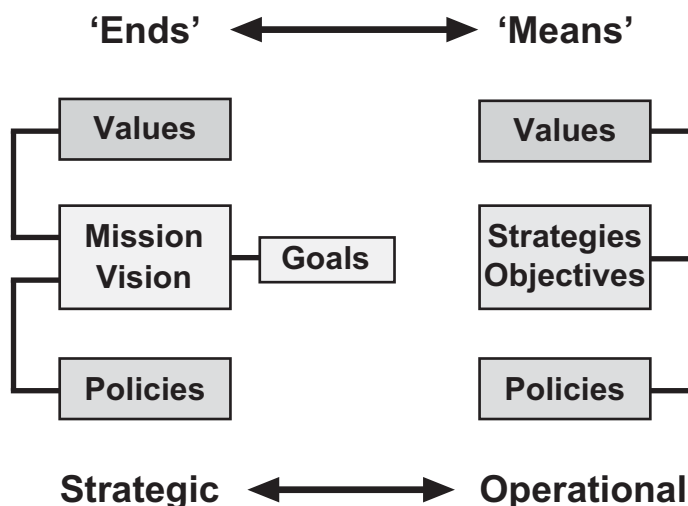
In detail, each element in the equation seeks to answer a specific question:

- The **Vision** defines the type of organisation they wish to be, and be seen to be. The vision statement may be accompanied by a statement of values that describes those attributes and characteristics that it most wants to attain and express. It seeks to answer the following question: **What type of organisation do we wish to be?**
- The **Mission** defines the ‘landscape’ in which the organisation seeks to operate – and therefore the business in which they wish to be engaged. It seeks to answer the following questions: **What is our business? What industry are we in?**
- The **Goals** define positions to be adopted and achieved within that landscape. They represent the long-run outcomes directly sought by the organisation and its key stakeholders. They interact with both the organisation and its external landscapes. They link the Mission and Vision to the Strategies and Objectives. They have both a direction and a destination component. They seek to answer the following question: **Where do we want to go (direction) and what do we wish to reach (destination)?**

- The **Strategies** define the pathways towards the Goals. The pathway is expressed in the form of an operational plan or series of plans and related actions and activities. They are central to the whole definitional process and serve to link the Strategic with the Operational. They seek to answer the following question: **How do we get to the Ends we have defined for ourselves, and by what Means (pathways)?**
- The **Objectives** map out the Strategies – they anchor them in the external landscapes and provide means with which to put the strategies into practice. They are specific time-based points of measurement that the organisation intends to meet in pursuit of its broader goals. They seek to answer the following question: **How exactly do we stage the journey along the pathways?**
- The **Policies** apply at both the Strategic and Operational levels. They are the guidelines that attach to both ends and means and to the strategic as well as operational levels of the strategy equation. They answer the question: **By what managerial and administrative rules and boundaries do we live and ensure progress into the future?**
- The **Value** statement(s) also apply at both the Strategic and Operational levels of an organisation. They seek to answer the following questions: **How should we behave? and How do we want to be seen to be behaving?**

Collectively, these elements come together to constitute the ‘Strategy Equation’ for an organisation. This relationship is set out in Figure 3-1.

Figure 3-1 The Strategy Equation



There are a number of important points to note about the strategy equation:

One, changes to one part of this equation will be reflected elsewhere. For example, if an organisation seeks to change its Vision or Mission there is an immediate and direct effect on the Goals, and through them to the Strategies and Objectives. The same applies to

changes made to Strategy pathway choices – in this instance, a change in a strategy pathway (perhaps forced by a competitor or client) may cause the organisation to re-examine any related Goals and possible effects on the industry niche in which they are located.

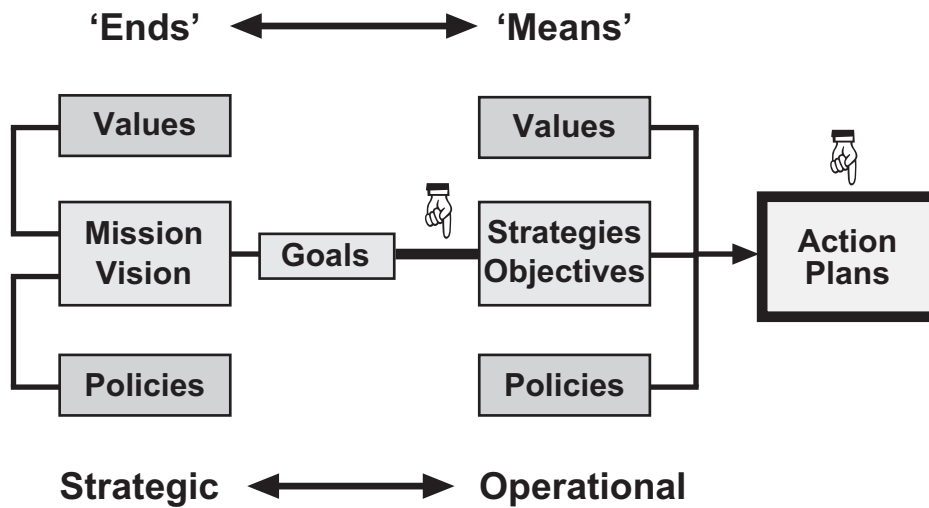
Two, each of the particular elements used in the equation is built upon one or more ‘keywords’ that give the element shape, specificity and direction. These keywords need to be identified, retained, and accounted for as part of the implementation and assessment cycle of strategic decision making. They provide the threads that help to ‘stitch’ together the component parts of a strategic planning document and they provide for integration and consistency of thought and action. See Exhibit 3-1 below.

Exhibit 3-1: POSTBANK NZ

As part of the process of corporatisating the banking services division of the NZ Post Office in the mid 1980s, a two-worded Vision statement ‘Simply Banking’ was developed to define and drive all aspects of the new organisation. This required that the employees and customers of POSTBANK understand clearly what was meant by ‘simply’ and by ‘banking’, and that these distinctions were recognised, addressed and expressed throughout the bank’s overall strategic equation – goals, strategies etc. This vision statement was later ‘borrowed’ and trademarked by another financial services player, the PSIS, who now competes head to head with KiwiBank, the direct descendent of POSTBANK, in the retail banking sector.

Three, the Strategy equation extends one further step into Action Plans that provide for the strategic ‘means’ to be transcribed into sets of specific actions. This is shown in Figure 3-2 Action Plans detail, strategy by strategy, objective by objective, the implementation side of the strategic equation. The action statements they contain represent the ‘footprint’ of the strategy – setting out how much of a resource should be applied by whom, when, where and how to achieve the goals of the organisation.

Figure 3-2 The Strategy Equation – Action Plans



Four, also shown is the point of connection between the two sides of the equation – between the Goals and the Strategies. This connection provides the ‘coupling’ or ‘hinge’ upon which the individual components of the equation remain connected to one another. This is also partly why such a strong focus is placed on Goals, their definition and update, as it is so necessary to the development and application of effective and efficient strategic choice and decision making.

The mission, goal, and objective definitions can also be viewed as representing a hierarchy starting from the broad to the very detailed – this is known in the literature as the ‘Hierarchy of Strategy.’ From top to bottom, from the vision to the objectives and their associated action plans, the hierarchy is supposed to represent a transition between the strategic management levels and the business or operational layers of the organisation in achieving common goals. This transition is often pictured representing a separation between functionally distinct activities and likewise, separate perspectives. This view of strategy also makes the assumption that the ‘head’ of the organisation, the CEO and the executive team, is the group best positioned to ‘think’ strategically. It is worth noting that many of the initiatives associated with TQM (Total Quality Management), QA (Quality Assurance), and benchmarking depend on empowered and informed employees functioning in an intelligent and self-aware manner at the bottom of the pyramid, capable of both implementing as well as contributing to the shaping of strategy for the organisation as a whole. (See Web links at the end of Block 3 for TQM address.) In modern organisations there is also a closer tie between these two organisational levels, the ‘head’ and the ‘feet,’ as these modern organisations contract the size of their headquarters or de-layer their processes and functions, outsourcing them to contractors. As this occurs, the distinction between the roles played by the head and the feet of the organisation becomes more artificial all the time.

Strategy is defined and expressed by the mix and blend of the mission, goals, and objectives statements. It is the overall effect of these definitions that counts, in other words, how well they fit with one another. It is little use having goals that are beyond the strategic abilities of the organisation to achieve. Why pick ‘ends’ for which there are no

‘means’ – or pick inappropriate ‘ends’ for the ‘means’ one has on hand. Any models of strategic management that incorporate such definitions need to recognise this type of interaction and interconnectivity. Good strategic management and planning must account for the sum of the parts, the total effects of the Strategic Equation, and be able to guide the users, managers as well as employees, in an intelligent and informed manner. The concepts of *mission*, *goals*, and *objectives*, should be seen as part of a wider set of terms that includes *strategy* and *policy*. It is important to the manager, thus, to be able to separate these concepts, and then bring the parts together into an integrated whole.

Policies interpret and operationalise strategy and keep the organisation on the strategy path and on an even keel. Policies are established to guide both operational as well as strategic behaviour and concerns. In the same way, many organisations employ statements of Values to guide them in their selection of appropriate behaviour.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: All elements of the ‘Strategic Equation’ must integrate and interface with each other. Significant change in any one key element requires that the equation be reconfigured as a whole.

Task: Consider this proposition in relation to the following questions:

1. Would the Vision and the Mission of an organisation be expected to change on a regular basis and under what circumstances would it be necessary to re-examine them in depth?
2. Would the Mission and Vision of an organisation be likely to remain unchanged across the successive stages in an organisation or industry life-cycle? (e.g., Would these broad positioning statements necessarily remain the same as an organisation progresses from start-up through to maturity or should they, either singularly or together, adjust to changing organisational and environmental circumstances?)

Proposition 2: That the ‘strategy hierarchy’ view of strategy does not fit the needs of the ‘new organisation’ that seeks to de-emphasise hierarchy and emphasises instead the value and necessity of a networked approach to strategic management and planning.

Task: Consider this proposition in relation to the following questions:

1. Does the hierarchical view of strategy still have relevance in an age where networked organisational structures and processes, and outsourced functions and systems, are increasingly the ‘norm’?

2. What effects would a move from a hierarchically structured to a horizontally structured organisation have on defining and implementing its strategic 'ends' and 'means' statements?
-

1.2 Activity: Strategy Equation

Set out the 'Strategy Equation' for an organisation of your choice. Read through the statements and definitions that are used and identify the keywords around which the definitions themselves are constructed. Make a list of the implications that the key defining words may have for the organisation in the management of its future.

Procedure: Use the Strategy Map Template provided at end of this Block (two versions available) to set out the components of the equation. Before commencing the 'mapping' and your analysis, study the examples ('Mapping the Strategy Equation') provided below for your information. Feel free to modify the layout of these 'maps' to suit your own circumstances.

1.3 Mapping the Strategy Equation

Exhibit 3-2: The NZ Department of Statistics (see Web Link at end of this Block)

Strategy Map		
NZ Statistics: 2002 and beyond		
Corporate Vision, Mission, Values, and Goal Area Statement		
Vision:		
Making Statistics count		
Mission:		
Official statistics for governments and the wider community that are trusted, of high integrity and quality; can be accessed by all, and provide relevant and timely information on key aspects of New Zealand's economy, environment and society.		
Values	Integrity	To demonstrate integrity we will act honestly and fairly, operate in a politically neutral manner, provide objective and relevant data and analysis, and be procedurally transparent and open.
	Professionalism	To demonstrate professionalism we will develop and maintain technical and managerial expertise, act with commitment, competence and responsibility, respond to the changing environment and client needs, contribute to international statistical developments, demonstrate a commitment to public service, be dedicated to ongoing improvement and innovation and operate efficiently and effectively.
	Co-operation	To demonstrate cooperation we will encourage mutual trust and teamwork, respect our colleagues, their diversity and contributions; act collegially both within Statistics New Zealand and externally; encourage a corporate focus; share ideas, information and best practise; and foster open and effective communication.
	Security	To protect security and confidentiality we will meet all confidentiality guarantees given to information providers and clients; protect the information in a secure physical and computer environment and rigorously apply the security of information requirements of the Statistics Act 1975.

Goal Area 1 Strengthen the cohesiveness and effectiveness of official statistics	Goal Area 2 Build upon the trust that governments, communities and individuals have in official statistics	Goal Area 3 Maintain the cooperation of data providers
Goal Area 4 Increase the usage and user understanding of official statistics	Goal Area 5 Enable Maori ¹ statistical needs to be met	Goal Area 6 Enhance Statistics New Zealand's capability

Exhibit 3-3: The NZ Department of Conservation (see Web Link at end of this Block)

<p style="text-align: center;">Strategy Map</p> <p>NZ Department of Conservation: 2002 and beyond</p> <p>Corporate Vision, Mission, Values, Goal Area Statements, and Key Step Strategies</p>
<p>Vision:</p> <p>New Zealand's natural and historic heritage is protected; people enjoy it and are involved with the Department in conservation</p>
<p>Mission:</p> <p>To conserve New Zealand's natural and historic heritage for all to enjoy now and in the future.</p>

Govt Goal Area 1 Protect and enhance the environment Links to Department Key Steps 1 and 2	Govt Goal Area 2 Strengthen national identity and uphold the principles of the Treaty of Waitangi Links to Department Key Steps 3, 5 and 6	Govt Goal Area 3 Grow an inclusive, innovative economy for the benefit of all Links to Department Key Steps 4 and 5
Govt Goal Area 4 Improve New Zealander's skills Links to Department Key Step 7		

¹ Maori = name/term used to refer to indigenous peoples of New Zealand and Cook Islands.

Strategies: 'Key Steps'
Key Step 1: Expand biodiversity effort
Key Step 2: Minimise bio security risks
Key Step 3: Increase emphasis on Historic and Cultural values
Key Step 4: Promote appropriate recreation and increased public enjoyment of protected places
Key Step 5: Engage the community in conservation
Key Step 6: Promote effective partnerships with Tangata Whenua
Key Step 7: Improve our capability

Exhibit 3-4: The World of India chain of restaurants

STRATEGY MAP:	
The World of India A chain of restaurants specialising in Indian fast foods and related products	
VISION: Simply the best at whatever we do with food	
MISSION: To be the world's dominant chain of GE free restaurants	
VALUES	DESCRIPTION
Nutritional ingredients	All ingredients and products of the company will meet the best nutritional requirements for daily living. This will conform to the guidelines as set out in the national food standards schedule by the Indian Ministry of Health.
Healthy living	All ingredients will meet the highest standards of health and hygiene and make a positive and significant contribution to the maintenance of community health standards.
Eco Friendly	All actions and activities of the company are centered around an understanding and appreciation of the importance of the natural world and our responsibility to maintain its basic health and values.
GOALS	
Goal	No.1 in the Indian quick service GE free restaurant industry
Goal	A healthier community
Goal	Meeting the interests of all stakeholders

STRATEGIES and Related OBJECTIVES			
Strategy 1	To provide only the best in service and food		
Related Objectives	Turnover of key quality staff kept to below 10% per annum	All staff to have industry-recognised qualifications and have at least 5 years of prior service in the restaurant industry	All food inputs to be 100% certifiably GE free.
Strategy 2	To encourage consumption of GE free vegetarian food and support organisations promoting the concept		
Related Objectives	Two (2) media write-ups achieved and One (1) advert placed per month in local media	One (1) product endorsement achieved per franchise per year	One percent (1%) of yearly gross revenues invested in community health projects
Strategy 3	To keep expanding into new markets and product opportunities		
Related Objectives	20 new outlets opened per franchise per year	5 new product offerings developed and offered per restaurant per year	6% of revenue invested in the research and development of new product/market options

2 The Mission: ‘What is Our Business?’ and ‘What Industry are We In?’

There are a variety of platforms or perspectives upon which an organisation can build and establish its sense of identity and purpose (i.e., its Vision and Mission, and how it sees itself). Establishing and sustaining clear boundaries to this identity can be deceptively difficult and complex because of the constantly evolving nature of business and the challenges that societal environments, or landscapes present to industry structures and relationships. For example, the banking industry has evolved, alongside insurance, investment and brokerage houses into the financial services industry; traditional telecommunication firms have evolved into network and internet communication companies; newspapers, radio and television are listed as belonging to the entertainment and/or media industries; individual oil, coal, gas, and electricity companies now increasingly define themselves as ‘energy’ companies and as belonging to the ‘energy’ industry rather than or in addition to belonging to the Oil Industry or the Coal Industry. Much depends on how broadly or narrowly the company defines itself and its ‘industry niche’ and how it sees itself positioned with respect to its competitors and customer groups. Defining yourself in different ways can open or close opportunity doors and shape the available options and choices for growth and development.

Depending on their strategic perspective, organisations can find themselves operating a business that fits into a number of different types of industries. A winery may find itself producing grapes and wine (producing), selling products out of its shop to tourists (retailing), bottling its neighbour's product (processing), and distributing the region's wines through its own channel for export overseas (distribution and sales). Each of these activities sets it into competition with other groups of competitors, challenging its self-identity and what it considers to be its 'home' industry. Clearly, there are a variety of ways in which an organisation can 'define' itself. The following nine examples illustrate the point.

2.1 Nine Examples of How Organisations Can Define Themselves

2.1.1 In terms of the products/services being provided

For example: a specialist grain distiller may think of itself as being in the rice wine business, a shoe manufacturer as being in the shoe business, and a local fire department as being in the fire-fighting and fire-prevention business.

It is also possible that the distiller may see itself as being in the alcoholic beverage industry and thus in competition with other grain-based distillations such as whiskey and Vodka; the shoe manufacturer as being in the fashion industry, viewing shoes as accessories and thereby linked to dress and decorative personal items; the fire department as being in emergency services, and therefore being part of teams that include Ambulance and Police Rescue with whom they need to work and co-operate to produce a joint emergency incident response strategy.

2.1.2 In terms of the dominant characteristic or principal ingredient in their products

For example: a steel roof manufacturer as opposed to concrete or clay tile, a steel pipe maker as opposed to a concrete or plastic pipe manufacturer, a wool garment maker as opposed to cotton or silk, a jute carpet maker as opposed to wool or synthetic fibre maker.

In these examples the business develops an affinity and expertise for employing specific raw and processed materials over an extended period of time – their learning and experience curves are built around their ability to handle and process the basic resources for profit. Even seemingly closely related materials may cater to different product and customer mixes and needs – as in the case of chocolate, as compared to sugar-based confectionary. A good example of this arose in the 1990s when Cadbury sold off their sugar based confectionary divisions because of the belief that there was a distinct difference between the business of candy, and the one in which their core expertise was acquired from the beginning and still resided: chocolate in all its forms.

2.1.3 In terms of the technology which spawns the product

For example: 3M's link with chemical coating and bonding technology, Dolby's signature skills in sound management and system filtering, Sharpe's LED screens for use in a variety of commercial and retail products (their own and competitors), Sony's 'walkman' and 'discman' which have become Sony 'wordmarks' – a product of their technological expertise in mobile consumer electronics).

Technological expertise is often and increasingly cross-licensed between allies and competitors alike, for use as a component in a wider range of other products and services. This exchange of intellectual expertise can present a challenge to the technology owner as they seek to establish and retain the boundaries between their own product groups and those that may develop into potential or real competitors. This is something that impacts on advanced economies as off-shore production companies catch up; they start as assemblers of individual components and then gradually move up and down the value chain as they climb the learning curve in an effort to produce the same innovative product for less – a good example of this is Acer. This Taiwanese company began life in this way and is now a successful computer manufacturer in its own right with its own range of products. Establishing the boundaries and limits to use helps to define the membership of an industry and to some extent their ongoing competitive/cooperative relationships.

2.1.4 In terms of the customer groups being served

For example: Toyota's strong focus on the service relationship with its customers and dealer networks. This drives the company to continually define and deliver on evolving customer benefit expectations. This customer focused 'obsession' is at the centre of all that they do and is developed, sustained, and delivered by a deep-rooted cultural orientation of its members of staff, and by the extensive use of quality assurance and benchmarking systems and measures. Their business is customer satisfaction.

2.1.5 In terms of a specific product/service aimed at a specific buyer segment

For example: Local community stores focused on the immediate community needs for food and grocery items while the supermarkets and megastores set out to become one-stop shopping plazas, competing with the smaller stores in both range and price of products/services sold. Further variations of this can be found with the trend of fuel service stations (motor garages) in offering onsite convenience and after-hours shopping on a limited range of goods and services, usually with a premium built into the price to meet the cost of the opportunity. Both the stand-alone supermarkets and service stations have centred their business around the travelling public and the growth of the privately-owned motor vehicles. In the case of international service station chains, there have been joint ventures with selected wholesale and retail merchants to co-partner the initiative. Thus, fuel distribution and vehicle servicing converges with food distribution and retail –

this is hardly surprising since both could be defined as being in sales and distribution, and are now co-operating to apply their logistical expertise in this area.

2.1.6 In terms of customer needs and wants being met

For example: the different mix of ‘needs and wants’ met and delivered by a technical institute to its natural market – those seeking a skill centred education closely linked to employer-driven requirements and expectations. This stands in contrast to the traditional focus of a University that seeks to deliver knowledge and understanding of a subject or field of expertise together with the capacities and abilities required to make good use of them.

2.1.7 In terms of the scope of activities within an industry – specialised, each providing a defined type of service or function

For example: the range of differentiated accommodation options provided within the tourism industry where the choices range from resorts, hotels and motels through to B&Bs, Hostels, and Campgrounds. As customers migrate from one choice of accommodation to another, alternating their choices from one season to the next, the temptation is sometimes for the individual business to try to hang on to the customer by blurring the differences, attempting to offer some of the differentiators delivered by the adjoining competition. Thus a motel may move to upgrade its in-house restaurant and add a Bar (to mirror the hotel niche), while at the same time trying to provide more of the hosting relationships characteristic of the bed & breakfast/home-stay segment.

2.1.8 In terms of creating a diversified enterprise which engages in a group of related businesses – built around a core skill, technology, complementary relationships between products, common customer groups

For Example: the farmer or pastoralist who builds additional business around the selling of agricultural services to the surrounding farms. Apart from running his own farm he may own and run an agricultural contracting company which cuts and bales the hay and silage, drills water bores, and digs drains to improve water runoff. He may also operate a business that processes the produce from his neighbours into canned or frozen goods or operates a shed for grading and packing produce such as citrus fruit for domestic and export markets. These types of business clusters are usually related through the use of a common resource, skill, or characteristic.

2.1.9 In terms of creating a multi-industry portfolio of unrelated businesses

For example: this situation would exist where the answer to ‘what is our business?’ is based on ‘anything we can make money doing,’ in other words, opportunism, and open

attitudes towards risk and growth, rather than centred on a conceptual theme that links the different types of business carried out.

Any given organisation would usually exhibit a blend of these perspectives, and they may well evolve over time. Understanding this is crucial to the organisation's sense of self and the collective effect of individual competitor decisions (i.e., the societal environment) on the shape and boundaries of the industry to which they belong. Each perspective reveals a particular strategic emphasis or slant to the strategy setting and implementing processes of the organisation. Each leads the organisation to emphasise an aspect or component of the value chain of which it is a part – a section only or the whole of the process chain, stretching for example, from raw materials supply through to the sale of the finished product. For an organisation that is vertically integrated, a different focus may apply at each step in the chain. Furthermore, the '*dominant characteristic*' may be the strategy-setter for the raw product end and '*customer needs*' the focus at the retail distribution step in the chain.

Diversification strategies can sometimes take a company away from a particular product focus and toward a customer feature that then guides the pattern of product development. Two examples are BIC and Gillette. Each diversified into a range of apparently unrelated products that were linked, however, by their disposability characteristic. BIC moved from ballpoint and fibre tipped pens into disposable lighters, hosiery, and shavers. Gillette moved in the other direction from disposable shavers into ballpoint pens. Both had found their way into the disposable consumables market.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: The 'official' industry descriptions (mostly statistical and established to measure national economic output and productivity), increasingly fail to reflect the reality. Newer ways must be developed to define and map the constantly evolving business landscapes that characterise modern industrial enterprise.

Task: Consider this proposition in relation to the following question:

If the 'industry marketplace' is best left to define itself, to what extent should outside attempts by governmental policy makers be allowed to intervene to determine its boundaries and the ways in which it carries out its business?

Proposition 2: The question 'What is our business' is central to the strategy equation. The boundaries between business landscapes are constantly breaking down and being redefined as business organisations increasingly evolve with, and drive, the evolution of such environments along often temporary and shifting pathways.

Task: Consider this proposition in relation to the following question:

How, and in what ways, would the mission statements of individual companies come together to collectively define the ‘business we are in,’ and the shape of the industry in which they all play out their life-cycles?

3 Goals

All organisations need goals. They represent the core agreements on action and purpose around which the organisation can pattern its behaviour and development.

Goals provide the key parameters on which good strategy may develop. Such strategy in turn, becomes a source of future goals.

The day-to-day pursuit of a single goal may be dysfunctional in the long run. This happens sometimes, as the result of a single-minded pursuit of ends which ignore changing industrial realities. For example, after the Second World War, mature fountain pen companies that failed to adjust to the development of the biro and fibre-tipped pen went down (i.e., did not survive) or repositioned themselves at the high value, luxury end of the market.

The Waterman Pen Company of the USA was a case in point. Its principle goal and mission, domination of the USA fountain pen industry, lost its relevance when new and revolutionary products appeared on the scene. This happened because the company was unable to abandon its historical mission and goals and adopt new directions. It was eventually acquired by BIC and then sold off to European buyers. It lives on today as an upmarket, status pen for executives.

Conflicts very often develop between both individuals and groups within an organisation, seeking to define the direction and end points for their organisation. *Sub-optimisation behaviour* in the context of goal setting represents an attempt, through compromise, to balance competing claims about choice of goals and their associated resource needs. Through the sub-optimisation process the interests of one organisational member are kept in balance with the interests of the others. Goal conflicts between interest groups (product, functional, or project) are resolved through clear formulation and selection procedures.

Satisfying behaviour results in setting goal levels, which just meet, rather than exceed, the minimal growth and survival requirements of the organisation. An important concept in Organisational Development (OD) concerns goal ‘stretch’ and goal ‘super-stretch.’ Goals have great shaping influence on the organisation and affect the level of pitch or energy at which it chooses to operate. Goals that require the organisation to reach beyond the easily attainable, challenge the organisation to look more deeply at its whole makeup. In athletic terms, an extra half second off a 100 meter dash requires the athlete to be conversant with

every contributing factor in order to get the right synergies to operate. Goals that stretch an organisation are a powerful force in its renewal and redevelopment.

Remember that the same goal can be stated in a variety of ways. In the illustration of the Strategy Landscape (see Block 4), the goal of climbing the mountain can be defined as either:

- To climb the mountain
- To be the first to climb the mountain
- To be the fastest up the mountain
- To climb the mountain in a fixed period of time
- To climb the mountain with a given set of resources
- To climb it by the most difficult or dangerous route
- To climb it through any combination of the above.

Clearly, setting out to attain the mountain without time constraints and in the easiest and safest manner will set different conditions on the climber than a combination centred on speed, difficulty, and the need to be first. Some of these goals would require the organisation to stretch itself to conform with the requirements of the goal, thus creating substantial transformations in the structures, culture, and processes employed to achieve the goal. There is thus a clear link between a corporation's task environment, its choice of goals, and the strategies adopted to achieve them. This inter-relatedness expresses itself in turn in the culture and structure of the organisation.

Ideal conditions for setting and achieving goals include acceptance by and motivation of subordinates *as* achieved by:

- commitment to goals by the superior
- communication and acceptance of the goals throughout the organisation
- a clear understanding of the implications of the goals for each individual and working groups
- feedback of results achieved towards goals for both strategy appraisal purposes as well as for performance improvement at the operational level
- competition among subordinates towards goal achievement that allows the individual human resource agendas and energies to be captured and deployed in a positive rather than in a negative manner.

Managers achieve several purposes in using goals:

- goals help develop and shape the organisational structure – this can be best pictured through the transforming effects that goal stretch may have on an organisation, forcing it to reconfigure (restructure and reposition) itself to accommodate the dictates of the goals
- goals help motivate and guide the behaviour of staff – especially when linked to personal rewards, social, and economic

- goal measurement and assessment provide the basis for the control of organisational activities – goals that are not measured are not managed, and by extension, neither are such organisations that employ unmeasurable goals.

Each goal will have a set of associated measures selected in order to calculate progress and achievement alongside ‘preferred’ lines of performance. Different measures of the same goal can result in different managerial actions as, for example, where a stakeholder group seeks to assess performance based on measures of related but different aspects of cash, capital, and asset management – for example, return on equity vs. return on investment. Deciding how to define and measure goal attainment in this area is greatly influenced by the way in which the organisation structures and motivates itself for the tasks ahead. In the case of the mountain goal in the strategy landscape (see Block 4), a change from a simple climb to a more competitive race means reshaping the structure and culture to be more competitive and efficient in what it does and how it goes about doing it.

Goals also provide the signposts on which organisational activity and purpose should be based. They are or should be the integrating factor around which a consensus on corporate ‘futures’ can develop.

Goals are influenced and shaped by external as well as internal forces and conditions. They are embedded in the landscape and as the landscape evolves, the Goals will evolve with them. For example, with rising levels of competitive pressure or product/service quality, organisations are often forced to revise their own Output and Outcome performance statements – to readjust their ‘ends,’ or goals, to better fit into the evolving patterns of the landscape.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thought for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: Keep one eye on the heavens and one eye on the ground. That total goal focus can not only direct the energies of an organisation by keeping it on a strategic track but it can also lead an organisation to ignore environmental and organisational changes to its long-term cost and detriment.

Task: Consider this proposition in relation to the following question:

How do goals serve to anchor an organisation in its industry and societal landscapes and in what ways are they therefore susceptible to constant pressures to readjust, to fit or stretch with the changing conditions?

Proposition 2: The organisation’s goals are the crucial element in strategic management – without goals, the management function for an organisation lacks direction and coherence.

Task: Consider this proposition in relation to the following question:

How and in what ways do goals best serve an organisation's management process?

4 Objectives

Objectives are the specific and unambiguous 'action initiators' that drive the organisation along their selected mix of strategic pathways. They operationalise strategic thought and convert it into measurable actions. In summary, Objectives should be:

- Strategic to the organisation. (Focused on the strategic future and therefore able to be integrated with the 'Ends' components of the Strategy Equation.)
- Action initiators. (Linkable to action plans and therefore a point of connection and initiation for resource distribution into the strategic positions undertaken by the organisation especially regarding resource allocation and use.)
- Specific and unambiguous. (Strong in focus, precise in expression, and possessing clarity, not clouded by avoidable ambiguities or misalignments between strategic thought and operational action.)
- Concise and easily understood. (Brief but able to instruct and inform those with responsibility for their implementation.)
- Widely communicated and communicable.

Objectives should have:

- **a content** (a statement or description of what is being measured – an aspect of customer satisfaction)
- **a measure or indicator** (expressed as an absolute value or as a relative measure such as a percentage or ratio – such as \$ per customer sale or share of customer wallet; or successful prosecutions as a percentage of offender arrests)
- **a level** (85% of customer calls to be answered within the first 30 seconds of ringing)
- **a time period for achievement** (per dd/mm/yy; per shift; per season; per cycle etc.)

Apart from providing traction for strategic action, objectives also provide a decision and action matrix around which organisational structure and culture can be built. When poorly defined, partially understood, or not fully agreed to by individuals and interest groups, the objectives may become dysfunctional in their application and use. Getting the objectives properly *defined* is an important first step. They must however be accompanied by an *understanding* and *agreement* amongst the members of the organisation. Management decision making techniques such as Management by

Objectives (MBO) represent one attempt to develop and use such a system to achieve coherence and order in the management planning process. For further details on MBO, follow the Web Links at the end of this Block.

Objectives also provide the decision points from which flow the performance assessment and evaluation data for the organisation. In this respect, they constitute an important ingredient in the information systems and control and monitoring processes of the organisation and sit alongside and interact with the overall strategic measures of performance (the Strategic Metrics) such as Critical Success Factors (CSFs) and their related Key Performance Indicators (KPIs). (See Block 8.)

Finally, Objectives give form to strategies – they operationalise them. They are the markers that map out the implementation of the ‘path’ or ‘paths’ down which the organisation travels on its way to the goals. For this reason, goals are sometimes called ‘milestones.’ A change in a pathway almost always necessitates a change in Objectives – the opposite also holds true.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: When poorly defined, partially understood or not fully agreed to by individuals and interest groups in their application and use, objectives may become dysfunctional rather than beneficial for the organisation.

Task: Consider this proposition in relation to the following questions:

1. What differentiates an Objective from a Goal?
2. What is the role of objectives in the ‘strategy equation’ – where do they fit into the equation and what organisational purpose do they serve?
3. How do Objectives assist in mapping out strategic pathways?
4. What happens to Objectives when changes are made to existing strategies?
5. What is the link between Objectives and Mission Statements?
6. How do Objectives (measurable points of attainment along the strategic pathways) relate to measures of overall organisational performance such as KPIs (Key Performance Indicators)?

Proposition 2: Management by Objectives (MBO) is a neglected approach (and technique) for achieving organisational agreement, alignment, and focus on the strategic future of an organisation.

Task: Consider this proposition in relation to the following questions:

1. How can objectives help to achieve organisation-wide alignment of views and perspectives?
 2. What organisational barriers could stand in the way of achieving a set of agreed objectives (organisational structures, cultures processes, etc.)?
 3. What part can the process of collective or group based objective setting play in developing a broad based approach to organisational governance?
 4. What effects has the IT/IS revolution had on MBO (networking, shared responsibility, etc.)?
-

5 Policies

Policies are rules of choice and behaviour developed to guide and direct organisational decision making and action. Ideally, they should represent condensed wisdom abstracted from past experience, both mistakes and successes, and should serve to facilitate current and future ‘best practice.’ They should be subordinate to, and supportive of, accomplishing the strategic plan – this implies that they are NOT the strategic plan but are there to assist in its development and implementation.

Some policies are purely administrative rather than strategic and amount to little more than ‘work rules’ as in the case of statements specifying the length of coffee breaks and the methods for obtaining reimbursement for travel expenses. Some policies may border on being operating-level strategy; for example, policies that specify the expenditure of a fixed percentage of revenues on advertising. Some policies may provide vital support to an organisation’s strategic positioning within their industry and for ongoing access to their selected target and preferred market groups; for example:

- In intensively competitive retail activities such as franchised fast food outlets, operators typically have detailed specifications regarding the preparation of their product (the actual food) and the form that the customer service relationship should take. Policy manuals spell out such detailed procedures as customer service turnaround times, the proper handling of the food components, face-to-face interaction with the customer (making eye contact with and smiling at every customer), and all the little details that create the benefits that their customers are seeking.
- It is a policy at 3M corp. that when a new product attains a specified sales volume it is organised as an independent division.

- Caterpillar Tractor has a policy of giving its customers 48-hour guaranteed parts delivery anywhere in the world and, if it fails to fulfil the promise the part is supplied free of charge.

Policies assist the organisation to operationalise the component parts of the strategy equation by 'interpreting them' and providing 'behaviour guidelines' for manager and employee alike. Good policy definition and use provides a way to come to grips with the actions and activities, implicit or explicit, contained within these definitions. They give form to the intent.

Policies help the organisation to build and maintain a depth of commonly agreed upon behaviour, between often widely different and conflicting interest group and individual viewpoints and ambitions. They do so by helping to standardise responsive behaviour, as well as by defining the parameters of autonomy for any part or component in the organisational structure.

Policies should represent the accumulated wisdom about how to behave in the present, based on knowledge gained through past experience. However, policy very often evolves on a case-by-case basis and what was appropriate in the past may be less so in a current environment. Policy sometimes takes on a life of its own and become the end rather than the means to an action or response. This is especially the case where vested interests are protected by rules and routines that are no longer functional to the organisation, but which serve individual or group survival needs.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your thinking and reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: Rule-governed behaviour hinders rather than helps effective decision making.

Task: Consider this proposition in relation to the following question:

Where does the boundary lie between too few and too many rules?

Proposition 2: Rule making and rule setting as a means to an end, can and often does becomes an end in itself.

Task: Consider this proposition in relation to the following question:

Is the on-going battle between the forces of conformity and diversity, between compliance and creativity, necessarily always bad for the organisation?

6 Summary

The Strategy Equation is at the heart of the Strategy Cycle. It defines the fundamental strategic relationships to which all effort is directed – that of determining where the organisation is heading, and its methods of achievement. Such an equation, and its associated resource relationships, is however not immutable nor set in stone. The relevancy and utility of both ‘ends’ and ‘means’ may slip away over time as the eroding forces of change soften and blur their original underlying strategic intent.

Increasingly, organisations are required to develop ‘morphing’ capabilities that will allow them to redefine and reposition themselves as a different organisation in a different or modified landscape – to reinvent themselves. Issues can and do arise about the degree and rigour of that change, and how effectively the new identity becomes installed and accepted across the organisation as a whole.

With so much change, ‘real’ and ‘imagined’, organisations risk structural and cultural destabilization and a true loss of identity – how many cycles of reengineering, reinvention and makeover does it take to produce a confused organisation with multiple identities and personalities? For example, as industries mature, consolidate and go through the process of shakeout, the remaining players are forced to play ‘musical chairs’ and to find partners from a shrinking pool of options. Each time this happens, organisations go through a structural and cultural refit – and not always happily, if the initiative was forced or hostile in origin and purpose. Moreover, each time this occurs, the industry’s own strategy equation needs revisiting in order to assess its conformity and compliance with the new organisational and environmental realities.

Many examples exist of the negative results of over-frequent mergers and acquisitions, or over-ambition on the part of partners to such alliances – the international motor vehicle and pharmaceutical industries being cases in point. As the time made available to absorb and implement change contracts, so does the potential for negative consequences correspondingly expand. Having a clear and relevant definition of the long-term future is therefore crucial to short and mid-term survival.

7 Web Links

Management by Objectives

http://www.mapnp.org/library/plan_dec/mbo/mbo.htm (date accessed: 14/04/03)

MBO: Objectives-Setting and Performance Evaluation

<http://www.ewin.com/articles/obexre.htm> (date accessed: 14/04/03)

N.Z. Department of Statistics

<http://www.stats.govt.nz/domino/external/web/Aboutsnz.nsf/htmldocs/Corporate+Planning#Strategic> (date accessed: 14/04/03)

N.Z. Department of Conservation

[http://www.doc.govt.nz/Publications/001~Corporate/Statement-of-Intent-\(2002-2005\)/index.asp](http://www.doc.govt.nz/Publications/001~Corporate/Statement-of-Intent-(2002-2005)/index.asp) (date accessed: 14/04/03)

TQM

<http://www.gslis.utexas.edu/~rpollock/tqm.html> (date accessed: 14/04/03)

8 Resources

Exhibit 3-5 Strategy Map Template Version 1

Version 1				
Strategy Map: Summary of Mission, Vision, Goals (Ends), and Strategies (Pathways) and Objectives (Milestones)				
Mission:				
Vision:				
Goals:				
Goal				
Goal				
Goal				
Goal				
Strategies and Related Objectives				
Strategy 1				
Related Objectives				
Strategy 2				
Related Objectives				
Strategy 3				
Related Objectives				
Strategy 4				
Related Objectives				
Strategy 5				
Related Objectives				

Exhibit 3-6 Strategy Map Template Version 2

Version 2			
Strategy Map: Summary of Mission, Vision, Goals (Ends), and Strategies (Pathways) and Objectives (Milestones)			
Vision:			
Mission:			
Key Goals:			
G1			
G2			
G3			
G4			
Key Objectives:			
O1	O2	O3	O4
O5	O6	O7	O8
O9	O10	O11	O12
Key Strategies:			
S1			
S2			
S3			
S4			
S5			

Commonwealth of Learning Executive MBA/MPA

SC3 Strategic Management

Block 4

The Strategy Landscape

Course Author:

Dr. Robin W. Smith
Teaching Fellow
Graduate School of Business
College of Business
Massey University
Palmerston North, New Zealand

Course Designer/Editor:

Shari Virjee, BA, GD IM (Post-Graduate
Diploma in International Management)
Vancouver, Canada

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The Commonwealth of Learning
1285 West Broadway
Suite 600
Vancouver, BC V6H 3X8
CANADA
e-mail: info@col.org

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1 A Tour of Block Four: Objectives and Introduction

After working through Block Four of this course, you should be able to:

1. Define environmental landscapes and their key ingredients
2. Explain the terms and concepts that are important to an understanding of the constituent elements of the business environment
3. Identify and explain the link between the 'Strategy Equation' and the 'Strategy Landscape'
4. Demonstrate an understanding of the relationships between an organisation and its environments.

1.1 Introduction

The external environment has a major influence on the ways in which organisations, and the industries to which they belong, evolve from birth to maturity and beyond. These environments are also shaped in turn by the actions and activities of the business organisations themselves – the interaction between the landscape and the organisation is constantly shaping, and ever-evolving over time. This Block looks at some of these fluid interactions in detail.

1.2 Mapping the Strategy Equation to the Environmental Landscape(s)

'Mapping' the strategy equation (refer to Block 3) to its industrial and societal landscapes is an integral part of the process of developing and detailing the strategy equation, and it is commonly but not always done at the outset. How an organisation observes and comprehends its external environment will be reflected in its understanding of itself as an organisational entity, and in what direction it wants to develop. The environment(s) in turn is shaped by the progress of the organisation (and its competitors engaged in similar journeys), along its strategic pathways and towards its chosen goals. To define a Vision and Mission an organisation also needs to know 'what business they are in.' Thus, being clear about what it considers its competencies can also help organisations to further refine this process of mapping the strategy equation. What arises from this is the framework of definitions (the Strategic Equation) on which the organisation can build its overall strategic positioning.

Because of the complexity of most business organisations, it can help to define the strategy landscape from the perspective of a not-for-profit organisation. Example 1 presents the strategy landscape for an outdoor recreation club. Example 2 showcases the same but for a clothing firm, a steel maker, and a toy maker.

1.2.1 Example 1: An outdoor recreation club

Mission

Consider a club that makes cross-country walking and hiking its 'raison d'être' (reason for being). This constitutes the *mission*, or *purpose*, around which the club builds its schedule of activities. It provides the reason for its existence, and the basis for membership activity.

Goals

The next level of definition requires that the organisation set goals for itself. These goals should give the organisation a clear sense of direction, so as to guide its efforts and direct its energies over an extended period of time.

For the summer's activities, the club's executive (its management) may decide on a particular goal or *goal(s)* involving climbing a distant mountain. Depending on how the club is organised, these goals may also be set in consultation with the wider membership. In the case of the hiking club, its particular goal of climbing a mountain, would need to be described in sufficient detail to ensure that members will be able to locate it by way of a map and compass. This goal is shown in Figure 4-1.

Objectives

The third and more detailed step in planning involves setting objectives. Objectives give the precise steps that need to be followed in order to achieve the goals of the organisation (in the case of the outdoor club, climbing a particular mountain).. Objectives are normally specific, time based, quantitative and able to be measured. In order to reach the mountain, *the goal*, members may need to break the journey into specific steps. Each of these steps towards the goal constitutes an *objective*. Objectives are shown as a series of bullet points in Figure 4-1.

Objectives can be defined in a variety of ways, but each one shares the same intention: to make it possible to achieve a particular goal. For example, objectives may break the journey up the mountain into daily distances to be covered : ten, fifteen or twenty kilometres – each of these would constitute an objective, or step along the way towards the goal. Alternatively, they may break the journey by physical location: day one could be set aside to reach a particular river; day two could be to reach a certain river crossing, etc.

A goal and its objectives are equally important and necessary to the process of planning, and each has a part to play. Because objectives are the stepping-stones on the way towards goals, they need to be carefully defined.

- They are usually concerned with the attainment of profitability, market share, stock turnover, manpower utilisation, productivity levels, machine utilisation, etc.
- They should be measurable and expressible in quantitative terms – such as dollars, man-hours, wastage rates, turnover rates, levels of absenteeism, accident rates, etc.

- They should specify a certain level of attainment, measured as a percentage or ratio, etc.
- They should specify a period of time within which they are to be attained.
- They must initiate action.
- They form the starting point for the development of strategic plans, action plans and budgets, and focus activity at both the general and the operational level of the organisation.
- They provide the fuel for decision making and activity.
- They should also be specific and unambiguous, precisely and crisply stated, and point clearly in one direction only.
- They need to be concise and easily understood – being of just sufficient length to convey the message, and able to be understood and acted upon by the broad membership of the organisation.
- Finally, they should be widely communicated and communicable.

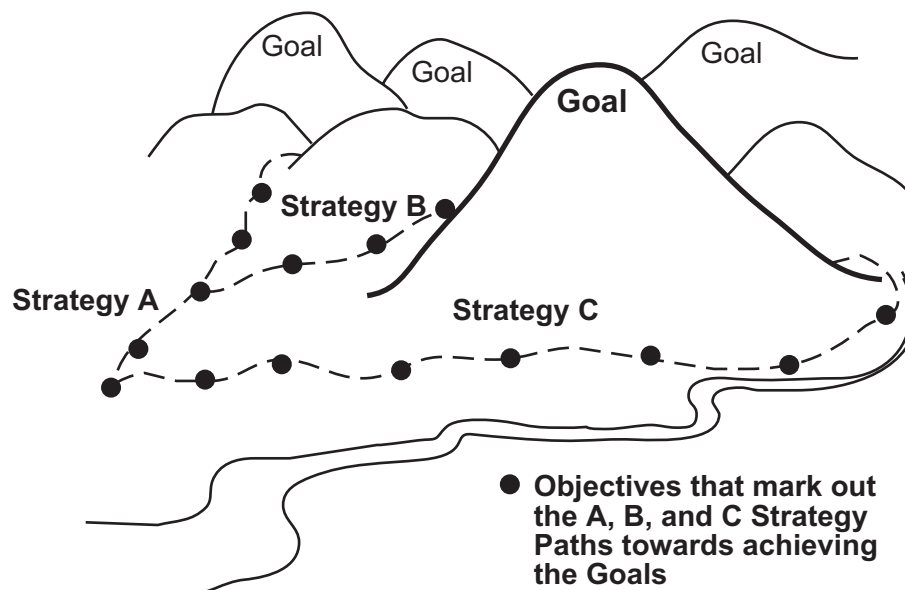
A company's goals and objectives should be knowledge dispersed throughout the organisation. In this way they would provide the sign-posting for decision making, and the planning trail through the organisation's structure.

Goals vs. Objectives

The terms 'goals' and 'objectives' are sometimes used interchangeably. It is useful however to make a distinction between the two. Goals should be seen as being concerned with the long-term, and with establishing the end point(s) that the organisation seeks to achieve. Objectives detail the intermediate steps along the way to achieving such goals. It is helpful to make this distinction between end points and intermediate steps, since they serve different organisational purposes.

When formulating the Strategy Equation, it normally starts with the broad, and from there, moves to the specific. Thus it starts with the wider vision, and works down to the details of that vision. As the move is made from the mission through to goals to objectives, the focus shifts from the broad and general, to the narrow and detailed; in other words, from the strategic, to the operational. In practise, the boundaries between these levels may be blurred. Also, changes may occur in the process of achieving objectives, that reshape the original mission. This feedback cycle also serves to modify these definitions, and adjust the relationships between them. Goal selection and enforcement also has important consequences for managerial and operational-level information system structures and processes.

Figure 4-1 The Strategy Landscape



Strategies

Usually, there are many different pathways that can be taken in reaching a given goal. These pathways correspond to the different *strategy* options, and the mix of action and behaviour choices that face the organisation will vary considerably. In Figure 4-1 there are choices between different pathways or *strategies* shown as A, B, and C. Choosing which path to take would depend on a wide variety of conditions and circumstances. For example, path A may be faster but more difficult and dangerous; this would probably appeal to a risk taker. Path C may be slower but safer; this would probably appeal to a more cautious individual. In this example, the surrounding environment is the physical landscape, and this needs to be crossed (contended with), in order to reach the goal of climbing the mountain.

In the same way, business organisations choose different pathways, or courses of action to reach their goals. The way these choices are made depends on such factors as the nature of the business organisations, industry, and societal environments at the time. The industry or business landscape can help, or hinder, the growth and/or survival of an organisation. Such choices also depend on the level of competition and competitor behaviour. In business, a company may be competing with others to achieve similar goals. These goals might be: to gain market dominance, or to develop a new product or piece of technology. In the example of the outdoor recreational club, the goal could be *to be the first to climb the mountain*.

Organisational culture also shapes the choice of strategy. Corporate organisations develop cultures in the same way as do other social groupings such as clans, tribes, villages, etc. Their cultures help to shape the way their members think and act. This may

partly determine which goals they will choose to pursue, as well as how to reach them. In some instances, the different cultures provide unique approaches to handling the strategic dimension.

Policies

Having chosen a particular pathway or strategy, it is necessary to establish rules and guidelines in order to keep moving along safely. These *rules* and *guidelines* are the *policies* adopted by the organisation in support of a particular strategy and the goal to which it leads. There are a number of factors to bear in mind when seeking to define policy. They include:

A tendency to confuse policy and strategy.

On occasion, business reports and publications confuse policies with strategy. For example, consider the strategy pathways laid out in Figure 4-1. The recreational Club's policy for strategy A or B, which leads over the mountains, might require a club member to walk for two hours, and rest for one. For strategy C, which runs along a river, the club policy may be to walk for four hours and rest for thirty minutes. Here, policies exist to support the relevant strategy. In the example of the recreational club, other policies may set rules and regulations to cover such other factors as:

- **food use and distribution** (equates to resource use and allocation)
- **the starting and finishing times for the days trek** (equates to procedures controlling industry routines and scheduling – logistics)
- **where the overnight camps are to be situated** (equates to competitive positioning)
- **the weight of packs members should carry by age, and gender mix** (equates to industry, role and functional activity allocation)
- **levels of fitness required and permitted** (equates to quality of resources and systems)

Any and all such policies would be important to the successful attainment of the strategy in question.

The fact that changes in environmental conditions can stimulate a linked response between strategy and policy.

In this example, imagine if club members were following strategy C along the river, and it started to flood; they would then need to reappraise their situation. It might require them to abandon the goal altogether, or to change strategy by shifting track to a higher ground level, and proceeding onwards to the same goal, but from a different direction. Existing policies that were designed to support strategy C, would now have to be changed to meet the different terrain and physical conditions.

If the goals of an organisation are changed, it will usually bring about change in the strategies necessary to reach the goals, and in the step-by-step objectives along the way.

If the goal is no longer just to climb the mountain, but to be the first to achieve this, strategies and objectives need to be reset accordingly.

With respect to business organisations, many different policies are required to manage the behaviour of the organisation, in order for the business to carry out its chosen strategy. Policies are also used at different levels in the organisation, and for different purposes – some may simply define the rules surrounding office tea breaks, while others are directly related to long-term strategic positioning requirements.

The choice of pathway, the strategy, may have major implications for the way in which a company chooses to use its resources.

For example, Figure 4-1, a shift from river path to mountain path could result in a much higher consumption of food, and therefore the need for good control over rationing increases. Such a shift in strategy would almost certainly necessitate a change in policy. In the same way, a marketing-oriented company that is increasingly coming under competitive pressure, may change strategies and adopt stringent cost cutting measures, for example, to survive.

Thus, the actual practice of strategic management may not always proceed as clearly as it should and this is due to a number of influencing factors that arise from the process.

1.2.2 Example 2: Various

Following are some more examples from a range of different businesses, with suggestions for their *missions*, *goals*, *strategies*, and *objectives*.

A Clothing Manufacturer:

For a clothing manufacturer, its mission may be to provide the highest quality leather goods in east Asia. The main goal could be to achieve market dominance in mens leather fashion coats in California. Good strategy involves concentrating on a mix of options including: establishing a market presence through a buy-out (acquisition) of a competitor, upgrading and expanding the product range within a tightly focused niche, providing different styles and varieties of leather coats, concentrating on quality control factors, in order to sustain very high product standards. In the case of the competitor acquisition strategy, the objectives to be met may include: identifying prospective acquisitions, establish funding for the purchase, and attaining the purchase within predefined measures of time and budget.

A Steel Maker:

For a steel maker, the mission may be to develop and provide the best available steel for fabrication or engineering purposes. The goal could be to establish a foothold in the specialist stainless steel market in Japan by the mid-2010s. The key strategy may be to upgrade its technology and the range and variety of rolling and forming machinery, so as to meet specialist user needs in Japan.

The objectives may include installing and bringing on-line a new reduction furnace; installing a new plating and finishing process; and opening a sales initiative in selected industrial sites to promote the new technology behind the product. Again, all of these must take effect within time and budget guidelines.

A Toy Maker:

For a toy maker the mission may be to develop an industry reputation, as the best quality manufacturer in the soft toy sector of the industry. The intermediate goal is to establish and secure a viable distribution network in Germany and Eastern Europe by 2008. For the toy maker, good strategy involves gaining extra exposure at international toy fairs; concentrating on building up the percentage of future orders as a proportion of production; implementing a rigid cost control regime. In turn, the objectives could be to reduce the level of product flaws and customer returns to less than .001% for any given line; to ensure all products reach the maximum rather than the minimum levels of consumer safety set by government regulation.

Ideally, these statements on mission, goal and objective should be written down and documented. In this way they can be circulated throughout the organisation and become a formal part of how the organisation thinks and behaves.

Please take the time after each section of the Block to record your own notes of the course material as well as additional thoughts that arise out of your own individual study and class discussions.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition: The ‘Strategic Equations’ of competing organisations interact with one another and in so doing help to define the shape of the landscape of which they are a part.

Task: Consider this proposition in relation to the following questions:

1. In what ways does a business organisation’s definitions of its own ‘ends’ and ‘means’ shape the nature and characteristics of the industry to which it belongs (e.g., how do the individual perspectives of each of the industry players interact and combine to shape the overall ‘topography’ of their industrial landscape?).
2. Over time would the strategy equations of competitors in an industry begin to look and sound very similar as they moved from the start-up to the maturity phase of their own organisational as well as industry life cycles? (e.g., do the longer-term survivors in an industry begin to look increasingly alike because

over time they copy each other's successful strategies? Or does the reverse occur? Do they in fact survive because they emphasise the acquisition of differences that make them increasingly unique as the landscape evolves around them? Or in fact do both stratagems operate?)

1.3 Activity: Industrial Landscapes

Select a number of different industrial landscapes and identify the similarities and differences between them – for example, by the type and number of competitors; industry structure (such as size); number and variety of product/market niches; entry and exit barriers; distribution and supply chains; extent of horizontal and vertical integration, etc.

Industry Type	Characteristics	
	Similarities	Differences

2 The Environmental Landscapes

The concept of *ENVIRONMENT* is generally used in strategic management and planning to describe all those factors and conditions that can be considered as external to the organisation.

There are a number of issues that this definition raises:

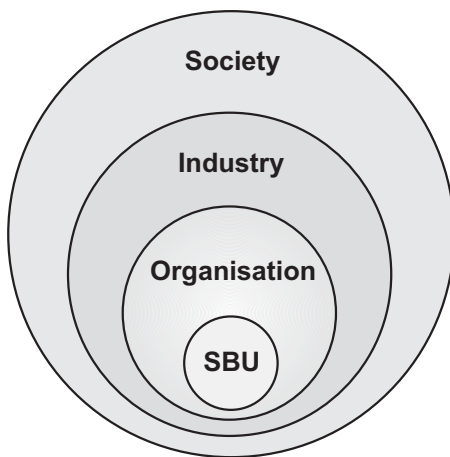
Firstly, the term *environment* is most commonly used when describing the external situation facing an organisation as a whole – where ‘external’ refers to agents and conditions that do not form any constituent part of the organisation itself. However the term can also be used to describe the internal ‘environment’ that faces product/service supply groups whose customers are other units or agencies of the same organisation – these would be separate ‘SBUs’ that do not compete against external competitors for industry market shares but exist to serve an internal customer or market. This can arise where, for strategic reasons (security, financial, quality control), the organisation elects to become its own supplier. More recently with the growth in outsourcing, there has been a trend for organisations to reverse this process and contract out these activities and functions, to slim down to the ‘core’ of their competencies and focus on ‘doing what they do best.’ A performance auditing unit would be an example of an internally focused activity.

Secondly, from the standpoint of the organisation as a whole, the external environment contains two dimensions:

- the ***societal environment or landscape*** which consists of the infrastructure or context into which the organisation and its industry fits – this is largely defined by law, technology, and demographics. Other terms that are used to describe the societal environment include *General Environment* or *Community Environment*.
- the ***industry landscape or industry environment*** whose shape and characteristics is defined in part by the policies and ideologies of the society to which it belongs and partly by its collective membership. In place of the term industry environment you may sometimes find *Competitive*, *Specific*, or *Operational* environment being used.

Whichever term you choose, they all portray the idea that an organisation's internal and external environmental relationships are always two-fold and possibly three-fold in nature. This is shown in Figure 4-2.

Figure 4-2 Environmental Landscapes



This segregation and separation of the landscapes can be problematic as it encourages the analyst into preparing two separate analyses using different techniques. Strengths, Weaknesses, Opportunities, and Threats analysis (SWOT) is used to analyse the conditions that exist within and between the organisation and its industry environment. PESTE (Political, Economic, Socio-demographic, Technological, and Environmental analysis) is used to describe and analyse the conditions at work on the industry itself as well as the organisation, from the standpoint of society at large. Neither of these two separate analyses are directly related or easily relatable to each other. It is important to remember that each of these surrounding environmental 'shells' are not, in practice, separate and independent of each other's influence although they are often portrayed as such. In reality, they are closely inter-linked, although the nature of their influence on the organisation can be qualitatively different.

When looking at these two ‘separate’ landscapes it sometimes helps to picture them as one single landscape to which the SWOT can be equally applied. In this way, the Strengths and Weaknesses of the organisation can be contrasted and related to the Opportunities and Threats as they exist across BOTH the Industrial as well as the Societal landscapes. The benefit of combining them together is that the analyst need focus on one only framework within which all the relevant information has been captured, rather than invest additional effort in trying to ‘join’ them together to see what the combined effects might be.

This is pictured in Figure 4-3 and Figure 4-4 below. These figures depict the fading boundary between the Industry and Societal landscape, so that it becomes one continuous environmental framework.

Figure 4-3 Industry Highlighted

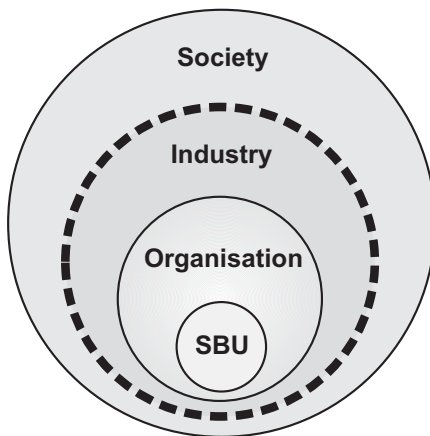
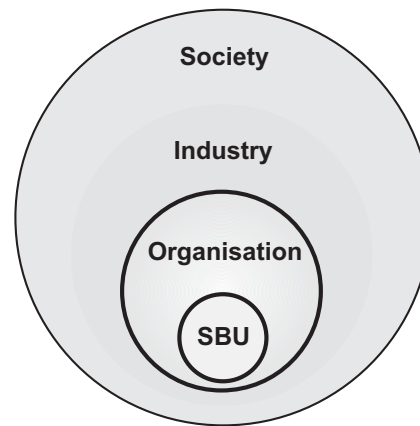


Figure 4-4 Fading Boundary between Society and Industry



Thirdly, these factors and conditions exhibit a wide range of influence on the operation and performance of the organisation. Each particular level and direction of influence (a Vector) will in itself fluctuate over time, as will the nature of interconnectedness between them. This can be best seen and understood through examples such as with inflation, interest rates for investments, foreign exchange rates, etc.

Fourthly, the industry environmental landscape is partially defined by an organisation's Ends statements and in particular by its goals. (See Block 3). Remember that there is a close linkage between the strategy landscape and the organisation's goals, so changes in the environment need to be checked for their influence on an organisation's ends statements. Remember also, that organisations are not always able to set crystal clear and forever-permanent goals. In practice, organisational goals and objectives are subject to constant redefinition and change. Under these conditions then, the relationships and position of an organisation in its industry environment would need to be constantly adjusted and redefined. Recall the example of the outdoor recreation club: a change in the definition of the goal could affect the club by its having to shift strategy pathways from the high risk/high yield path through the mountainous landscape, to the lower risk path along the river flats.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition: The collective effects of the two landscapes, societal and industrial, interacting with one another is greater than the simple sum of their parts.

Task: Consider this proposition in relation to the following question:

In what ways are a business organisation's definitions of its own 'ends' and 'means' jointly shaped by the nature and characteristics of the industry and society to which it belongs (e.g., how are the individual perspectives of each of the industry players shaped by the interaction between the societal and industrial landscapes?).

2.1 Activity: Spheres of Influence

Select a number of different business organisations and identify the key societal and industry influences that shape their respective strategic positioning within these landscapes. For example, indicate the type and number of competitors, industry structure such as size, number, and variety of product/market niches, entry and exit barriers, distribution and supply chains, extent of horizontal and vertical integration etc., as shown in the example below. Note that in this example, the 'High cost of energy inputs' is derived in part from the 'unreliable electric power deliveries' directed across the national grid.

Business Organisation	Environmental Influences	
	Industry	Societal
Steel manufacturer	<ul style="list-style-type: none">• Small number of large competitors• High cost of energy inputs	<ul style="list-style-type: none">• Tariff barriers aimed at imports of generating equipment and fuel oils• Poor road and rail infrastructure for trans-shipment of finished goods• Unreliable electric power deliveries

3 Contrasting Industry and Societal Environments

The division of the environment into two parts (industry and societal), raises some important questions about their inter-relationships. These are considered in the following *Perspectives*:

3.1 Perspective One: Industry

Factors in the industry and societal (general) environments are often linked in complex ways. For example, changes in the nature or condition of one variable can have many direct and indirect consequences for other environmental relationships. For example, exchange rate fluctuations (general environment), may influence competitive relationships between members of a particular export industry (specific environment) that depends heavily on such monetary ratios. This is particularly noticeable when dealing with agricultural commodity items where the competitiveness of producing countries is directly related (partially or fully) to fluctuations in the daily or weekly rates of exchange. For example, New Zealand wool fleeces, Brazilian coffee, Indonesian palm oil, Indian Jute, Alaskan Urea, etc. The economies of commodity-dependent countries can sometimes turn on minor shifts in exchange rates.

3.2 Perspective Two: Societal

Organisations often find themselves operating in multiple environments that individually and collectively shape the organisation's future. This may arise in a number of different ways.

Situation 1: Where the same product is manufactured and sold under license into a number of quite different geographical regions and cultures. See Table 4-1.

Table 4-1

Bangladesh POWER and LIGHT Co.			
Product: Circuit Breakers used in electrical goods			
Societal and Industry Environments: overseas countries			
Made and retailed in Australia	Made and retailed in Hong Kong	Made and retailed in Japan	Made and retailed in Taiwan

Situation 2: Where a range of products may be produced by the same company, which has a range of very different industry and competitive niches – in this case, destined for export as finished goods. See Table 4-2.

Table 4-2

Bangladesh POWER and LIGHT Co.			
Product: Circuit Breaker used in electrical goods			
Societal Environment: Bangladesh (Home Base)			
Local Manufacturing Environment: Bangladesh	Niche Market: Domestic Appliances: Electric Kettles, Mixers Food Processors	Niche Market: Domestic Appliances (White ware): Refrigerators, Freezers	Niche Market: Industrial Goods: Electric Motors, Water Pumps Cool Stores
Export Retail Environments: (Various)	Hong Kong	Bahrain	India

Situation 3: Where multiple products are produced and sold in multiple markets. This is a combination of Situation 1 & 2 above. See Table 4-3.

Table 4-3

Bangladesh POWER and LIGHT Co.					
Product Group: Small Domestic Appliances <i>(Manufactured in Bangladesh)</i>		Product Group: Industrial Goods <i>(Manufactured in India)</i>		Product Group: Domestic Appliances (White ware) <i>(Manufactured in Hong Kong)</i>	
Retailed in	Retailed in	Retailed in	Retailed in	Retailed in	Retailed in
Australia	Hong Kong	Japan	Taiwan	China	India

3.3 Perspective Three: Sourcing Cycle

Another way of looking at environments is from the perspective of the Sourcing/Production/Distribution Cycle. Remember that a company may be influenced by environments other than the one in which it is directly placed. This is illustrated by the following Situations.

Situation 1: Consider a Pakistani sports clothing and gear (packs etc.) manufacturer and distributor. If such a company derives its raw materials from within Pakistan and then manufactures and sells its product in the available local markets, then it would be influenced by only ONE overall societal environment, that of Pakistan itself, but consisting of a number of different industry environments linked through vertical integration. See Table 4-4.

Table 4-4

Pakistan Cricket Bat and Ball Company		
Societal: Pakistani throughout		
Value Chain: Manufacturing		
Inputs (Sourcing)	Process (Production)	Outputs (Distribution)
Local willow wood and Pakistani leather and twine	Pakistani machinery and labour to create the Bat and Ball	Various “franchised suppliers” and sports goods retailers throughout Pakistan

It is possible, however, that some or all of the inputs (material supply), process (manufacture), and/or the outputs (distribution/sales) take place in very different environments. Consider Situation 2 below.

Situation 2: For a variety of reasons (but often associated with raw material costs), the Pakistani company may decide to source some or all of its production offshore, using manufacturing suppliers based in China, Taiwan, Korea, Thailand, etc. and then distributing and retailing the finished goods back in Pakistan. See Table 4-5.

Table 4-5

The RightFoot Running Gear Ltd.		
Pakistan (Home Society)		
Inputs (Sourcing)	Process (Production)	Outputs (Distribution)
Rubber and Gortex sourced from China and Malaysia for manufacture in China	Chinese manufactured ‘Rightfoot’ brand running shoes	Pakistani Sports Shops

In both China and Pakistan, such a company will have to cope with different general and operating environments, all of which may influence the overall performance of the firm in various ways.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition: It is the aggregate of environments, including those of its key supplier and customer groups, that collectively shapes any business organisation positioning within its own immediate landscapes as well as within the value chain as a whole.

Task: Consider this proposition in relation to the following question:

How far should an organisation press the pursuit of its own strategic knowledge and ends into the landscapes of its joint value added partners?

(E.g., to what extent does a business organisation also need to know what its key customer and supplier groups already know about their own immediate landscapes? What drives the decision making and strategic moves of its key supplier and customer groups?)

4 The Organisation and Its Environment: Societal Strategy Drivers

To better understand the relationship between the organisation and its environment, there are a number of additional concepts to bear in mind.

4.01 The organisation life cycle and environmental linkages

Organisations, like individuals, start small and those that survive grow in size and complexity over time. As organisations grow in size and/or age, their relationships with their environment change. For example, as they grow in size, their range of activities and points of contact with their environment, increases. Specialist groups of personnel are developed to deal with the environment, such as marketing and sales staff. As the life cycle progresses, dealing with the environment in an intelligent and satisfactory way becomes more and more the direct concern of management.

Business organisations, as they grow, may also diversify and begin to spin off into other companies that may do business in products and environments very different from the parent. This is shown as one small circle set inside the larger. Such developments can make managing these environmental relationships a challenge, especially if the company continues to spread itself across different industrial cultures.

4.02 Organisation-environment fit

This refers to how well the organisation matches and integrates with its environment. A good fit means that the organisation has been able to strike a favourable balance between its needs and the demands and constraints of its environmental landscape. Remember that there are two environments with which an organisation must deal. In the industry environment, a good fit depends mostly on the company having logistically sound and profitable trading relationships with its suppliers and consumers.

In the general environment, a good fit depends on how favourably the many aspects of the state's fiscal and monetary policy treat the special needs of the company or industry in question.

An example of this is the way in which IBM in the 1970s was able to gradually 'fit' itself into the Japanese environment to evolve into a Round Peg company in a Round Hole Environment. In the case of India, IBM was unable or unwilling to accept many of the conditions imposed by the Indian Government on foreign-owned companies wishing to

set up in business in that country. They functioned as a ‘square peg’ company in a ‘round hole’ environment and after a period, finally withdrew.

4.03 Organisation-environment boundary

This concept has to do with the interface between the organisation and its external environment. Much of the activity between an organisation and its external environment has to do with the gathering and dissemination of information from external sources for redistribution and use within the organisation.

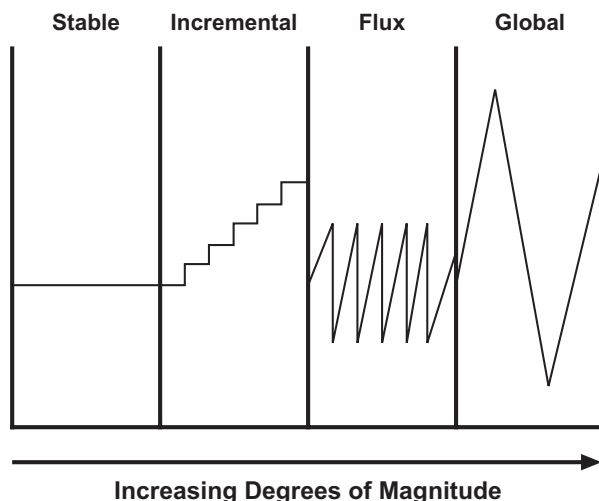
In Mintzberg’s classification there are several informational roles of particular relevance to the external dimension – the monitoring role and the spokesperson role. The monitoring role requires the manager to scan the external environment for changes and developments of strategic significance to the organisation and incorporate this information into the organisation’s decision making systems and structures. The spokesperson role requires the manager to represent the interests of the organisation to both the industry, as well as societal environments, in ways that project and grow the organisation’s place, position, and status within the landscape.

Once the environmental information has been collected, the disseminator role of the manager comes into play and the information is then transmitted throughout the organisation for decision making purposes.

4.1 The Organisation and Rates of Environmental Change

It is important to recognise and remember that no organisation’s environment remains constant. In fact, the one constant factor that organisations have to deal with is the constancy of change itself. Environments change at different rates and in different mixes and combinations: sometimes slowly, sometimes quickly and sometimes as a mix of the two. Writers such as Quinn & Johnson/Scholes identify four different rates of change as shown in Figure 4-5.

Figure 4-5 States of Environmental Change



Companies spend considerable time adjusting to the changes that occur in the environments around them. When environments are relatively **STABLE**, management is able to think and plan ahead. When they are turbulent, management experiences difficulty in correctly reading what the environment is signalling. It would be rare to find an industry that is stable over long periods of time; most industries tend to follow **SMALL-STEP** changes of the incremental type.

Whether the patterns of change are incremental or global, the key issue for the organisation is the extent to which these changes are patterned and predictable. Knowing and preparing for regular storms that come with a particular season allows a ship's captain to anticipate and prepare for the eventuality and to manage their effects on the vessel. The same process applies with regular changes in the landscape where external effects can be incorporated into the strategic planning process and cycles of the organisation.

Different industries often have different operating environments but are faced with similar levels of uncertainty. For example, the environment of the textile/apparel industry is dominated by changes in fashion and style that makes demand difficult to predict. For different reasons, the consumer electronics industry is characterised by very rapid changes in technology, with great pressure on firms to compete on both price and quality. Such conditions for change tend to be described as being of the **FLUX** type. By contrast, **GLOBAL** change is of a scale and complexity that makes it difficult for an organisation to predict and influence – the Asian financial crisis 1998-99 is an example of this. Often, early signs of such change are missed or misread. Such events may be political, social, technological, or physical in origin.

Technological examples include:

- The development of the petrol/diesel internal combustion engine;
- The development of the transistor that has given birth to solid-state electronics and the information revolution;
- The discovery of the double helix form of the human genome and the implication of this for direct intervention in the genetic inheritance process.

Political/social examples include:

- The advent of OPEC and the change in ownership and control of world energy supplies;
- The collapse of communist hegemony in Eastern Europe;
- The destruction of the New York Trade Centre towers.

Physical examples include:

- disasters such as the Exxon Valdez oil tanker grounding in Alaska; this catastrophe created major challenges for Exxon and demands for even tighter controls on the oil transshipment industry.

All of these events have brought huge after-effects that spread through both the societal and industry environments of their respective industries. In the case of the oil industry the advent of OPEC has had a ripple effect on virtually all other industries as the costs of oil and petroleum-based products have risen. In this way changes in one environment for one industry may interconnect and produce effects on other more distantly related industries. For example, oil price rises have had a major influence on the airline industry and on transport in general. It has forced airplane manufacturers to design more fuel-efficient engines, and airlines to developing new routing strategies configured to produce cost savings to enhance the bottom line. In practice, it is the mix of environmental variables, their relative strengths, and the reinforcing/negating effects of one on the other, that finally counts.

4.2 The Industry Environment

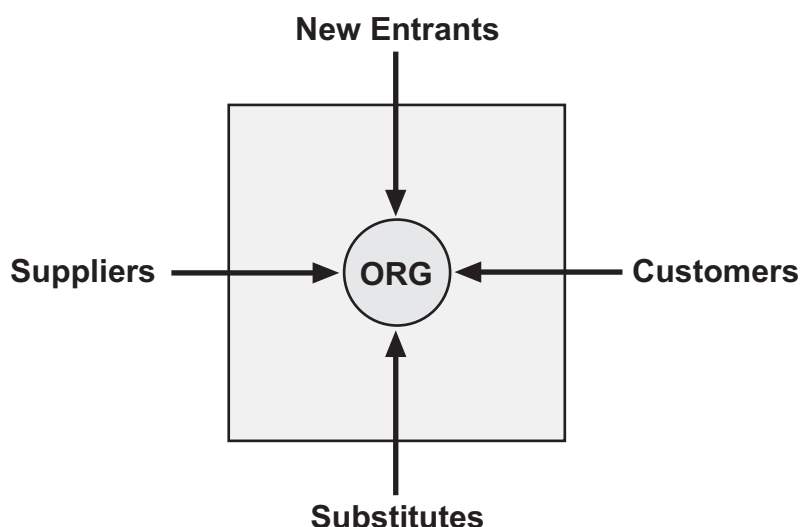
The future direction and success of a company is shaped in great detail by:

- its linkages and relationships with those who control, or contribute in an influential way to the management and supply of its inputs, and those who shape the consumption pattern and process of its outputs. These relationships are formed around both the internal and external components of the organisation's product/service life cycle.
- the nature, and direction of the competitive forces with which it has to contend.

The 'Competitive Forces' model of industry analysis developed by Michael Porter is often used to describe the ways in which the pattern of market and value chain forces interacts and in so doing shapes and defines the competitive nature and condition of the industry. (See Block 7 for a more detailed outline.)

The basic model of this is shown in Figure 4-6.

Figure 4-6 Industry Competitive Forces Model



The model is constructed around two axes: the vertical, which is centred on competition between competitor organisations, and the horizontal, on competition between stakeholder groups and in particular, the 'balance of power' relationships between an organisation and its suppliers and customers. These different axes of competitive pressure combine and interact in different mixes to shape the extent of an organisation's autonomy of choice and freedom of competitive movement.

What Porter has achieved in this model is the partial integration of a behavioural (Organisational Behaviours) strategic perspective on the organisation with an economic, or marketplace approach to analysing the industry environment. The resulting model is used to analyse an industry and to identify the options or choices facing any individual participant in the landscape.

There are a number of qualifications that need to be made about the reliability and rigour of its basic tenants:

Firstly, every organisation is located within both an industry as well as a societal context. The 'Competitive Forces' model tends to de-emphasise the societal dimension although it has a major role in setting the rules by which commerce and industry compete and play the market game.

Secondly, both a firm's suppliers and customers exist within their own industry environments. Contextual effects that originate upstream or downstream of the firm may be transmitted through supplier and customer channels. This makes for a more complex set of forces at work determining the competitive framework and power relationships in which the target firm is enmeshed. Vertically integrated firms may become directly involved in such overlapping environmental effects by virtue of their simultaneous membership in a number of different industry environments.

Thirdly, the two axes are different in their influencing effects and the role they play within the structure and culture of the organisation. The horizontal dimension is really the input-process-output equation presented in a slightly different form – the 'Value Chain.' The vertical axis is concerned with external factors that are more clearly competitive and combative in nature. The mix of these influences is complex and needs to be addressed in some formal way – such as through the value-chain or other type of analytical and diagnostic tool.

4.3 The Societal Environment

The societal environment provides the context within which the industry environment is set. Tracing the linkages between the two domains is complicated by the varying nature of the society-to-private relationships. On occasions it is clear and transparent; in other circumstances it becomes ambiguous and difficult to locate or predict the causal linkages. One very good recent example in New Zealand has been the difficulty experienced by successive governments in stimulating economic growth from the private sector.

Constant adjustments to economic policy have been attempted to kick-start growth in industry and commerce. Only very recently have concrete results begun to emerge despite a decade of political efforts to 'trigger' change. In this section it is important to look at a number of these such examples in more detail and consider their relevance many parts of our trading world.

Political and legal factors

These factors include hostile or favourable local, regional, or national political climate; relative power of company in the political arena; government regulatory pressures, environmental protection laws, tax laws, trade regulation, employment and wage laws and negotiation systems, attitudes towards foreign investment, etc.

Commercial Law and Industrial Organisation

These set the pattern of incentives and motivation to individual effort and reward – they are a powerful tool for growth and investment when set against the pattern of economic and social development for the country as a whole. An example of this can be found in the role played by the Sri Lankan government in restructuring the tea industry:

In 1992 the government decided on a programme for restructuring the tea industry. Initially, the management of a majority of the State-owned plantations was handed over to private management companies on five-year contracts. As the management companies did not have a stake in the ownership, and as the leases were short term, there was no incentive for capital investment. In 1995, the government took the decision to privatize State-owned regional plantation companies on a long-term lease basis (50 years) through the sale of 51 per cent ownership of the companies. Several regional plantation companies were privatized in 1996 and the remaining companies were to be privatized during 1997.

Source: <http://www.unescap.org/drrpad/publication/integra/volume3/srilanka/3sr01a.htm>
(date accessed: April 15, 2003)

Licensing and Franchising

The control and regulation of economic activity is often accomplished through some form of licensing that ensures that new commercial growth opportunity is best managed in the interests of the economy, the community, and the individual entrepreneur. Good licensing policy should be able to keep the release of new opportunity as freely and competitively available as possible. It is particularly important in trading societies where the right to export/import is subject to regulation. This aspect of licensing and franchising is also important to the maintenance of good ethics and equity in commercial practice.

4.4 Economic Conditions

A number of the more important aspects are: gross national product, interest rates, money supply, inflation, employment levels, wage/price controls or restraints, devaluation/revaluation trends and behaviour, the national energy base and composition, factory output, power production, etc.

Broad Development Policy

This lays down the overall framework within which individual business organisations and their industrial groupings are required to fit. National development strategies are concerned with creating the operational milieu.

In the case of India:

Six years after launching a concerted drive to modernize its economy, India has begun to attract sustained attention from the international investment community. With an estimated 200-300 million consumers, a vast pool of labour and a developing financial system, India possesses the potential to become a rich market and to develop tremendous productive capacity. While the post 1991 economic reform program has set in motion the process of liberalizing India's trade and investment regime, momentum has slowed in the last three years. With the advent of the multiparty United Front government in June 1996, all major parties have declared their support for the overall necessity of continued economic reform. Differences remain, however, on the pace and emphasis of that reform.

Source:

http://www.state.gov/www/issues/economic/trade_reports/south_asia97/india97.html
(date accessed: April 15, 2003)

Interest Rates

This affects the ability of companies to finance their growth – the cost of finance is seen as one of the major impediments to growth. It plays a crucial part in the ability of a country or industry to generate funds for investment, and well as to encourage savers to accumulate the wealth necessary for borrowing.

Exchange Rates

The flow of funds across borders and the degree of 'openness' or 'exposure' to the global marketplace is reflected in the position countries take with respect to the management and control of their exchange rate regime. For example, *India has used exchange rate policy to improve its export competitiveness.*

On March 1, 1993, the exchange rate was unified and the rupee was made fully convertible on the trade account. On August 20, 1994, the rupee was

made fully convertible on the current account. Controls remain on capital account transactions, with the exception of nonresident Indians (NRIs) and foreign institutional investors (FIIs), but their gradual removal is expected as foreign exchange reserves grow and India's capital markets merge more completely with international financial markets. In June 1997, the Tarapore Committee on capital account convertibility recommended a three year (1998-2000) period for complete capital account convertibility of the rupee. However, private sector economist's published reports are skeptical of the government's ability to achieve full convertibility by the end of the three year period.

Furthermore,

The RBI intervenes in the foreign exchange market to maintain a stable rupee. The rupee is tied to a basket of currencies with the U.S. dollar playing a predominant role. The exchange rate moved in a narrow range of rupees 35-35.80 per dollar in Indian fiscal year 1996-97. The Reserve Bank of India intervened in the market to keep the rupee from appreciating against the dollar, but was not able to check the rupee's rise against other currencies. Since mid November 1997, the rupee has fallen moderately against the dollar, and has been trading in the range of 39 to 40 per dollar.

Source:

http://www.state.gov/www/issues/economic/trade_reports/south_asia97/india97.html
(date accessed: April 15, 2003)

Prior to the 1990s many countries adopted a midway position on exchange rates, seeking to hedge their bets and gain the apparent benefit of market place reality with enough protection to smooth out the 'shocks' that can and do, affect global economic and trading relationships. There has been, however a more recent trend to move away from intermediate positions and adopt a more extreme 'liberal' or 'conservative' posture.

Regulatory Policies

Government regulation exists in all countries differing only in the degree of regulation and the directions and outcomes sought by the government and country concerned. The Government of India has played a major role in economic as well as commercial development since Independence in 1947. In the 1990s however successive governments have sought progressively to stimulate economic development by redefining its role in this regard.

The "new industrial policy" announced in July 1991 considerably relaxed the government's (India) regulatory hold on investment and production decisions. Under the new policies, industrial licenses are only required for 6 sectors defined as strategic. Some restrictions also remain for manufacturing in sectors that are reserved for the public sector or small-scale industry. Additionally, the Indian government announced in 1994

and 1995 liberal policies for the pharmaceutical and telecommunications industries.

Nevertheless, Indian industry remains highly regulated by a powerful bureaucracy armed with excessive rules and broad discretion. For example, India recently established a Telecommunication Regulatory Authority which, despite its goal to operate independently of the GOI, still receives its budget funds from the Ministry of Communications.

As economic reforms take root at the federal level, the focus of liberalization is gradually shifting to state governments that, under India's federal system of government, enjoy broad regulatory powers. The speed and quality of regulatory decisions governing important issues such as zoning, land use and environment can vary dramatically from one state to another. Political opposition has slowed or halted important regulatory reforms governing areas like labour, bankruptcy, and company law that would enhance the efficiency of foreign and domestic investment.

Source:

http://www.state.gov/www/issues/economic/trade_reports/south_asia97/india97.html
(date accessed: April 15, 2003)

Money Supply

The level and direction of flow of money through the economy helps to establish the funds available for borrowing and hence the growth possibilities. In New Zealand this is achieved in large measure by the Reserve Bank whose control of the banking sectors lending policies is an important aspect of the countries overall fiscal management. In Pakistan a great amount of money flows outside the tax net and emphasis has recently been given to increasing government income through better compliance. A report from the World Bank and the IMF states:

The Bank is assisting with the implementation of Pakistan reform program through the PIFRA project. The IMF is also offering technical assistance for the fiscal monitoring component. To reduce corruption and increase Tax compliance, the government has launched an unprecedented tax survey and registration drive in May 2000, the report said. The report observed that with income tax paid by less than 1.5 percent of the population and less than 25,000 corporation and scores of small and medium size traders operating outside the General Sales Tax (GST) net, the success of reform program is crucial to solve Pakistan's chronic fiscal problems.

Source: http://www.pak.gov.pk/public/wb_economy.htm (date accessed: April 15, 2003).

Inflation Rates

Low inflation rates inject a measure of stability and predictability into a company's long-term pattern of growth. Their pattern for New Zealand has become a touchstone reflecting the overall health of the nation's economy. In New Zealand it is also the responsibility of the Governor of the Reserve Bank to manage the flow of cash and credit into the economy, by the regulation of interest rates, so as to keep inflation within a band of 0-3%.

Unemployment Levels

High levels reflect tight or depressed economies. In 1990, Hong Kong levels at around 1% meant the Colony as it was at the time was short of the labour required to meet the heavy demand from the construction industry. Constraints in this area can directly affect growth and/or stimulate innovation in other areas. In Japan, the growing shortfall in skilled labour, coupled with restrictions on immigration, has forced the Japanese into greater efforts to automate and robotise their industrial sector. It is also accelerating the promotion of women into the higher levels of management. The slow downward spiral of unemployment levels in New Zealand reflects the new processes of industrialisation at work, on skilling and manning levels throughout all industrial and service sectors.

Energy Availability

Energy production strategies have always been an important component in national economic planning and at various times have taken a major role in the election strategies of various governments; for example, this was the case in New Zealand, with Lake Manapouri and the Alumina smelter at Tiwai Point. (For more information see http://www.comalco.com.au/05_operations/07_tiwai.htm.)

The place they occupied in the 'think big' projects of the Muldoon government was considered by some as overbearing and unbalanced. Recently, the ownership and use of power generating resources has come under challenge from various Maori communities (geothermal) and conservation bodies (Wanganui River water use). Structural changes in generation, distribution, and supply will impact on customer relationships – a good case in point is the co-generation project that ECNZ (Electricity Corporation of New Zealand) has developed with a growing number of big power users such as smelter operators and dairy factories etc.

Water availability

For India, Pakistan and Bangladesh, access to adequate and reliable supplies of water for drinking, irrigation, and industrialisation is crucial to the maintenance of settlements and communities. Because of this, water availability or scarcity is a key factor in the economic environment within which commerce operates.

According to a survey by the World Commission On Dams, there are 4291 dams in India. Once called by former Prime Minister, Jawaharlal Nehru as the “new temples of modern India,” the building of dams began after the independence in a major scale. Now India is second only to china in terms of dam building.

Irrigation is the primary or only function of 96 per cent of the dams in India; only 4.2 per cent were built for hydropower generation. Consequently, India’s irrigation potential increased from 22.6 million hectares in 1951 to 89.6 million hectares by 1997 and food production grew four fold to 200 million tonnes, two thirds of the land coming from irrigated land. These dams have created storage of about 177 b.cu.m. in 1995. The Dams under construction will add a live storage capacity of 75 b.cu.m.

Source: <http://216.167.16.32/overview/damsinindia.htm> (date accessed: April 15, 2003).

Tariff Structures and Quota Policies

New Zealand has a vested interest in the maintenance of an international economy based on free trade. It has developed tariff and quota policies that support this, and has been an active supporter of the GATT round on free trade.

4.5 Sociocultural-Demographic Trends

These are the attributes and characteristics of the society and communities into which the organisation is embedded. They define the stakeholder groups and the influence that the following demographic characteristics have on them: fertility rates, infant mortality, population growth at home and abroad, population by age distribution, population growth by region, cultural mix and national attitude, consumer demands, environmentalist pressures, etc.

Trends also emerge from changes in the patterns of individual and community attitudes, beliefs, and behaviours which in their turn influence and elicit changes in the patterns of demand and supply for the goods and services created by the economy.

Growth Rates of the Population

Growth rates help determine future consumption levels and the potential available labour force. Adequate growth levels are needed to fuel viable levels of demand. As population growth rates fall this creates special conditions in the environment that can act to constrain growth in demand. Again, in the case of Japan, this has created major labour market shortfalls and promoted the continuing move by the Japanese towards automation and robot-based manufacture.

Population Age Distribution

A change in population age mix affects the patterns of demand for goods and services. Our needs and consumption patterns vary with our age, and, increasingly, in maturing countries, more companies are turning to the provision of goods and services for the older members of the community. Table 4-6 illustrates the details of such a demographic shift, using the case of Japan:

Table 4-6 Age Structure of the Japanese Population

Age	1920	1990
Up to 9 years	13,990,000	14,475,000
0- 19	11,190,000	19,015,000
20-29	8,110,000	16,895,000
30-39	6,860,000	17,595,000
40-49	5,590,000	19,425,000
50-59	3,780,000	15,775,000
60 and over	6,440,000	21,020,000
TOTAL	55,960,000	124,200,000

Source: *Asiaweek*, Dec. 21-28, 1990.

Eighty years ago 45% of Japanese were under 20. Today such youngsters account for 27% of the population. In 1920 about 1 in 5 Japanese was over 50. Today that is now approximately 1 in 3.

As a direct result of these trends in demographics, the demand for retirement facilities, recreation and leisure opportunities, and extended medical services for the older citizen has grown enormously in recent years. Coupled to growing affluence, it has also fuelled the shift from a manufacturing to a services-based economy. In New Zealand this change in the age demographic has generated new business opportunities catering to the needs of an increased percentage of the elderly in the population at large.

Life Expectancy

Life expectancies stretch out the productive life span of the worker. They also increase the level of dependency of the older sections of the community on the younger, more productive sections of the population. In strict consumer terms this generates political and economic pressure for resources to be dedicated to the extension and maintenance of life at acceptable levels. New medical and social welfare products are generated.

Birth Rates

New Zealand's birth rate is one of the lowest in the developed world. In centrally planned economies, high birth rates are sometimes seen as a means of generating a proletariat to ensure ideological continuity. In open market economies they provide the future labour

and consumer pool upon which growth is based. Any long-term slowing down in these rates has major implications for growth of ideologies of either the politically right or left.

Immigration/Emigration Policies

These policies govern the flow of capital and skills into and out of an economy. They are particularly relevant to trading economies such as New Zealand in its attempt to create an enlarged domestic market. The motivation behind this is to provide some reserve and available demand on which the exporter can build their product development and marketing experience.

Life Style Changes

Changing patterns and levels of income stimulate demand in various ways, and provide the spur to innovation. Typically, countries in the early stages of industrialisation, run their economies on a seven-day-a-week basis. With increased affluence comes a demand for a shorter working week and more down-time to use for personal development and leisure. This, in turn, stimulates demand for goods and services to assist consumers in meeting such needs. A good example of this is the development of golf as a recreation-turned-business pursuit in Asia. A further example is the growth in world tea consumption, which demonstrates that global life style influences can evolve to reshape established tastes and preferences in such tradition bound areas as tea preparation. In Sri Lanka these trends in consumer preferences have induced corresponding changes in related industrial processes:

The tea industry in Sri Lanka is following a policy of shifting from orthodox tea manufacturing to cut, tear and curl (CTC) teas, which have the advantage of being a faster brewing tea, to meet growing demand for CTC teas on the world market. In 1995 CTC teas accounted for 8 per cent of total production, and they are projected to rise further to 20 per cent by the year 2000.

And

Another feature of the tea industry in Sri Lanka is that the production of tea packets and tea bags is expanding. Furthermore, the product base has been diversified, with the production of instant tea, green tea, organic tea (which is an environmentally friendly product), and flavoured teas, albeit in limited quantities.

Source: <http://www.unescap.org/drrpad/publication/integra/volume3/srilanka/3sr01a.htm>
(date accessed: April 15, 2003).

Environmental effects

Consumption patterns are changing along with an increasing emphasis on environmentally sound and bio-friendly production processes and technologies. Such attributes can be important to competitive positioning. For example:

Sri Lankan tea is reputed to be of high quality and is one of the cleanest teas on the world markets. Analysis shows that residue levels of pesticides, weedicides, etc. are insignificant. Countries such as Germany impose strict standards and the quality of Sri Lankan teas are within such standards. An example of that recognition was provided recently by the Chairman of the European Tea Technical Committee at the seventeenth meeting of the Technical Committee on Tea of the International Standards Organisation (ISO/TC), held in Colombo, when he noted that Sri Lankan tea was the cleanest in the world because pesticide residues in Sri Lanka tea were of no significance.

Source: <http://www.unescap.org/drpad/publication/integra/volume3/srilanka/3sr01a.htm>
(date accessed: April 15, 2003).

4.6 Technological Changes

Technology has a major impact on the direction and rates of change in almost all industry groupings. It represents the outputs and outcomes from the ICQ (Intellectual Capital Quotient) that have accumulated and developed out of the investment in education and innovation by both organisations as well as societies in general. Outputs and outcomes that would normally fall under this category include: trends in new technologies, impact of new technology on market structures, and production techniques; R&D expenditure levels, patent protection and registrations, attitudes towards productivity, and sufficiency issues, etc.

Industry and State Spending on Research & Development

New Zealand is a country that has tended to focus its research expertise in the agricultural sector and its spin-off industries.

On the other hand, Hong Kong is a country that depends on its manpower and intellectual capital to generate opportunity and growth. It has adopted a strategy that follows the path mapped out by other centres of growth in east Asia. It has traded its skilled labour force for the opportunity to access high tech and skills-based production.

The first, second and third worlds all face the need to develop their own proprietary knowledge. Japan has succeeded largely by importing knowledge from abroad and expanding its use and application. Brand names have emerged with a deserved reputation for quality and performance in the automobile and consumer electronics markets. Taiwan and Korea are also succeeding in this way. Environmental factors that encourage these trends include general societal attitudes towards innovation, the education system, and structured incentives in the economy that encourage the private sector to make such investments.

Please take the time after each section of the Block to record your own notes of the course material as well as additional thoughts that arise out of your own individual study and class discussions.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition: Modern technology is beyond the reach of all but a few private sector organisations. Research and development in the 21st century requires supplementary funding from the public purse.

Task: Consider this proposition in relation to the following question:

Are research and development funding decisions best driven by market forces or by social and economic policy decisions?

5 The Organisation in Its External Environment

The following section sets out a number of issues associated with the interaction between an organisation and its external environment.

Contrasting characteristics of Environmental Landscapes

It is helpful to picture four dimensions along which environmental landscapes can vary and the possible combinations that result from their admixture. The following tables represent a range of extreme condition.

Table 4-7 'An Environmentally Tranquil Condition'

Environmental Landscapes			
Dimension	Rating		
	Low	Medium	High
Stability			
Certainty			
Complexity			
Homogeneity			

This occurs when 'Stability,' 'Certainty,' and 'Homogeneity' are high and 'Complexity' is Low. This would result in very predictable conditions for an organisation, with little change in the major influencing variables.

Table 4-8 ‘An Environmentally Turbulent Condition’

Environmental Landscapes			
Dimension	Rating		
	Low	Medium	High
Stability			
Certainty			
Complexity			
Homogeneity			

This occurs when ‘Stability,’ ‘Certainty,’ and ‘Homogeneity’ are low and ‘Complexity’ is high. This would result in very unpredictable conditions for an organisation, involving almost constant changes to its frames of reference and positioning within its landscape.

In particular:

5.1 Stability

This condition describes the degree to which the facts, rules, and events of the industry and societal environments change. Recent decades have seen a rapid rollover in such definitions as organisations seek to both define and redefine the purpose of their organisation as well as to find an answer to the question ‘What business are we in?’ As indicated in previous Blocks, the answer is increasingly being sought from, and shaped by, the sum of the players’ individual determinations.

5.2 Certainty

This condition refers to the degree or accuracy to which organisations can forecast the repetitious occurrence of behaviour and events. It also reflects the degree of obscurity in the cause/effect continuum. Rapid and variable patterns and cycles of change ripple across most landscapes and the effect of this has been to contract the extent to which the future can be accurately predicted and anticipated.

5.3 Complexity

This condition refers to the number of time/event horizons and the amount of significant and affective variables with which the organisation needs to deal. The modern landscape is complex, heterogeneous, and interactive both between the direct competitors as well as between those that participate and contribute through their place in the extended value chains that thread their ways into and out of the environment.

5.4 Homogeneity

This condition refers to the mix of actors and events with which the organisation deals. Low levels characterise those industry landscapes where the products are simple and mostly unprocessed with little ‘value added.’ However, as each successive link is added to the Value Chain, this homogeneity becomes more complex.

The illustrations below will help to expose these conditions at work.

Every landscape has (had) its Tiger

Different mixes and patterns of these characteristics (*Stability, Certainty, Complexity, and Homogeneity*) create niches (micro-environments) in the socio-industrial landscapes into which organisations may position themselves. The degree of adaptation to a particular niche is a function of both the organisation’s own ability to adapt and the space/time persistence and viability of the niche itself. For example, a too tightly niched organisation risks becoming highly conditioned and over-dependent on prevailing conditions. This high degree of adaptation between an organisation and its industry niche is mirrored many times in the natural world. For example, the table below shows the extent to which different species and sub-species of tigers have failed to adjust to survive changes in their specialist niche environments. Some of these ecological **Niches** are now empty or approaching extinction.

Table 4-9 World Tiger Population at a Glance (selected)

Tiger	Subspecies	Minimum	Maximum
1. Bengal (Indian) tiger		3,030	4,735
	Bangladesh	300	460
	Bhutan	50	240
	China	30	35
	India	2,500	3,750
	Nepal	150	250
2. Caspian (Hyrcanian/ Turan) tiger Extinct in 1970s	Formerly in Afghanistan, Iran, Chinese and Russian Turkestan, Turkey	Empty	Niche
3. Siberian (Amur, Ussuri, North-East China, Manchurian) tiger	China	20	12
	Korea (North)	< 10	< 10
	Russia	425	475
4. Javan tiger Extinct in 1980s		Empty	Niche
5. South China (Amoy) tiger		20	30
6. Bali tiger Extinct in 1940s		Empty	Niche

Every industry has its Chiru

Adaptation between the organisation and its environment may range from being close and interdependent to being largely transitory and unattached. In the former condition, organisations may become so closely fitted to a particular set of circumstances that any change at all would be very disruptive, especially if the conditions within that niche become overly hostile and negative (as in the case of the Chiru or Tibetan Antelope – found only on the high desolate plateaux of Tibet).

Likewise, an organisation may become the sole or dominant survivor in a niche only to find themselves isolated as the landscape evolves and the market (their livelihood and protection) shifts away due to factors over which they have no control.

Companies dependent on certain product/market combinations may be unable to adjust as the market takes off in pursuit of new technologies. For example, the cane sugar industry was formerly a major user of Jute sacking for bags. With an international shift to bulk raw sugar storage, transportation and distribution, the market for jute bags has shrunk considerably; as well, jute has had to compete with modern and more durable/competitively priced substitutes. These and other pressures have combined to stimulate the employment of jute for a wide variety of traditional and more recent uses such as Hessian, Food Grade Jute, carpet backing, home furnishings (blankets, furnishing fabrics, floor coverings) hand and shopping bags and as a soil saver to assist water run off control. On occasion substitutes can also stimulate a revival and rebirth of the older technology – as was the case with natural rubber when challenged by synthetics.

All turtles have shells: all tigers have stripes

Organisational structure and culture is defined in large part by the imprinting effects of the environment on the organisation and where, over time, the players in that industry develop differences but also similarities that are all tied to their common need to survive.

For example, with each passing decade, the international automobile industry experiences shorter product development life cycles and intensified competition in the subjective as well as objective aspects of product quality. Earlier than the competition, the Japanese began to apply the principles of TQM (Total Quality Management) and QCs (Quality Circles) to their design, manufacturing, and marketing processes. As they transformed themselves, their success in the market – and particularly in industrial heartland USA and Europe – initiated and fuelled a parallel change in their competitors. After two to three decades of competitive pressure, the key players (Japanese, American, and European) had all learnt the important lessons and were delivering top-of-the-line value to their customers. By the end of the 1990s they had begun to look more alike in the key consumer benefit areas.

These intensely competitive environments constantly shape and reshape the internal characteristics of those industry members that survive. Their structures and cultures increasingly reflect the rate and pace as well as the direction in which environmental

change moves them. Since a large part of this is initiated by competitor movements, they come more and more to resemble each other in form and behaviour as each copies the other's best growth and survival strategies.

From Sea to Land and from Land to Sea – fish that fly and birds that fish:

Landscapes are evolving to reflect the collective missions, visions, and strategic intents of their dominant and influential members. This means that the players themselves are becoming more instrumental in driving the shape of their respective industries as they pursue a better understanding and match of their own competencies and the needs of their customers. Traditional industry definitions and boundaries are breaking down and evolving under competitive pressure into other forms and shapes.

For example, banks are beginning to see themselves as not just part of the 'Banking Industry' but of a new industry called 'Financial Services' in competition with insurance corporations and mortgage brokers; coal mining companies are now part of the 'Energy Industry' and compete against alternate energy providers; old style telecommunication companies have evolved to become network companies and are now further evolving into internet companies. Energy distribution companies now use their power lines for telecommunication purposes and heavy machinery manufacturing companies (such as ABB Ltd – www.abb.com) are diversifying into full service provider organisations offering complete packages to their customers – from installing power generators to installing its security systems to janitorial and hygiene services including sweeping the power-house floors.

Please take the time after each section of the Block to record your own notes of the course material as well as additional thoughts that arise out of your own individual study and class discussions.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition: At the extremes, both low and high, environmental complexity, stability, and certainty all offer opportunities as well as threats. A high level of complexity offers both confusion as well as rich variety of choice, while a low level of stability offers both insecurity of growth as well as rewards for risk taking. Moreover, a high level of certainty offers self-confidence and assurance alongside overconfidence and the risk of failure.

Task: Consider this proposition in relation to the following question:

How does an organisation determine its best point of balance in environmentally extreme conditions?

6 External Environments and Organisation to Boundary Relationships

The effects of change are most noticeable on the boundaries between an organisation and its environments, as well as between the constituent parts of the organisation itself. Three concepts help the strategy analyst and line manager to visualise and represent these effects: the information frameworks deployed to capture, moderate, extract, and exploit the strategic component of the inward and outward communication flows between the organisation and its stakeholders and competitors, as well as key influencing agencies such as government; the cause-effect relationships that set the particular patterns of interaction between the landscape and the participating organisations in motion; stimulus-delay-response effects that represent the skills and capacities of the organisation that equip it to recognize and respond to a range of environmental stimuli that are central to its long term chances of survival (i.e., helping it to 'see' somewhat into the future and around corners, and to be able to respond effectively to these stimuli).

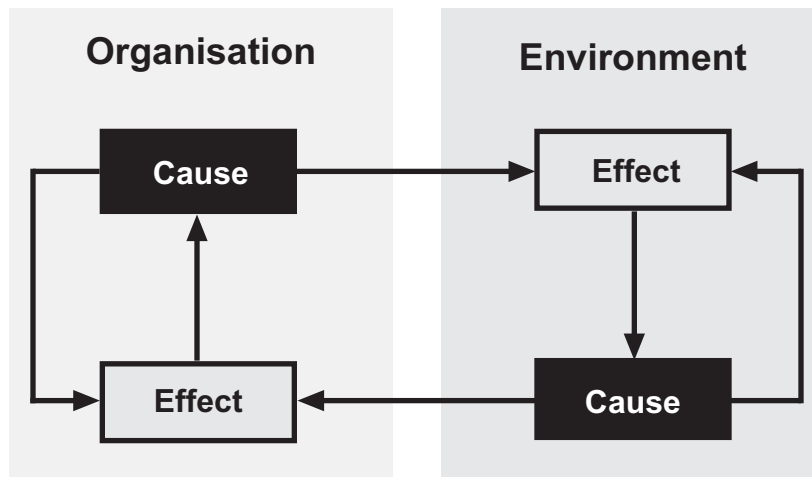
6.1 The Information Framework

In the last three decades, Computer based information systems have revolutionised the capture and extraction, storage, retrieval, analysis, interpretation, and delivery of information. The growth of Management Information Systems (MIS) has, in turn, revolutionised strategic management processes and systems permitting management to sort and store information in ways that best promote and support effective and efficient decision making. Information is the foundation that underpins strategic positioning and good quality information helps to clarify difficult choices and options. It helps to add a more rational dimension to strategic choice and the systems component in information systems facilitates the integration of ideas and knowledge within the organisation.

6.2 Cause-Effect Relationships – Pebbles in the Pond(s)

Much decision making is predicated on fairly simplistic definitions of Cause and Effect (C/E). The relationship tends to be presented as being of a simple linear one-input to one-output type. In practise however, it tends to be multivariate, cyclical networked, and expansive. Some of this complexity is shown in Figure 4-7.

Figure 4-7 Cause-Effect Relationships in the Organisation to Environment Relationship



What is meant by this is that one causal factor can produce a number of effects. In turn, these may feed back into the root cause, and thereby modify the original signal. The effects of the original ‘trigger source’ may also spread out like ripples through a pond and interact in unsuspected ways with distant parts of the organisation.

These outward ripples may also cross organisation or industrial boundaries and enter other industry environments. The clearest example in modern times occurs with the repercussion effects of the rapid rise and fall in the price of fuel: diesel, petrol, and aviation gasoline.

Good planning demands quality information. It also demands an understanding of the extended and circuitous effects of decisions beyond the short term and beyond their immediate circumstances. Investing time and effort to achieve this is not always practical. In contrast, CEOs are frequently required to apply personal judgement and intuition to information-poor and horrendously complex environments, where little clear definition is possible even with the most sophisticated of scans.

Delay-response time effects: the Dinosaur factor

With larger organisations the time a message takes to reach the corporate brain from the outer limbs may limit the ability of the organisation to respond to swift, sharp changes in the environment. It also usually means that because they are multi-layered, internal information feedback about their planned performance may be delayed in the gathering, transmission, processing, and interpretation processes. For example, much of the planning of government rests on information relating to the effects of previous budgets, sometimes up to two to three years behind the current cycle. Where industrial environments are stable and well known there is less urgency about the short-term feedback processes in the planning cycle.

Organisations have a variety of techniques, procedures, and agents available with which to monitor, define, and manage this boundary relationship. Concepts of relevance to an understanding of this includes the following:

Environmental Scanning: This is the process by which the organisation sweeps the environment for information of relevance to its survival and growth. The quality, content, scope, and frequency of any scan will impact directly on the utility and value of the process for strategic decision making purposes. The scan can operate to gather intelligence about the landscape and the behaviour of competitors, suppliers, and customers within their respective environments. Some form of scan is vital for the creation and maintenance of a DSS (Decision Support System) servicing the strategic planning needs of line management. Scans may have a specific focus and be set up to fulfil a defined strategic objective – such as Competitor Intelligence Systems.

Receptors: These are the agents and structures through which an organisation gathers information. For many organisations the principle sources of such information are the front line staff such as salespersons that interact with the customers as well as the competitors. The correct choice of receptor is crucial, as they are both the channel through which the information flows, as well as the content collector and gate-way keeper responsible for data integrity.

Permeability: This refers to the extent to which the boundary permits the two-way passage of information. The flow of information inwards and outwards sustains crucial interpersonal and inter-organisational relationships and serves to project the organisation's footprint into the landscape. The organisation needs, therefore, to develop systems and controls that permits the free flow of information inwards while allowing the organisation to define and regulate the information profile that it projects to customers, suppliers, and competitors.

Filters: These are the rules and procedures designed to sort and sift information flows (both directions) in ways that are finely tuned to the organisation's information needs. Correctly configuring the filter(s) is important to correctly putting data to strategic use.

Boundary expansion and contraction: This occurs with shifts in the scale and nature of interaction between the organisation and its environment as a result of the growth/decline processes in the organisational life-cycle. Remember that each product or service delivered to an external customer generates its own interface which evolves in line with the evolution of the Product/Market, Organisational, or Industrial life cycles with which it is associated.

Multiple boundary relationships: These situations characterise corporations with multi-SBU portfolios where internal barriers and channels exist that facilitate or inhibit the free exchange of information between constituent parts of the organisation.

6.3 Organisational Boundaries and Environmental Scanning

The interactive nature of the relationship between the organisation and its environment requires that information-flows across the organisational boundary be a two-way flow. Gathering and channelling this information in a vital but often complex activity. The first step is to capturing or tapping into the information flows is to install a process for reviewing or scanning the environment.

The scan is used by an organisation in much the same way, and for the same purposes, as a ship or aircraft uses radar or sonar. It builds an information 'map' from which the organisation can determine competitor movements as well as developments and trends that can shape into opportunities as well as threats. The receptors are usually those employees of the organisation who deal with the market and the competitive environment as part of their normal duties – sales and customer service personnel are particularly important in this regard. The information that they gather would normally be incorporated into a MIS and used as part of the planning inputs.

Information flow is two-way and the organisation needs to be aware of the 'information footprint' that it generates, from which the competitor can develop an advantage. Secure 'leak-proof' systems are important to survival where competitive advantage derives from fore-knowledge of competitor decisions. A special example of this arises where corporations elect to co-operate in specific areas/products and for specific purposes. In this case, boundary relationships become important as they set the patterns for interaction and contact. This keeps the area of co-operation away from the area of competition and helps to sustain and protect the integrity of each joint-venture partner. A good example of this is the current selective cooperation between Nestle and Fonterra (NZ) in such third country markets as Mexico and Peru in the manufacture and distribution of dairy food products.

As well, information is generated for internal and external stakeholders who require progress reports on which to base their investment decisions. Although big shareholders and creditors can cross the boundary and access this data the organisation too often creates barriers to information flow to the smaller shareholder. The boundary becomes a barrier to the smaller constituent.

Clearly, too permeable a boundary can lead to an oversupply of information. This can in turn create its own set of problems. A set of filters (time, content, source, complexity, etc.) usually configured as a mix of selection criteria, needs to be set in place in order to screen out the rubbish from the relevant. There are two ways to go about the industry. One, like the sea-bottom trawler, is to dredge every piece of information available and sift through the catch once it is on-board.

The other strategy is to set the mesh of the net so as to selectively capture a narrower range of the more desirable fish species. In our radar/sonar analogy above, it would require setting the radio or sound frequencies so as to detect the number, characteristics, and direction of enemy planes or submarine movements and to ignore the signals of birds or whales. This also forces the organisation to focus on the key elements in the landscape

and ignore the trivial and mundane – getting this selection correct in the first place is the necessary prerequisite to implementing an effective and efficient scanning process.

As organisations contract or grow in size, and as they evolve through their product, the life cycles of the organisation and the industry, and their approach to the management of the organisational/environment boundary relationship, will themselves change. When they are small, young, and riding on the face of a new market growth wave, they will be concerned with rapid positioning relationships between themselves and the environment. As they get larger and older, more organisational surface becomes exposed and the sheer scale of contact can become an issue in and of itself. This can occur where different units of the same organisation continue to respond effectively to environmental stimulus while other units create a type of ‘organisational drag’ that draws out the response-to-stimulus time and inhibits overall organisational response. For example, a functional unit such as marketing may respond to a change in customer preference but production lags behind in creating the feature. A unit in the organisation dealing with consumer electronics may be at the forefront of innovation and market development – while another in the industry electronics area may be sluggish and unresponsive. The organisation needs to keep all elements of the organisation moving together over the surface of the strategy landscape. If the surface is flat and smooth (equivalent to a ‘steady state’ as pictured in Figure 4-1), then few problems develop. If it is rough and fluctuating, this puts differential pressure on the organisation, making movement and growth difficult and costly when time (i.e.-speed) is of the essence.

The concept of boundary can also be applied to the internal workings of an organisation. Where organisations continue to grow and product/function differentiation occurs, then boundary relationships within the organisation become extremely important. Every time a new SBU is formed, or an organisation sets up a new functional activity unit, a break or separation is created within the organisation. These internal boundaries can easily serve to insulate and isolate parts from the whole and make it difficult to build an integrated organisation. Any such gaps must be bridged by clearly defined lines of responsibility and control, communication flows, resource distribution processes, etc.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition: The boundary, or layer between the organisation and its environmental landscapes is the ‘skin’ of the organisation – defining and providing the organisation with a recognisable shape and footprint in the landscape as well as serving as the device by which mutually beneficial transfers (inputs, outputs, resources, information) can occur.

Task: Consider this proposition in relation to the following question:

What happens to the boundary layer when an organisation elects to outsource all but its core activities? ((E.g., Can there be such a thing as a 'skinless' organisation – a virtual organisation where the parts exist only in a loosely connect state and where the skin (the interface with the environment) is created by the sub contractors themselves?))

7 Additional Ways of Thinking About the Environment

There are a variety of ways to visualise the relationship between an organisation and its surrounding environment. Two of these are suggested below.

7.1 Thinking of Organisation/Environment Relationships in Evolutionary Terms

It helps to picture the interaction between the organisation and its environment in biological terms. Just as the biological world is shaped by the forces of nature and inter-species competition, so it is the case with human organisations and society. As plants and animals evolve, they do so by making adjustments which allow them to cope with these shaping forces. This process of evolution and growth is mirrored in the way in which business corporations adapt to changes that impact them. An example of this is the plastics industry. When plastics were first developed they were hailed as the material of the future. New and different products and uses have since been developed to exploit their strength and durability. Gradually, society has become aware of the negative side of these attributes and the industry is being strongly challenged to modify and adapt itself to meet environmental criteria. This is especially so in regards to the long-term durability of many disposable products such as soft drink bottles, and plastic net and netting which entangle and destroy sea mammals.

The ability or willingness to accommodate a changing set of influences sometimes eludes such business types and industrial groupings. For example, companies that have become used to slow rates of change develop habits of thought and action to accommodate this. The environment may still be changing, but they lose the ability and the will to make the necessary adjustments. In this way they can become vulnerable to changes in the industry or societal environments that can threaten their very existence. Companies that built their business on technologies that ultimately proved to be hazardous to employee and customer health have had particularly difficult adjustments to make – asbestos in insulation, lead in paint, airborne particulates in coal mining, silica dust in gold crushing, CFCs in refrigeration etc. – as safety standards have risen in line with scientific knowledge and political will.

This was certainly the case with the US car manufacturing industry during the 1970's. Throughout this period the Japanese were able to penetrate and establish the compact,

economy-car market to meet the growing demand of World War II 'baby boomer' Americans for fuel-efficient, low-cost around-town vehicles. The domestic manufacturers had grown complacent and used to designing and delivering large, high fuel consumption cars in a very non-competitive market place. They were ill prepared to cope with major changes in both their industry environments (compact, fuel efficient cars) and societal environments (the political demand for less polluting transport).

All too often, as a company adjusts to one set of environmental changes, another set of influences begins to sweep through the particular industry or surrounding society. A good example is the push by the Japanese to shift the competitive focus in the USA automobile industry from the material to the subjective aspects of quality. This change in the industry environment had grave implications for USA manufacturers from the 1970s through to the 1990s.

Nature sometimes sets the conditions for a species to adapt too well to a given set of conditions such that, when radical change occurs, it may prove a major disadvantage. This was the case with the Moa, one of the flightless birds of New Zealand. In a predator-free environment, the power of flight was no longer needed. When human predators arrived, the Moa became extinct. Likewise, companies can specialise in technology or products in such a way that they get left behind when conditions change, and they no longer have the capacity nor means to respond. A good example of this exists in parts of Eastern Europe today where state owned manufacturing enterprises had adapted, during the Soviet era, to a quota-driven production system rather than a market place environment. With the radical changes now occurring in their societal environments, many are being forced to readjust or close the factory gates through the accumulated weight of past and present inefficiency, or the inability or unwillingness to change.

7.2 Thinking in Systems Terms

Organisations and their management processes can be pictured as whole entities – as systems of relationships within which the parts interact to construct and maintain a total outcome, be it a product, a service, etc. All the parts are inter-linked and interdependent. The relationship between an organisation and its environment is also part of this total picture. This relationship is regulated by the process of feedback which functions in both directions. It operates to send signals from the environment to the organisation about key survival and growth issues, as well as directing the influencing effects of the organisation onto the external circumstance or event.

In this instance the organisation maintains its relationship with the environment by means of the feedback mechanism. If this is in place and the right information is sent back, the organisation has the necessary base and thereby can determine its survival. Feedback helps it to position itself with respect to both specific and general environments, and helps to manage the changing relationships between the two environments themselves.

The content of the environments may need adjusting in light of changes to goal/objective definitions. This changing linkage and relationship will reconfigure the mix and match of the two environments with one another as goal definition and strategy pathways modify

and adapt over time and with changing circumstance. The nature of goal adaptation and the organisational processes that support or inhibit its expression, dictate the pattern and success of the adaptive process itself.

The organisation and environment relationship can change with something as simple as a change in ownership from private to public, or vice versa. For example, one effect of shifting from private to public share-holding is to broaden the ownership base and raise the level of external scrutiny. It also opens the company up to external assessment of its performance and to a more 'objective' and market driven definition of its status for the purpose of borrowing and investment. On occasion, companies may seek to de-list themselves from a stock exchange in order to avoid the increasingly regulatory environment established by many stock exchanges.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition: Strategy should be modelled at the macro rather than the micro level – too much detail distracts the eye and prevents it from achieving focus. (The old saying 'you cannot see the wood for the trees' holds true.)

Task: Consider this proposition in relation to the following question:

When is enough information, enough?

8 Summary

In conjunction with organisational analysis, the effective definition and interpretation of an organisation's industry and environmental landscapes is crucial to its ability to stay alive and advance its own interests and intentions. The multi-layered nature and continuous evolution of these environments can make this process an extremely complex and resource- or energy-sapping exercise on the part of the organisation – especially where the levels of competitive pressure are high and extend over long periods of time.

Lack of continuity in these rates of change can also be as difficult to manage for the organisation as the actual levels of pressure themselves. Where levels and direction of change are relatively constant, then at a minimum, the organisation has the benefit of foreknowledge based on current and past experience. Where change cycles and rhythms fluctuate with low levels of predictability, the demands on the organisation can accelerate ahead of its capacity for an effective response.

The ability to respond to these forces also reflects in large part on the quality of the organisation's own functionality – how well configured it is to cope with complex and variable patterns of change. Possessing clearly defined and achievable statements of ends and means provides the organisation with both a sextant and compass – both tools designed to locate the 'ends' as well as the 'means,' as well as to keep the organisation tightly focused throughout its environmental journey. As well, effective management of the boundary relationships between the organisation and its environment plays a key role in ensuring that it is able to both sense and anticipate changes as they roll through the landscape, and also, that it is able to to accommodate and respond to the changes with well-selected strategies.

Commonwealth of Learning Executive MBA/MPA

SC3 Strategic Management

Block 5

Organisational Analysis

Course Author:

Dr. Robin W. Smith
Teaching Fellow
Graduate School of Business
College of Business
Massey University
Palmerston North, New Zealand

Course Designer/Editor:

Shari Virjee, BA, GD IM (Post-Graduate
Diploma in International Management)
Vancouver, Canada

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The Commonwealth of Learning
1285 West Broadway
Suite 600
Vancouver, BC V6H 3X8
CANADA
e-mail: info@col.org

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1 A Tour of Block Five: Objectives and Introduction

After working through Block Five of this course, you should be able to:

1. Explain the function and composition of the Organisation Equation and its associated Key Analysis
2. Distinguish between the terms employed by the equation
3. Explain the function and composition of Value Chain Analysis and its variant the Process Chain Analysis model
4. Distinguish between the terms employed by these two models
5. Explain the function and use of Output and Outcome Analysis and its relationship with the Process Chain Analysis Model
6. Distinguish between the terms employed by this model.

1.1 Introduction

Although the ‘Strengths and Weaknesses’ side of the SWOT analysis can give a good basic description of the state or condition of the organisation, there are a number of additional models and techniques that assist managers to deepen their understanding of the nature and behaviours of their own organisation and most specially, to integrate that understanding with the organisation’s place and fit within its environmental landscapes. These models include the ‘Inside to Outside’ perspective, the Organisational Equation, and the Process Value Chain. In addition, there is the ‘Outputs and Outcomes’ model, which offers the user of the Process Value Chain a way to best manage the chain so as to optimise all processes and productive resources to its strategic advantage.

2 The ‘Inside to Outside, Outside to Inside’ Perspective

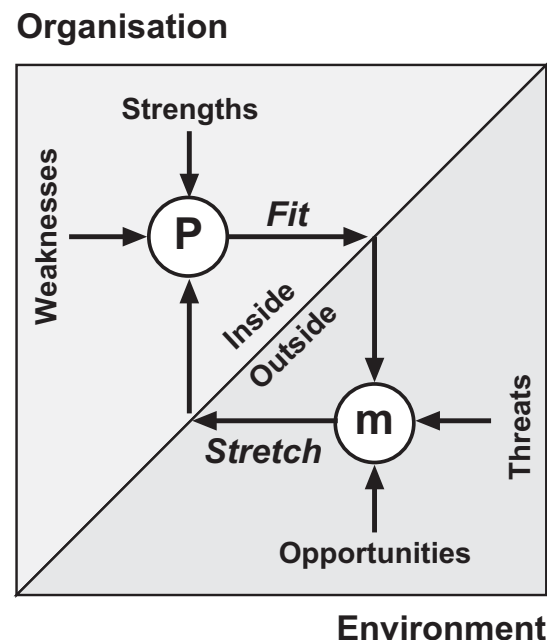
When analysing the organisation, it helps to keep in mind that the organisation always occupies a ‘space’ – physical, economic, and social. This creates a constant interaction between the ‘inside’ of the organisation (defined in terms of its strengths and weaknesses) and the ‘outside,’ environmental landscapes (defined in terms of its opportunities and threats) across the boundary line (sometimes clear and at other times ambiguous) that separates the two. This boundary which both unites and divides the internal from the external is represented in Figure 5-1. (See Block 4 for a more detailed look at such boundaries.)

The organisation itself may display a bias or preference towards one perspective over the other: towards an ‘inside looking out on the world’ view where it bets its strategic future on its R&D and production skills (in other words, what it can create from its own resources and expertise). The Output that results from such a strategy induces a need in the minds of prospective customers, at which point the developers’ vision or ‘dream’ becomes the customers’ ‘must-have.’ The final Outcome of the R&D exercise exposes benefits that they apparently have been seeking to acquire, without knowing that the need (or desire) lay within. In this instance, the focus of the organisation is on establishing a FIT between themselves, their products, and the customer in the environmental landscape – finding or creating the lock to fit their key.

Alternatively, an organisation may opt for an ‘outside looking in’ view of the relationship between the environment and themselves. Here, the focus of the strategist is on identifying the existing and prospective needs of current and potential customer segments, and by working back from the outside to the inside, reshape and if necessary STRETCH the organisation to create the outputs required to meet these customer needs and wants – developing the key to fit the existing lock.

Figure 5-1 suggests that both of these processes are at work simultaneously, but the organisation may choose to emphasis one side of the equation more than the other, from time to time. Over the long term, it is most likely that each side of the cycle will stimulate and contribute to the other. It also suggests that the SWOT provides a means of ‘zippering’ the two sides together (inside to outside, outside to inside) within its own analytical framework and, that the SWOT itself is best developed and employed as a relational database tool and template to serve an additional and very useful purpose beyond its traditional – and restricted – uses (see Block 4 for a more detailed look at the composition and usage of SWOT).

Figure 5-1 The Inside to Outside Strategy Cycle

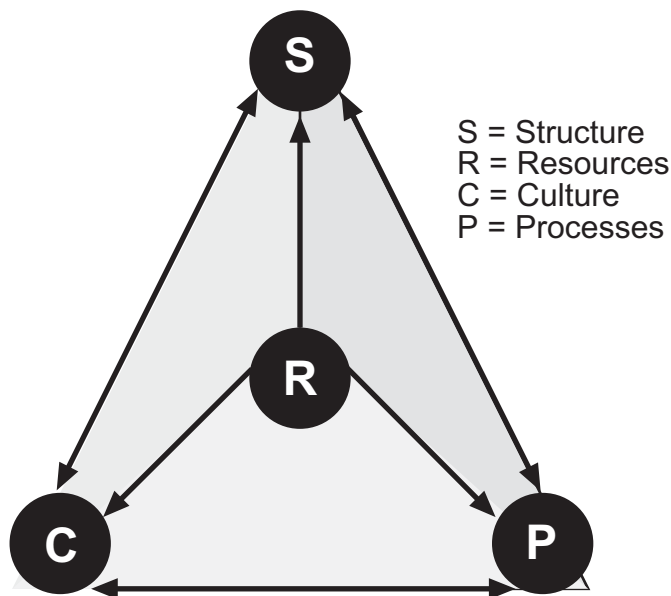


Keep this inside-outside perspective in mind when considering the following two models. In the case of the ‘key’ analysis, the organisation is pictured as interacting with its environment along three specific dimensions: its structural, its cultural, and its process activities, all of which are shaped by the influences of the industry and societal landscapes in which the organisation chooses to participate. In the case of the Process Value Chain, the organisation is analysed along the Process by Resource dimension to create a detailed matrix with patterns of strengths and weaknesses that combine to create a specific set of Outputs and Outcomes that in turn interact with the Opportunity and Threats represented in the landscapes.

3 Defining the Organisational Equation – using ‘Key Analysis’

Organisational analysis can also be condensed down to four ‘key’ components or attributes that largely define the strategic conditions, possibilities, and options available. They consist of the organisation’s Structure, its Culture, the Processes (including systems) that it employs and the application and use it makes of its Resources to strategic positioning and long term ends. This is shown in Figure 5-2.

Figure 5-2 ‘Key Analysis’



Each of these components is highly interactive with the others, and each can be linked to an important strategic question:

Structure: How is the organisation constructed and what are the relationships between its component parts?

This refers to the physical form and composition of the organisation – its basic architecture. It can be seen consisting of the levels and layers of its structure: the total number of divisions, units, SBUs, and their combination and geographical spread; the size and configuration of the corporate centre and its arrangement and relationships with the functional activity groups.

Culture: How and why does the organisation and its members act and behave the way they do?

This refers to the attitudes, beliefs, values and related actions that together constitute the personality and shapes the behaviours of the organisation. Culture is the ‘glue’ that holds the organisation together and creates a sense of identity and self-awareness.

Processes: What does the organisation do for a living and how does it go about meeting its needs to survive and grow?

This refers to the systems and associated activities that facilitate the movement and utilisation of resources (financial, human, technical, informational, intellectual etc.) within the organisation towards the creation of defined Outputs and Outcomes. Processes are the methodologies and systems developed by the organisation, used to assemble, create, and employ its means of survival. They are the organisational equivalent of the vascular, nervous, renal, and endocrine systems in the human body.

Resources: What are the organisation’s capacities and competencies?

This refers to the raw and processed materials (financial, human, technical, informational, intellectual, etc.) as well as the systems, tools, and technologies that the organisation uses to create the appropriate mixes of outputs and outcomes, on which its long-term future is based.

The relationship between these four organisational components as represented in Figure 5-2 suggests that:

- All elements in the model interact with one another and form an **Organisational Equation** of relationships. For any given strategic situation and context, the particular mix of **(S+C+P+R)** will create a corresponding set of Outputs and Outcomes. For example, structure provides the framework for the organisation around and through which the processes operate. A change in structure, such as opening or closing a product division, implies a rearrangement of relationships and changes in the process patterns (such as shifting between suppliers or accessing services from elsewhere within the organisation itself). As well, inter-personal and inter-organisational relationships can be affected, causing work routines and reporting procedures to be reconfigured, as seen with some employees shifted to new work groups or moving on to learn new skills.

- The interaction between the organisation and its environment can be interpreted through the effects their inter-relationships have on these four components (Structure, Culture, Process, Resources). For example:
 - as an organisation **restructures** to incorporate new technology or rearrange its production lines, it changes the shape of its footprint on its industry landscape. This may involve the need to allocate resources to new and improved distribution systems and customer servicing arrangements; in this case, Structure is interacting with Resources (**S*R**) see Figure 5-3 below.
 - as patterns of demand in the marketplace evolve in line with changing social demographics, the **culture** of the organisation may fail to adapt and lag behind in its ability to interpret their significance; resources may continue to be misapplied to inappropriate goals and strategies; in this case Culture is interacting with resources (**C*R**) see Figure 5-4 below.
 - as it introduces new **process** strategies to fund new initiatives such as internet-based sales channels, it may fail to allocate the additional and often unforeseen resources required to successfully complete the change-over; in this case, Processes are interacting with Resources (**P*R**) see Figure 5-5 below.
 - as it rearranges its mix of **resources**, and lets go of staff as a result of a cost-driven strategy, it fails to account for the crucial but unrecognised role that key members may play in the otherwise ‘hidden’ areas of plant service and maintenance – their contribution is overlooked and taken for granted but is then realised post-release. This occurs because of an organisation’s failure to recognise ‘experience’ as part of its asset mix.

Figure 5-3 Structure Interacting with Resources

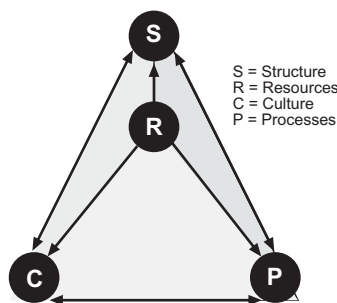


Figure 5-4 Culture Interacting with Resources

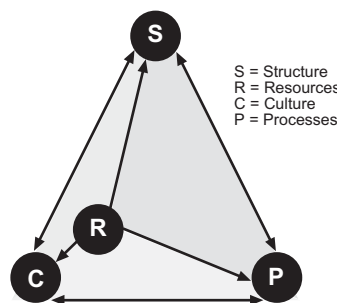
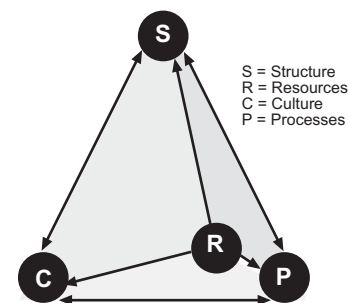


Figure 5-5 Processes Interacting with Resources



The above figures indicate the entwined nature of the component elements that make up the Organisation Equation, and that the strategist needs to watch all possible links and relationships between them, because these inter-relationships are what will define and develop strategic options and choices for their organisation. With this in mind, it worth taking a closer look at the where and how strategically significant change may first arise.

Change is most likely to occur at and along the following interfaces:

- where the organisation interacts with its industry environment. Specifically, its input and output sources, its competitors, its industrial environment and their cultural, attitudinal, and behavioural patterns. For example, within the organisation, this is found in the boundary units such as sales, purchasing, personnel, research, and development. In our Organisational Equation however, this will be around the points of contact – structural, cultural, and processing; see Figures 5-6 and 5-7 below
- where major echelons or coalitions of interest, authority, and power within the organisation meet and interact (e.g., where first-line supervision meets middle management; where senior management interacts with the rest of the management group). Where various stakeholder authorities and their respective interests meet and mix – such as with shareholders, investors, trade union representatives)
- where functionally different lines merge (e.g., at the interface between functional and activity splits that create different ‘cultures’ as with production and marketing)
- where scalar effects, such as change in size and complexity, lead to organisational departmentalization, such as across functional, product, SBU, or project lines. This increases the heterogeneity of the organisation and raises the stimulus for change.

Thus, intersections, inter-linkages, and boundaries between different activities and functions are the meeting points, channels, and shear-lines along which organisational movement and change occurs. Like river channels, competitive resource energies flow towards these points. It is also within these areas that the organisation’s political processes embed themselves.

As organisations grow in size and scale, the number of these intersections proliferate. Any response to the scale factor in turn affects the qualitative nature of organisational processes, especially with regard to issues of leadership, control, and communications. Managing such effects is a key aspect of change since the changes in themselves often trigger unforeseen consequences. Moreover, partitioning the organisation in different ways leads to different types of change. Open, loose structures raise the potential for this to occur; similarly, authoritarian and bureaucratic structures of all kinds limit independence of thought and decision making and hence the potential for sudden, unagreed upon change that may also be revolutionary in nature and effect.

Figure 5-6

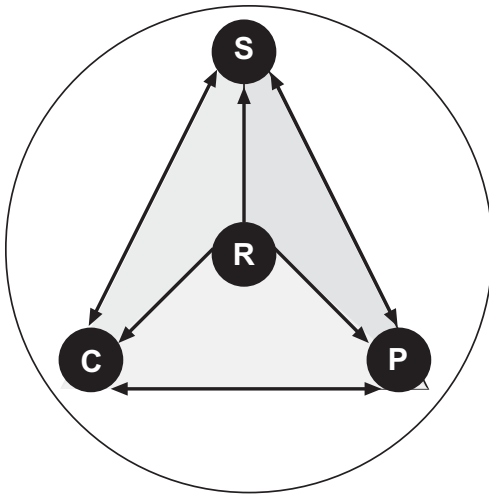
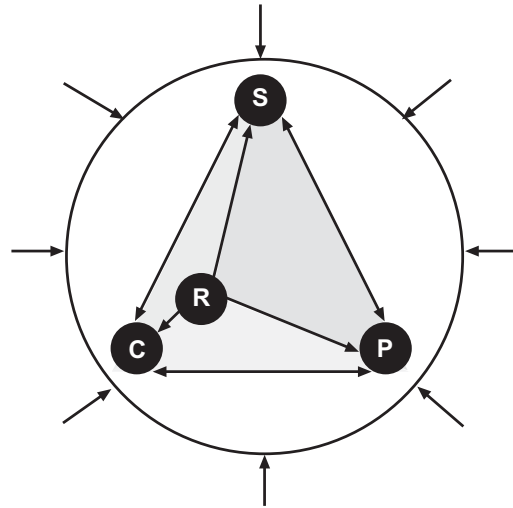


Figure 5-7



3.1 From the Structural Perspective

External pressure may cause an organisation to restructure itself to better accommodate or resist external forces. In this way, trees have adapted to the forces of nature by developing flexible structures that allow each part of the tree (a branch, a twig or a single leaf) a measure of independence of movement while the tree as a whole bends with the force of the wind's blow. This is what the organisational design expert has in mind when they seek to build flexibility into an organisation's structural components. By comparison, brute strength and rigidity may be employed to achieve the same end – as in the case of a lighthouse standing against the force of the winter's storm. Both structural strategies work and neither one is innately better than the other. Each, however, is configured to fit its own environmental landscape and conditions.

A good example of structural adaptation is the growth of the matrix organisation and the development and use of the Strategic Business Unit (SBU). This type of organisation started to make its appearance during and immediately after WWII as large and in particular multinational organisations sought answers to the question of how to best strike a balance between the benefits of corporate centralisation (rationalisation of costs, standardisation of systems and procedures) and the equally important need for an increase in the degree of autonomy at the level of the business unit. The solution found was the Matrix form of organisational structure, combined with the use of the SBU. The commonly used criteria for distinguishing SBUs are as follows:

- The unit has a distinct business concept sensibly independent of any other
- It has its own competitors
- It is a competitor in its market and is not predominantly an internal corporate supplier

- It is able to make its strategy in a manner which is sensibly independent from other businesses within the corporation
- It contains all the components essential to the conduct of its business mission; (e.g., technology, marketing, manufacturing, and finance, so that its strategies may be implemented independently of others).

Factors to Consider When Identifying/Creating SBUs include:

- The total number of SBUs to be created
- The size of each individual SBU
- The degree to which it is meaningfully possible to separate or combine markets, distribution systems, production technologies, and R&D technologies
- The degree of SBU overlap
- Competitor SBU selection.

The choice of how an organisation will be broken down into SBUs is really the choice of the number, the level, and the nature of the points at which competitive resource allocation decisions need to occur in the organisation. In terms of the Organisational Equation, it means that each SBU has its own structure but also sits inside and constitutes a part of the organisational Structure as a whole. Each SBU creates and expresses its own culture, and focuses on its own processes, systems, ends and means, even as they compete within the overall structure for 'resource rights' to achieve those ends. However:

- Strictly speaking, no SBU is fully independent of corporate control. It exists as part of a corporate family and is subject to the ebb and flow of events on the corporate-wide level. (**Note:** A change in corporate culture with the appointment of a new CEO could leave a 'favoured' SBU stranded as the new leader takes new pathways and selects new options – the attitudes change and the SBU is forced to change with them.)
- SBUs often arise by growth from within the organisation or as the by-product of some acquisition and merger with a competitor or supplier/buyer. The policies concerning the establishment of SBUs vary. (Some organisations create SBUs when turnover in a particular product reaches a defined level of sales. Others create SBUs because of geographical expansion, customer market requirements, etc.)
- Creating an SBU alters the power balance within the organisation in a number of ways:
 - it becomes a new centre for resource competition
 - it becomes a new source of policy influence
 - it becomes the base for new career development and hence corporate leadership
 - it creates new risk/gain equations that impact the overall welfare of the corporation and the other SBUs.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: It is along the internal and external ‘boundaries’ of an organisation that the highest levels of strategically significant activity (‘change’) occurs – and where competition to survive is the greatest and where the battle for ownership of resources and rights to their use is most likely to be joined.

Task: Consider this proposition in relation to the following questions:

Consider an organisation as a whole: what qualitative differences exist in the nature and character of internally induced as compared to externally induced change? (Use the Organisational Equation to frame out the differences.)

Proposition 2: As organisations step up in size, there is an exponential rather than a simple linear increase in the levels of complexity for each step of the process.

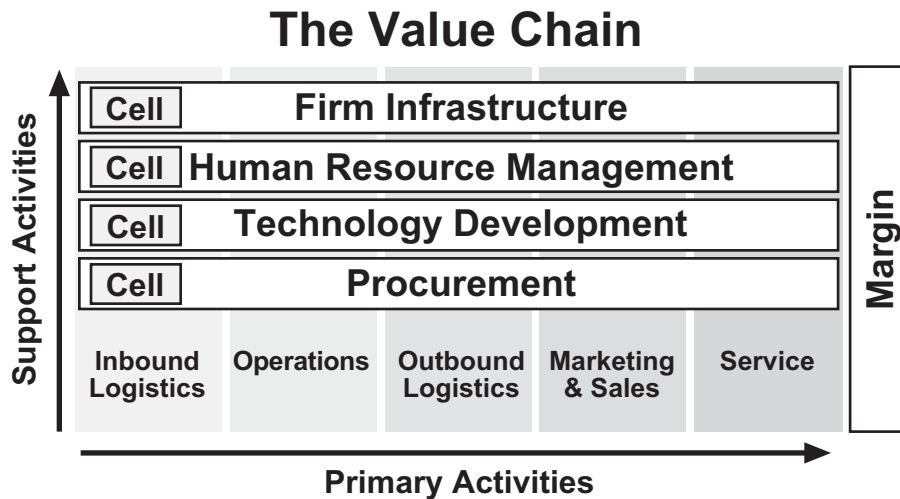
Task: Consider this proposition in relation to the following questions:

Are there limits to growth beyond which the marginal returns from each additional increase in organisational size begin to diminish rapidly? (E.g., for every organisation and for every industry, does there come a point when the costs of growth in scale outweigh the benefits?)

4 The Process and Value Chains

The Value Chain approach to organisational analysis was initially developed by Porter (Refer back to Block 1). He sought to develop a way to model what he termed the ‘primary’ or output activities of an organisation so as to capture and picture the sequential creation of ‘value.’ These ‘primary’ activities are represented as interacting with what he terms ‘support activities.’ By identifying this relationship, he sought to represent the way in which an organisation takes resources, invests them with ‘value’ by transforming them into saleable products or services, and then passes this ‘value’ on to the buyer. This sequencing is shown in Figure 5-8.

Figure 5-8 The Value Chain

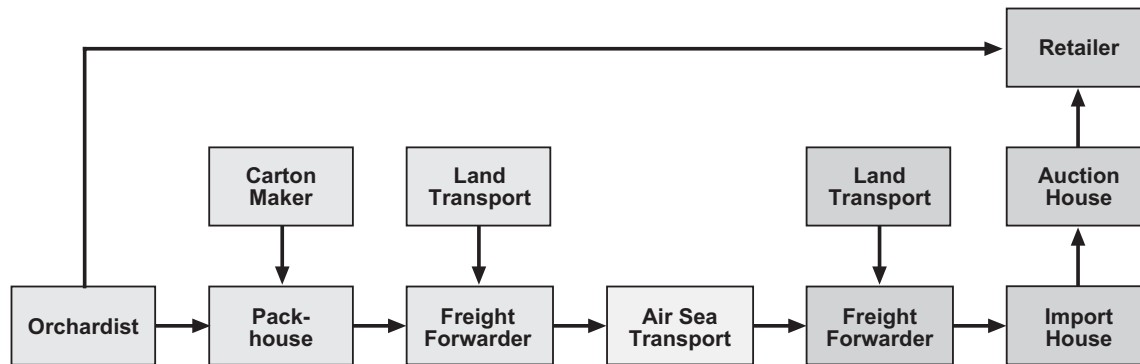


4.1 Linking Outputs, Outcomes, and Organisations

The primary activities represent an expanded version of the 'Input:Process:Output' equation employed by production and process engineers to model their own functional activity. A comparison of the the Value Chain and the Input:Process:Output cycle indicates that Input equates to Inbound Logistics, Process equates to Operations, and Output corresponds to Outbound Logistics. In the case of the Value Chain model, this has been extended to include the downstream activities of Marketing, Sales, and Services. This entire sequence represents the range of activities or **Processes** in which the organisation is engaged – basically answering 'what the organisation does.' The Support Activities represent the positioning of 'service' type deliverables for deployment when and as required across the chain ... each **cell** in the resulting matrix represents a mixture of Primary and Support activities coming together to make their contribution to the final 'net value' or Margin.

The value chain model also serves to link one organisation to another in a sequence from raw materials through to final end product (and customer). 'Value' creation then becomes a successively accumulating 'Joint Value' as each sequential participant in the chain makes their own contribution. Along the way, however, each such link looks to simultaneously contribute to those further down the vertical chain but also to extract their own benefits, and in this way they become the customer of the preceding supplier and the supplier in turn to the next player in the chain. An industry value chain for pip fruits such as apples and pears is outlined in Figure 5-9.

Figure 5-9 Apple and Pears (Pip Fruit) Process Value Chain



After picking, the fruit is moved from orchard to pack-house where it is washed, quality checked, graded, and packed into cartons supplied by the carton manufacturer. The carton has been produced to carefully determined specifications designed to keep the fruit in an ‘orchard fresh’ state as it moves from location to location in the chain. The carton manufacturer has these logistical needs in mind and has them set down as part of their output specifications. They could include the following:

- the strength and rigidity of the materials used (to cope with handling and packing stresses and damage)
- the provision made to protect the fruit from movement (and therefore bruising)
- the use of appropriate internal linings and wrappings to safeguard the contents from contamination by liquids and gases that can degrade or destroy the quality of the fruit and hence its economic worth – possibly causing cancellation of the order and or termination of the contract
- the use of internal linings that allow the fruit room to transpire and breath with safety (slowing down but not stopping normal metabolic activity)
- the carton designed to function as both a means of carriage for the fruit but also to act as a display stand at the point of sale (the fruit can be advertised and promoted as not having been touched by a succession of human hands – handling bruises and contaminates)
- the outer dimensions of the carton configured to make the most economic use of space in the storage containers used by the transporters and freight forwarders along the way (efficiency gains for producers, transporters, and retailers alike).

The final Outcome from building these functionalities into the carton is the delivery of the fruit of an ‘Orchard Fresh’ quality standard, and the creation of a set of values in the deliverables that can also be incorporated into the Brand. Hence the final economic value of all the transactions, from farm gate to customer plate, is achieved.

These ‘mutually beneficial’ transactions along the way can be depicted quite well in Output and Outcome terms. As mentioned previously, each step in the chain can be defined as a sequence of Outputs and Outcomes that allows for close inspection and supervision of performance to ensure conformity to specification. Although many of

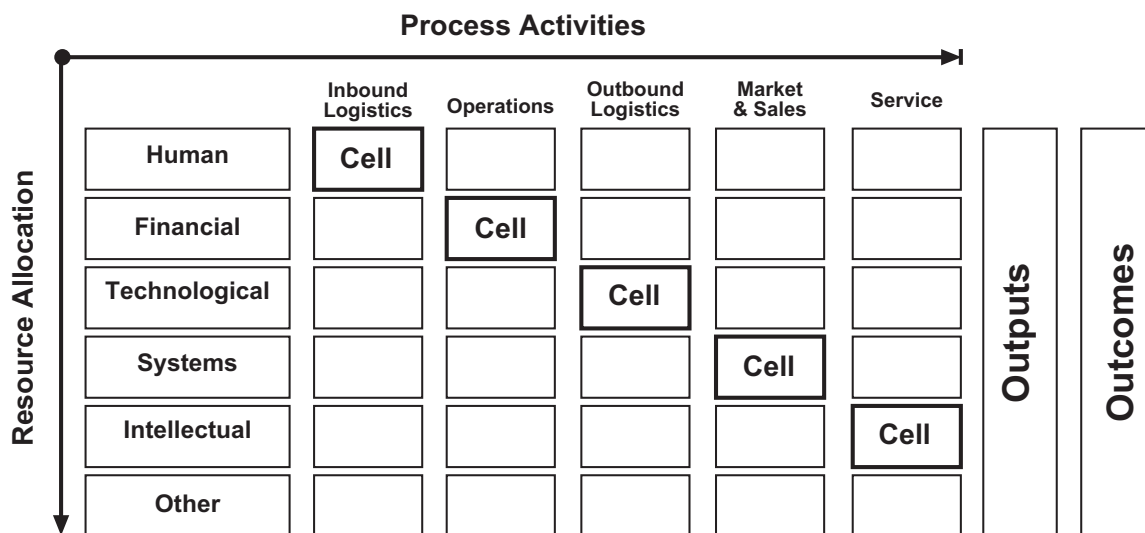
these activities can be seen as operational in nature, they are, in the collective sense, a significant part of the overall positioning strategy for New Zealand orchard exports, into demanding and sometimes difficult markets.

A modification and adaptation of the value chain approach is laid out below. See Figure 5-10. In this model, Porter's value chain format has been reworked with a different focus in mind. The approach retains a similar form but puts a different emphasis and labelling on the two dimensions – the horizontal and the vertical – while integrating the Outputs and Outcomes equation into the framework to provide a device that allows the chain to be linked into the Strategy Equation, so that the organisation may position itself in its industrial landscape. **Note:** the organisation's own Outcomes are the equivalent of its Goals.

In explaining the difference, the horizontal axis is renamed **Process Activities** and the vertical as **Resource Allocation** – the focus is now directed at determining the best mix of resources to achieve the best 'valued' result – *in other words, 'How do we use our resources in the best possible way across the organisation so that we can deliver the Outputs necessary to the achievement of the Outcomes sought by our stakeholders (especially our customers) and ourselves?'*

In Figure 5-10 the Outputs and Outcomes specifications are shown toward the end of the chain. This attachment allows the strategic manager and planner to trace the links between the process (**Cell by Cell**) and the result. In the case of the carton manufacturer, the Outputs are the 'functionalities' built into the carton (through materials used, methods of manufacture, and elements of design) which protect the fruit from damage and contamination whilst preserving its 'Orchard Fresh' characteristics (look, taste, and feel) – which meets one of their key objectives. The Outcome then, is from the final consumer in the purchase, possession, and consumption of the 'Orchard Fresh' experience – a result of effective marketing language highlighting the customer 'benefits.'

Figure 5-10 Organisational Process Value Chain



The sequence of Outputs and Outcomes for the *Industry* Process Value Chain (in contrast to the Organisation) is set out in Table 5-1 below. This shows the unique contribution that each of the links makes to the progressively accumulating ‘ends’ of customer benefit. It also highlights by its very nature the degree of mutual interdependency that exists as each participant in the chain relies on the other to deliver their side on the contract. Each organisational ‘link’ has its own ‘Process Chain,’ at the end of which sits the Output and Outcome combinations peculiar to their own ‘link’ in the overall industry chain.

Remember that:

- The **Outputs** refer to the attributes of the actual physical goods and services produced by the organisation in which is embedded the ‘functional value’ sought by the customer
- The **Outcomes** refers to the ‘benefits’ that the customer derives from the purchase, consumption, and use of such Outputs.

Thus, the Orchard’s process chain is made up of all the on-farm activities necessary to bring the trees to an annual crop, and to harvest the fruit of the orchard in such a way as to produce a product which meets the Output specifications required of the final consumer, as well as those organisations making their own contribution further down the industry chain. See Table 5-1.

Table 5-1 Outputs and Outcomes for the Pip Fruit Industry Process Value Chain

Organisational Link	Outputs	Outcomes
‘The Apple Zone’ Ltd Orchard	Fruit of a specified size, shape, colour, condition, age, and subjective ‘look and feel.’	The ‘Orchard Fresh’ fruit brand values.
‘Secure Pack Ltd’ Carton Manufacturer	Cartons designed to deliver strength, rigidity and security as well as the most economic storage configurations; to ensure the retention of the fruit qualities specified at the orchard gate.	Protection and Retention of fruit values. Creation of display values. Minimisation of Costs. Maximisation of Revenue.
‘Bay View Packers Ltd’ Pack-house Operator	Fruit screened, selected, and securely packed to conform to the product specifications.	Protection and Retention of fruit values. Creation of display values. Minimisation of Costs. Maximisation of Revenue.
‘Moving On’ Ltd Freight Forwarder	All collection, transport, and dispatch logistics set to move the freight within its ‘window of time’ so as to retain the shelf life of the product at Point of Sale in the destination market.	Protection and Retention of fruit values. Minimisation of Costs. Maximisation of Revenue.
‘On the Road’ Ltd Land Transporter	Cartons collected and transported and delivered on a JIT basis and handled in a cost effective manner.	Protection and Retention of fruit values. Minimisation of Costs. Maximisation of Revenue.
‘Flying High’ Ltd Air Transporter	Cartons collected and transported and delivered on a JIT basis and handled in a cost effective manner.	Protection and Retention of fruit values. Minimisation of Costs. Maximisation of Revenue.
‘Joe Customer’ End User	Effort.	Realisation of Brand Values. Maximisation of convenience. Best match to needs. Value for money.

The use of Output and Outcome Analysis in strategic management and planning is best represented within the context of the individual Organisational and overall Industry Process Value Chains. Attached to the end of each organisation's Process Value Chain, the Output and Outcome dialectic allows the analyst to use the model to 'map' the processes of the organisation and to relate their circumstances (strategic condition and fitness of purpose) back up the chain to the strategic framework of the organisation as a whole – most specially to the Goals, and through them, to the overall Mission and Vision statements. If the organisation is not meeting its Output or Outcome specifications, the management can then trace back through the organisational matrix to locate and remedy the problem or fault. For example, if 'Bay View Packers Ltd' finds that its filled apple packs have a higher percentage of failure than expected in their transit to the markets, then there is a process for accountability – it can check back through its own handling and usage in the Packhouse to determine if the fault occurred within its own operations or whether it comes from their carton supplier 'Secure Pack Ltd' – and the fault may lie somewhere else in their manufacturing practices.

Getting the right level of detailing into the Output and Outcome specifications is crucial to good process management. In the Pip Fruit Export Chain example, a manufacturer of Cardboard Cartons, suitable for fruit storage and transport, will construct the Carton so that it exhibits a range of attributes of value to the orchardist. These could include:

- Sufficient strength and rigidity to protect the fruit from bruising;
- Corrugated board waxed and treated so as to protect the fruit from foreign liquids and reduce or eliminate the risks of contamination;
- Selective permeability to allow the fruit to breathe, and for the exchange of gases through designated areas of the carton to occur, so as to keep it metabolically alive and respiring;
- Built-in design elements to allow the fruit to ripen uniformly by permitting air to circulate freely and evenly between the layers of fruit within the carton.

If it fails to do so then the value sequencing breaks down and the chain as a whole fails.

By way of contrast, in a further example, that of a tertiary education provider, these Output and Outcome attributes may have to do with creating the most beneficial way of connecting the customer to the organisation. One aspect of this involves the type of access provided by the University. Each access element has implications for the way in which the educational product(s) are designed, produced, packaged and delivered in order to produce the desired Outcomes for the working student. This is set forth in Table 5-2.

Table 5-2 The ‘Whole of Life’ University

Organisational OUTPUTS Direct customer: student	OUTCOMES sought Flexibility in the pursuit of educational advancement
Multi modality: offering the course in full time, part time, face to face, at a distance and in Block modes.	Ability to change mode of enrolment during the term of the qualification – full time, part time, on or off campus, Block – and so possess the flexibility that this offers to be able to better match educational development with work and life circumstances.
Multiplicity of delivery sites: using facilities available in the marketplace such as conference rooms in Hotels – offered as close to the student as possible.	Range of locational choices from direct to the home through to on- and off-campus sites allows the student to fit the study regime to work transfers or family relocations and to reduced travel and face-to-face contact time.
Ease of transfer between sites: no or low administrative barriers to change of enrolment; academic experience is the same for all sites and no loss of knowledge value.	Ability to change residence and stay enrolled as the student progresses through their career and must physically relocate in order to capitalise on promotion opportunities as they arise.
Duration of enrolment period: Period of degree registration set up so as to allow students to earn the qualification over their own time line – starting, stopping, and restarting when most convenient for them.	Ability to spread the coursework over time allows the student to match their studies with the ups and downs and stops and starts of their personal and work lives.
Multiple enrolment start-time options	Ability to start and stop at times most convenient to the student; a range of entry/exit times throughout the year.

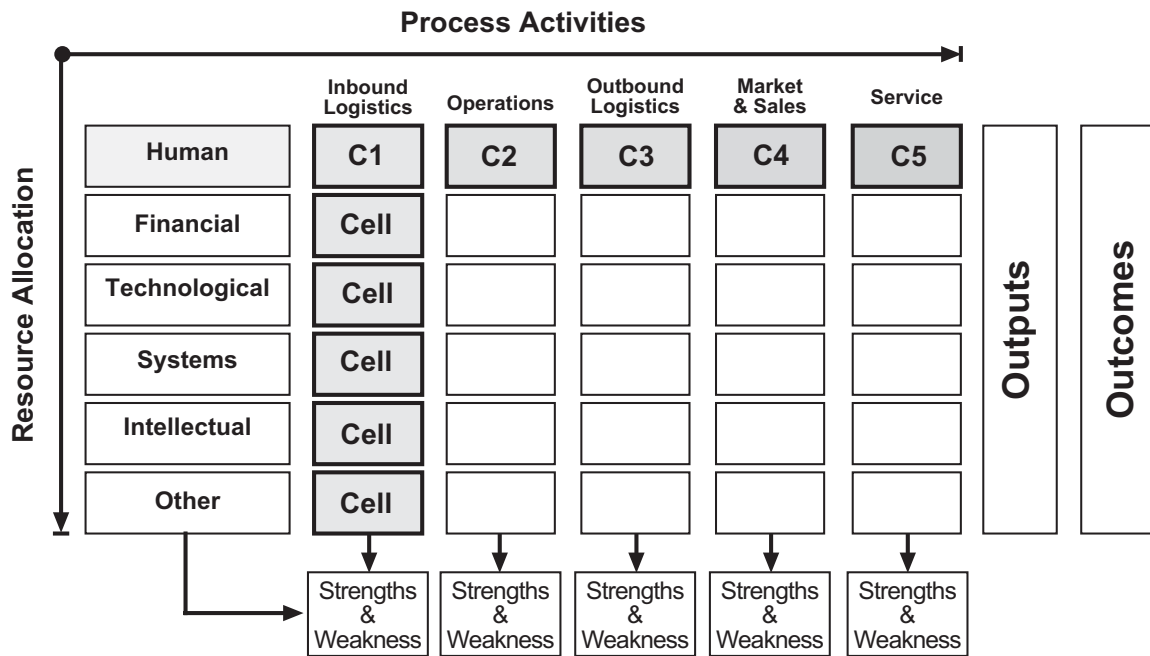
It is important to note that the Outcomes referred to in the examples relate specifically to the end-user. There are additional Outcome clusters that should be factored into the equation – those of the remaining Stakeholder groups including Investors, Shareholders, Supplier, and Buyer groups as well as the organisation’s own Outcome specifications – its Goals. Adding additional columns to the table permits the analyst to document these other dimensions.

Clearly, the Organisational Process Value Chain model can be utilised in a variety of additional ways to capture and link relevant pieces of information and data.

4.2 Linking the Process Chain to the SWOT

Linking the Process Chain to the SWOT helps the strategist to more fully analyse the strategic health of the organisation across the whole range of its activities, and with due regard to the implications this has for the allocation and use of resources (both to enhance the strengths and to downgrade or extinguish the weaknesses at each step along the process chain). See Figure 5-11.

Figure 5-11 Organisational Process Value Chain



To illustrate, consider the Carton Manufacturer in our previous example whose job it is to produce cartons as per the specific characteristics required by the orchardist and Packhouse customers, as well the other participants in the value chain. In Figure 5-11 for example, the managers of this business can look at human factors across the whole of the organisation and consider the resource use implications at every step in the production-process cycle. They can also look down each of the columns and consider each one's individual strengths and weaknesses in the overall patterns of allocation and use, cell by cell: (Human), (Financial), (Technological), (Systems), (Intellectual), etc. Paying particular emphasis on the Inbound Logistics column:

- C1:** *In Inbound Logistics*, the strengths may be: excellent working relationships with traditional freight-forwarding companies and a good understanding of the peculiarities of each supplier's special needs and requirements. The weaknesses may be: a gradual increase in the mean age of the staff combined with a general lack of training in new technology which has been designed to better integrate the variety of methods and systems employed by the different suppliers. (E.g., the suppliers in this instance would be those fabricators of the ingredients used by the carton maker to construct the carton – the corrugated cardboard and plastic sheeting, staples and glues, waxes and other coating ingredients, internal lining material to contamination-proof the contents, etc. Some of these may be generic and readily available, others could be made-to-order so as to meet the carton maker's specific requirements. During harvesting, the supply of such ingredients needs to be adjustable to final levels of demand, for a carton order that is in turn based on demand that is ultimately dependent on seasonal forces – bad weather can play havoc with horticultural crops and forecasted levels of demand can crash

over night as a result of late frosts. If such demand-and-supply relationships are not flexible, strengthened by a good measure of give and take and excellent interpersonal relationships, then the ‘win-win’ cooperation simply disappears.)

- **C2: In Operations**, the Strengths may be good staff morale and above average levels of productivity, but accompanied by pockets of poor performance due mainly to difficulties in recruitment in some key skill areas. (E.g., the carton maker may have difficulty recruiting and retaining experienced quality assurance supervisors and auditors willing to undertake seasonal work in rural environments.)
- **C3: In Outbound Logistics**, bottlenecks are a constant worry because of the inadequacy of the existing plant which may not have kept pace with the demands of expanding agricultural production – poor storage and freight forwarding facilities to handle surges in demand/stock overcrowding, resulting in damaged product as staff attempt to process the outputs as quickly as possible.
- **C4: In Marketing and Sales** the weaknesses may stem from a high turnover of sales staff and a lack of detailed knowledge of, and familiarity with, the company’s products. This is especially relevant as the ‘packaging’ becomes part of the total product, designed and manufactured to preserve the values of its contents. Sales staff that fail to sell the carton on the basis of its customer benefits will ultimately cause the company to fall out of the value chain – losing its positioning and hence its business advantage.
- **C5: In Service**, the ‘problem solving’ skills of staff are good and customer satisfaction levels with regard to service standards is high.

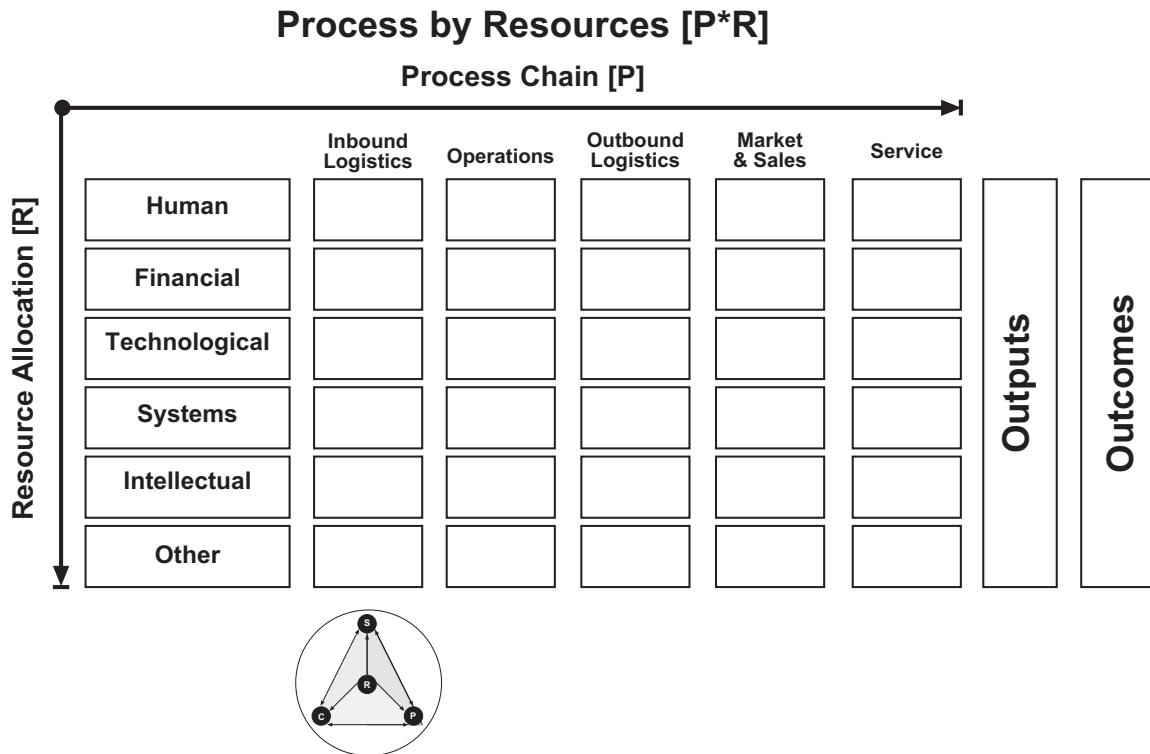
All of the above indicate how valuable it is to be able to analyse business performance within the actual context of the organisation itself, and not only as abstracted and derivative figures that appear in financial statements. The above type of analysis gives success or failure a location, an organisational address, and a framework within which to continue to achieve success, or reverse, a failure.

4.3 Linking the Organisational Process Chain to Organisational Key Analysis

Further strategic insights can be gained by offsetting the ‘Keystone’ with the ‘Process Chain’ analysis as in Figure 5-12. In this instance the (**Process*Resource**) relationship as set out and developed in the Process Chain is a blow-up or expansion of this same relationship as set out in the ‘Key.’ It is one of three possible combinations presented by the ‘Key’ that also includes (**Process*Culture**) and (**Process*Structure**) all of which possibilities are contained within the Organisational Equation:

$$((S*R) + (C*R) + (P*R) = \text{Outputs/Outcomes}).$$

Figure 5-12 Process by Resources [P*R]



By aligning the ‘Key’ in turn with each of the Process columns, the strategist can consider the Structural (**S*P**) as well as Cultural (**C*P**) implications and consequences of each successive combination of resource allocations as set out in the chain.

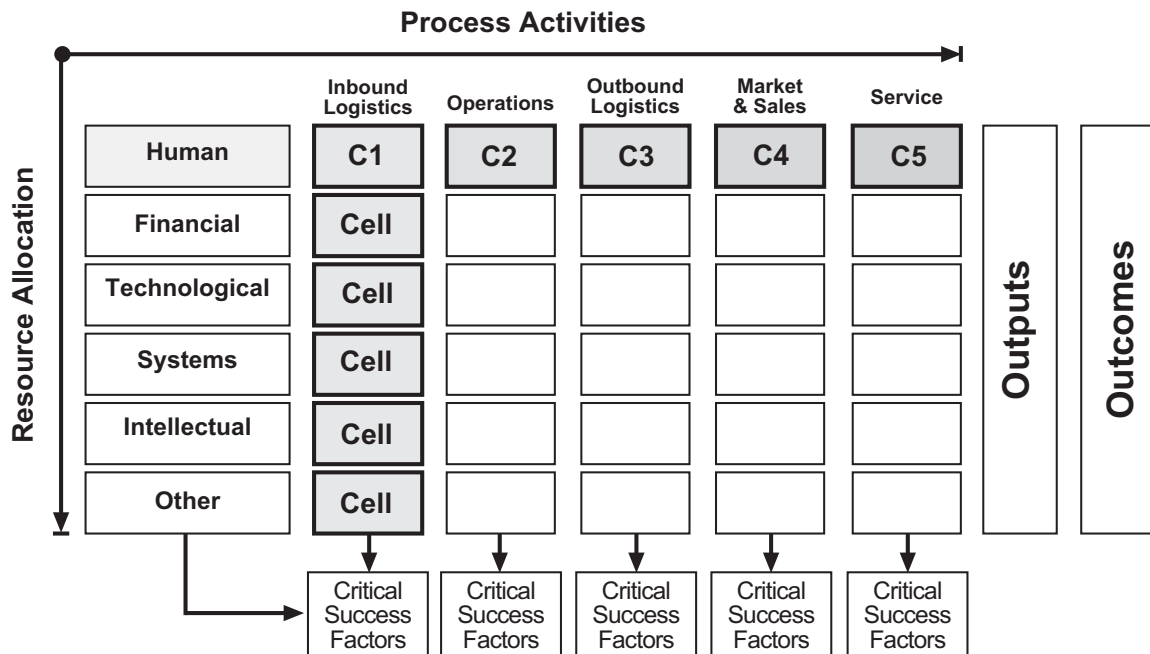
4.4 Linking the Process Chain to Critical Success Factors

The Process Chain forms an organisational framework into which other aspects of organisational performance such as Critical Success Factors and Core Competencies can be inserted or ‘plugged.’ The CSFs are those areas or factors of performance that are especially important to the successful achievement of Organisational Outputs and Outcomes. See Figure 5-13 and also Block 8 for more detailed information.

In our current example, the CSF in the Inbound Logistics area could be the ‘development and retention’ of the capacity and skills of specified employees whose retention is necessary to sustain ‘value adding’ working relationships with key suppliers. To sustain the relationships, which make a crucial contribution to Secure Pack’s ability to perform and deliver, requires Secure Pack to keep changing alongside all the update of their supplier’s technology.

By contrast, in the Operations area, the CSF may be the ability of Secure Pack to reliably upgrade their manufacturing plant so as to be able to continue to offer ‘Apple Zone’ the means to maintain and enhance market positioning. If Secure Pack fails to do this, it may lose its preferred provider status and slip out of the chain.

Figure 5-13 Organisational Process Value Chain

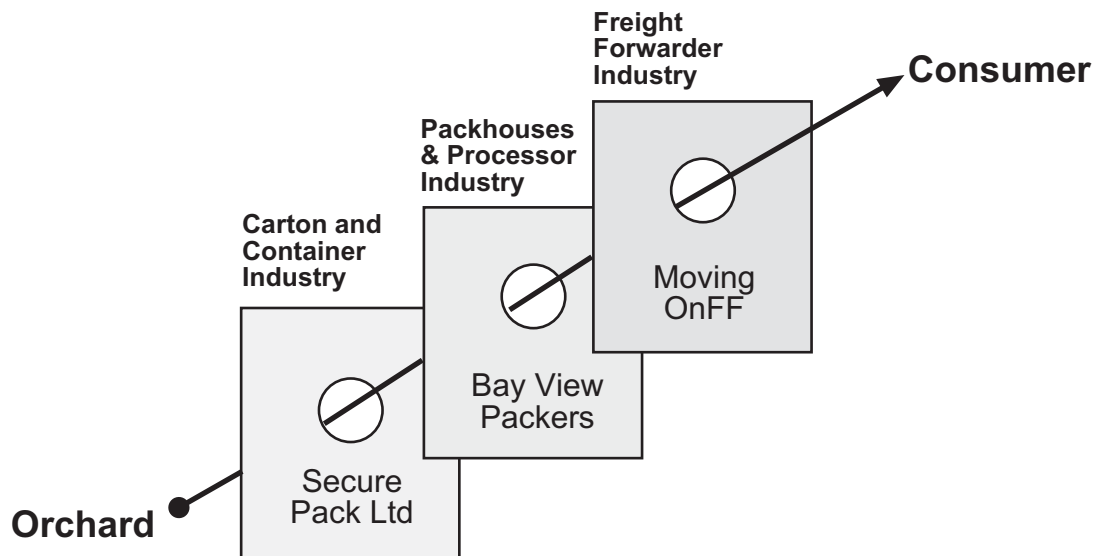


Identification of the CSFs allows Secure Pack to target and focus in on the essentials and make sure that regardless of what happens, they have identified their capacities which are necessary to continue to meet and match the challenge.

4.5 Linking the Process Chain to Core Competencies

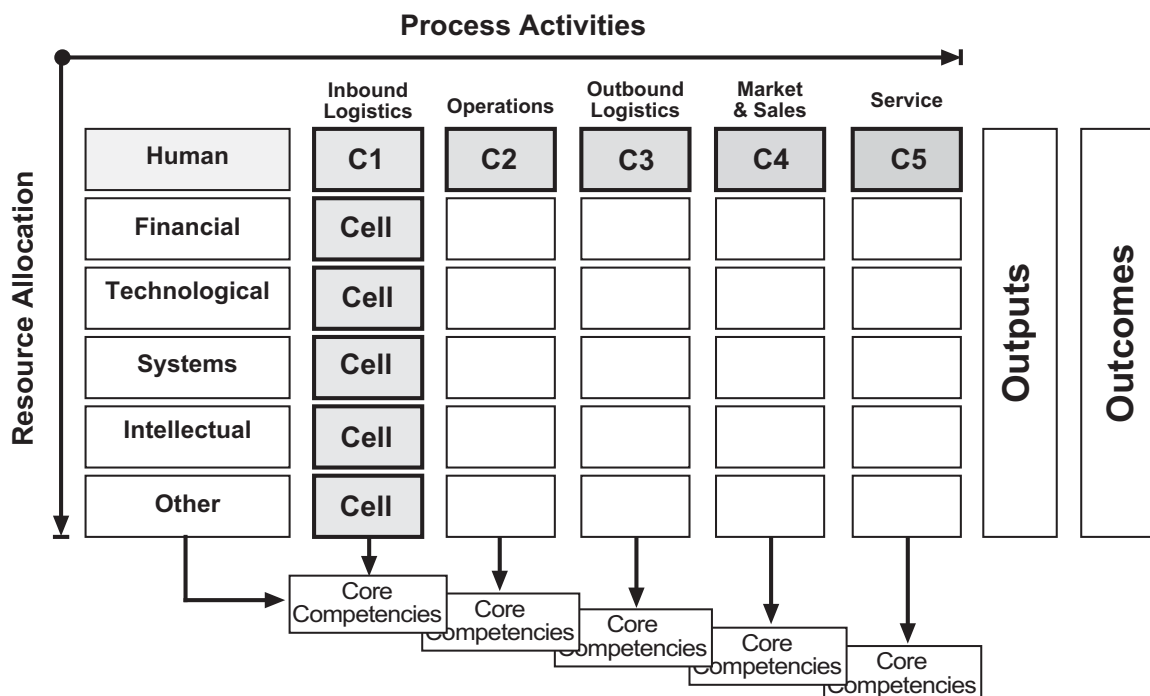
In the same way, the Process Chain can also be used to map out the competency patterns (CSFs) that are crucial to Secure Pack's ability to sustain their strategic positioning within the chain, as well as to cope with competitive pressure within their own industry segment and home landscape. This dual mix of competitive pressures corresponds with the Vertical Axis (competitive pressure from direct competitors in the marketplace) and the Horizontal Axis (competitive pressure from suppliers and customers) in Porter's Competitive Forces Model (see Block 7 for further details). This pattern of competitive and cooperative relationships is shown in Figure 5-14. Each player in the chain belongs to their own 'home landscape' and their ability to contribute to, and survive as an important player in the chain depends in part on their capacity to survive in both their 'landscape of origin' and 'current residence.'

Figure 5-14 PIP Fruit Industry Value Chain



To stay competitive and keep their position in the chain, Secure Pack Ltd will need to identify their core competency (basic skills, abilities, attributes, and technologies) on which they are able to create their particular mix of Outputs and Outcomes that will make it difficult for competitors to penetrate their relationships with their key supplier and customer groups. The same applies to 'Bay View Packers Ltd' and 'Moving On Ltd' and so on down the chain.

Figure 5-15 Organisational Process Value Chain



These competencies could be clustered in one resource or process area or distributed across a number of activities (see Figure 5-15). The important point to understand is whether or not these competencies actually exist and how they are created, constructed, retained, and applied to the organisation's current state of wealth. Being able to model and then dissect the organisation and its activities in this way assists this activity.

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: Organisational analysis requires an **environmental context** to give full meaning to the results; in turn, landscape analysis requires its own points of **organisational reference** to give it strategic relevance – each form of analysis needs to incorporate the other in order to fully explain itself.

Task: Consider this proposition in relation to the following question:

How do output and outcome statements, when integrated with the organisational value chain, provide the necessary analytical linkage between the organisation and its environment?

Proposition 2: No single industry landscape exists in isolation and it is the Industry Value Chains, created out of the linked interests of their participants, that joins one industry in association with another. This ties the varied industrial landscapes into an integrated set of working relationships and mutual benefits.

Task: Consider this proposition in relation to the following question:

Identify the internal and external conditions that can arise and weaken the strength and integrity of an industry value chain.

5 Summary

Effectively positioning an organisation within its environmental landscapes necessitates a detailed understanding of its structural and behavioural components, as well as the nature and capacities of its key processes and resources. To gain, and sustain a viable positioning requires the best possible match between the strategic condition of the organisation (its strengths and weaknesses), and the demands the landscape presents in terms of opportunities and threats. The organisation itself is in a constant state of interaction with its environment, seeking sometimes to lead and take the initiative, and at other times to react and respond to market pressures. This 'to and fro' relationship can take one of two forms – one of Fit, and the other of Stretch.

Developing a product or service from raw resource to final consumption is best visualised as a chain of interlinking activities that involves many contributing organisations. Most business organisations typically belong to a number of these 'chains' that bind them into a sequence of mutual and reciprocal dependencies. Each chain member relies on the other to meet their commercial obligations and make their individual contribution to the final 'value' of the penultimate sale and consumption. These organisational and industry chains thread both organisations and landscapes together, with the chain dissolving if as opportunities for joint venturing present themselves, and/or as the landscapes of the participating organisations coalesce and dissolve, or reform and rearrange themselves in turn.

Commonwealth of Learning Executive MBA/MPA

SC3 Strategic Management

Block 6

Strategic Analysis and Choice

Course Author:

Dr. Robin W. Smith
Teaching Fellow
Graduate School of Business
College of Business
Massey University
Palmerston North, New Zealand

Course Designer/Editor:

Shari Virjee, BA, GD IM (Post-Graduate
Diploma in International Management)
Vancouver, Canada

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The Commonwealth of Learning
1285 West Broadway
Suite 600
Vancouver, BC V6H 3X8
CANADA
e-mail: info@col.org

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1 A Tour of Block Six: Objectives and Introduction

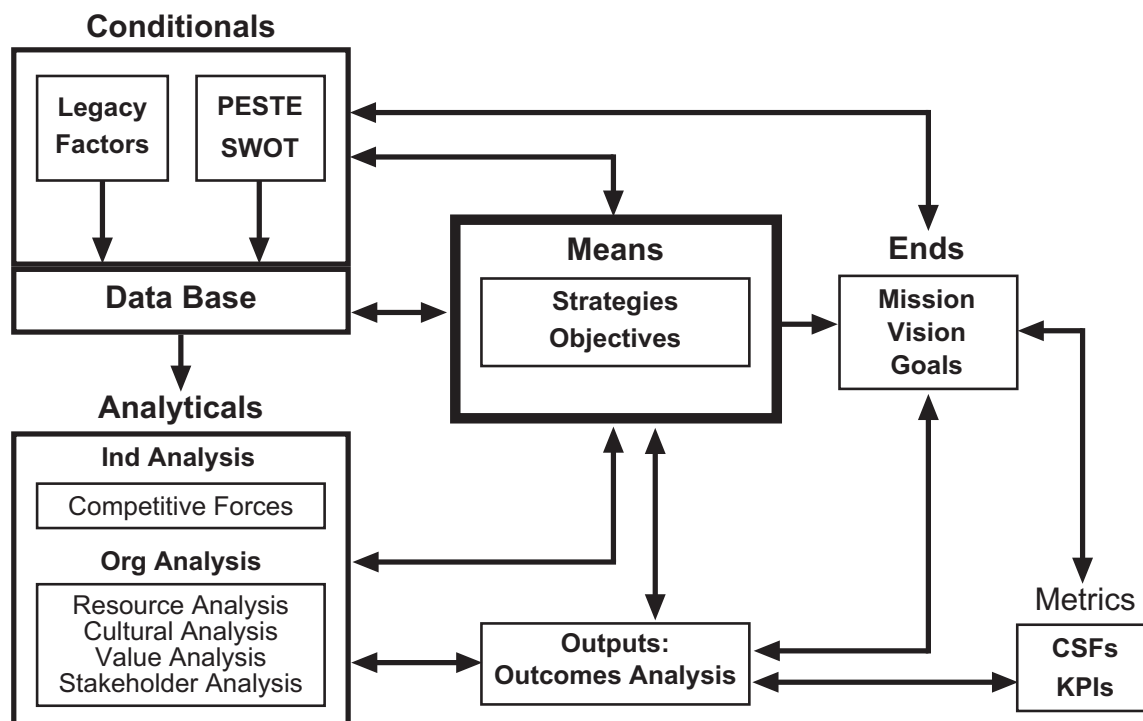
After working through Block Six of this course, you should be able to:

1. Distinguish and describe the processes involved in strategic analysis and choice
2. Explain the place and role of functional and generic approaches to strategy analysis and choice
3. Explain the place and role of the life cycle and matrix approach to strategy analysis and choice.

1.1 Introduction

The choice of strategy ‘pathways’ sits at the heart of the ‘strategy equation.’ Figure 6-1 shows that the focus for selection and choice of strategy is related to a wide variety of influences and conditions that drive the shape and form of the ‘strategy equation.’ As well, Figure 6-1 features those other elements of the planning cycle that help to define and achieve the organisation’s long-term purpose. They include:

Figure 6-1 Strategic Planning Cycle Strategies Focus



- The patterns of organisational strength and weakness which makes possible or limits strategy choices as does the mix of opportunities and threats in the surrounding environmental landscapes;
- The pattern of competitive and cooperative forces in those industry and societal landscapes and the structure and function of their own 'home' industry;
- Their place and position in their value or process chains which defines their options and choices with respect to their stakeholder relationships – suppliers, customers, investors, shareholders, employees and the social and economic community of which they are a part;
- The organisational configurations of structure, culture and process and their collective interactions with the underlying resource mix and base also influences the range and pattern of available strategy choices;
- The influence of the Output and Outcome configuration on the organisation's use and deployment of resources and the processes that are available to ensure their delivery;
- The 'big strategic picture' definitions of Mission and Vision – the Mission statement creates a base and boundary for industry positioning strategies; the Vision statement drive and shapes the choice of organisational structure, form and function and by so doing helps give shape to its strategic intent.

2 SWOT Approaches to Strategy Analysis

This is probably the most widely employed form of strategic and strategy analysis. Its popular appeal lies in its apparent simplicity of use. It may also be the most misused and poorly applied of all the analytical tools available to the planner. In general, it is used to kick-start a discussion or planning session and then left aside as debate moves elsewhere.

Used well, the SWOT can offer:

- A data base and storehouse of historical precedent and experience (important if high staff turnover levels means that the rationale for current choices of action and behaviour are continuously lost to the organisation).
- A way to cut down on the costs of continuous reinvention (why recreate the whole of a knowledge base when only a top-up is required).
- A way of explaining or revealing the underlying logic for a contemporary condition or event and drawing it into the logic of an analytical framework from which pathway choices can be made.
- A means of joining/linking together the various components of the plan – the 'glue' that binds thought and action together and keeps the choice of strategy relevant through ongoing and continuous reassessment and appraisal.

- A way of linking the Organisation to its environment – the Inside to the Outside and Outside to Inside perspectives which makes it possible to link organisationally focused and environmentally focused strategy together.
- A mental and intellectual discipline that helps to give detail and refinement to an organisation's decision making processes, systems and practices.

The Strengths and Weaknesses part of the SWOT strategy model applies directly to the internal operations of the organisation. There are, however, a number of factors that need to be kept in mind:

2.1 Organisational Variables

Firstly, most organisational variables contain both strength and weakness elements in its makeup. Any identification of the organisation's resources, attributes, and characteristics along these lines must take account of this fact. For example, a short-term strength may have the potential to develop into a long-term weakness. As well, the same strength may translate into a weakness when considered in another context. For example, a leader with strong charismatic qualities may be regarded as a strength in the context of a moribund and low morale organisation. In a situation where a more conservative culture is required, the previous strength may now act as a weakness. The context in which an organisational attribute is judged as a strength or weakness must be taken into account when making such assessments.

The same set of conditions and qualifications also applies to Opportunities and Threats. To different members or units in an organisation an event or condition in the landscape may be considered as either or both strength and weakness depending on the observers' position and perspective within the organisation (remember the elephant in Block 1). A new product or new entrant into an existing industry could trigger widely different responses from members of different functional units.

2.2 Relational Analyses

Secondly, the two dimensions, the organisational (S&W) and the environmental (O&T) need to be assessed and described in relationship to one other. A strength only has meaning and relevance when linked to an opportunity and threat; the same applies to a weakness. In this way, an external threat has little relevance unless it can be connected to an aspect of the organisation, which converts that threat into a real effect or consequence. The same logic applies to a real or perceived opportunity. Without viewing each component of the SWOT as interconnected with the other, then the overall analysis remains descriptive, static, and of little value.

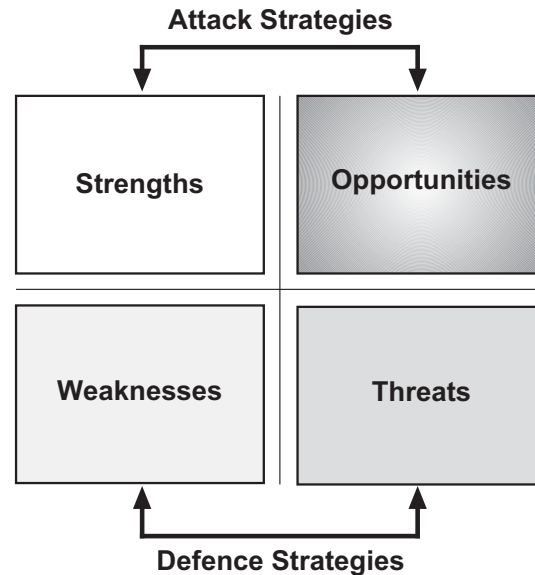
Making the analysis relational (i.e., one variable connected to another) forces the analyst to think about the underlying consequences of their judgement. Thus, a 'strength' does not exist solely in and of itself, but rather as a capacity or ability that allows the organisation to exploit an opportunity or defend itself against an external threat. This connectedness is represented diagrammatically in Figure 6-2. Similarly, a weakness has no

relevance unless it can be linked to a failure to exploit a given opportunity, or provides an opening through which the organisation can be weakened by an environmental threat. This is shown in Figure 6-3. The strategies that exploit the strengths of an organisation in order to exploit an opportunity or minimise a threat may be described as ‘attack’ strategies; those designed to protect or minimise the effects of threats on the organisation from the environment are categorised as ‘defence’ strategies.

Figure 6-2 Strengths related to Opportunities and Threats

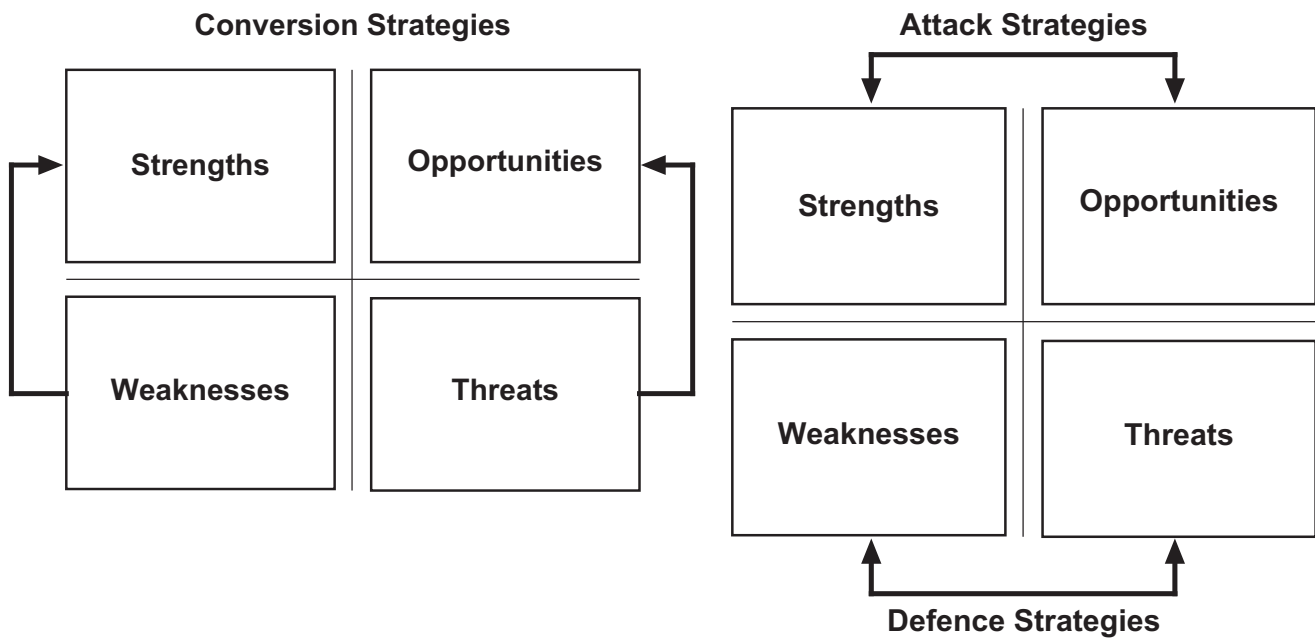


Figure 6-3 Weaknesses related to Opportunities and Threats



This cross-over reflects the interactive as well as the relative nature of the external (industry) and internal (organisational) environments. In practise, the S&W pattern in the organisation has to be judged against the environmental alignment of the organisation and its ability to exploit or deflect the respective opportunities and threats that present themselves. The reverse perspective may also be employed whereby it is also possible to develop strategies that seek to transform organisational weaknesses into strengths as well as rearrange their positioning in the industry landscape so as to convert a threat into an opportunity. This is set out in Figure 6-4. Collectively these strategies may be referred to as ‘conversion strategies.’

Figure 6-4 Conversion Strategies



This interconnectedness may also be shown in the form of a matrix such as the one set out in Table 6-1. This shows the ways in which the Strengths and Weaknesses of an organisation interact with one another to create an Inside to Outside profile.

Table 6-1 SWOT Analysis (Matrix): The Community Pharmacy – Happy Human Health Clinic

SWOT Analysis The Community Pharmacy – Happy Human Health Clinic		Industry and Societal Environments								
		Opportunities					Threats			
		Societal	Societal	Industry	Industry	Industry	Societal	Industry	Industry Societal	Industry
		Increase in elderly population	Community driven funding in health	Increasing trend towards rehabilitation instead of care	Medium growth in market	Able to complete for a greater share of health funding	Less government funding	Rapid growth in community health care providers	Decreased public perception of private health care provision	Threat of substitutes e.g. health clinics, alternate medicines etc.
Strengths	Highly skilled and professionally qualified staff	0/+	0/+	+	+	+	-	+	+	+
	Closely aligned with reputable medical services – part of a clinical package	+	0/+	0	+	0	+	+	+	+
	Well positioned in the ‘wellness’ market with a wide range of aligned health services – vitamins, tonics, etc.	+	0	+	+	+	+	+	+	+
	Supportive patient and customer group	+	0	+	+	0	+	+	+	+
	High level of team work	+	+	+	+	+	+	+	+	+
	Appropriate environment for consultative and rehabilitative counselling	+	0	+	+	+	+	+	+	+
Weaknesses	Difficulty in recruitment and retention of rehabilitation staff	-	-	0/-	-	+	-	-	-	-
	Staff culture issues associated with adaptation from public to private health care	0	0	0	-	0	-	-	0	-
	Lack of adequate IT systems to support financial management practices	-	-	-	-	+	-	-	-	0
	Client access difficulties: car parking and waiting facilities to support family needs	-	-	-	-	+	-	-	-	0
	Poor understanding of local community needs	0	-	-	-	-	-	-	-	-

The matrix acts as a kind of ‘zipper’ to bring the contrasting elements together and create a series of intersections that can have implications for the creation of strategies designed to better configure the organisation to exploit the opportunities and/or develop defence

strategies against the threats. The cells in the matrix may be coded as shown to indicate a positive, neutral or negative connection or in such a way as to best suit the organisation.

2.3 SWOT as a Database of Analysis

Thirdly, because the SWOT creates a database of analysis, this can be used to qualify and illuminate the other forms of analysis available to the strategy manager. For example, in Table 6-2 below, the pattern of Strengths and Weaknesses can be configured so as to permit the analyst to relate them to any particular goal/strategy sets. This has the effect of tying the database analysis and interpretation to the ends (goals) and means (strategies) statements. In this way, the *'what we are'* in strength and weakness terms is tied to the *'where we can go'* and the *'how we go about it'* definitions.

Table 6-2 Swotting Goals and Strategies

Ss & Ws	Goals and Strategies			
	Goal 1	Goal 2	Goal 3	Goal 4
	Associated Strategies (1, 2, 3, etc.)	Strategies	Strategies	Strategies
Strengths				
S1				
S2				
S3				
S4				
S5				
Weaknesses				
W1				
W2				
W3				
W4				
W5				

2.4 Critical Success Factors

Strengths and Weaknesses may also be aligned with other strategic criteria such as the Critical Success Factors for an organisation. See Table 6-3. The value of this option is that it allows the strategic planner to create a 'map' of where attention needs to be focused on the crucial connections between the strategic health of an organisation and its consequences for the Critical Success Factors (CSFs) on which its strategic future rests. Additionally, it helps to direct the attention of the organisation to those areas where action may need to be taken to keep the organisation headed towards its specified ends.

Table 6-3 Critical Success Factors-SWOT Analysis: Cow Power Dairy Company

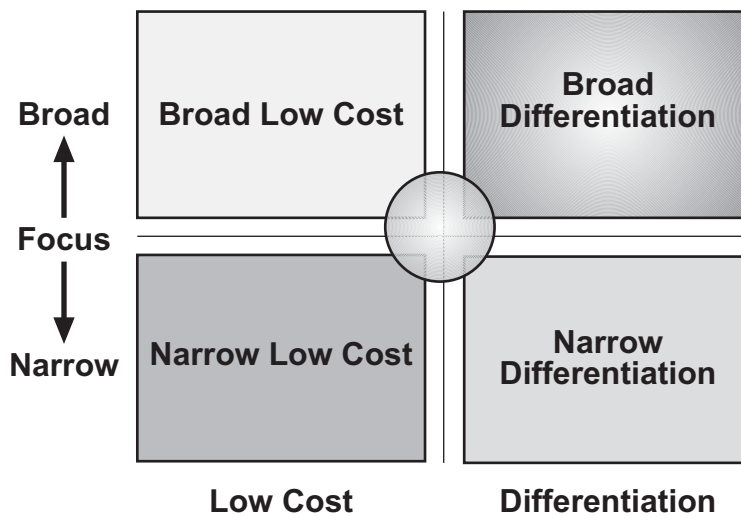
COW POWER Dairy Company CSF – SWOT Analysis		Critical Success Factors (CSFs)										
		Crediting of payment components	Product Mix	Yield maximisation	Quality maximisation	Throughput maximisation	Payment models matching	Revenue and costs	Customer relationships	Research and Development	Environmental	IMPACT
Strengths	Staff Training and experience	•	•		•			•	•	•	•	7
	Staff motivation	•		•	•	•				•		5
	Customer relationships				•				•	•		3
	Loss control & environment	•		•				•			•	4
	Quality standards	•			•				•			3
	Payment system knowledge	•	•		•	•	•	•				6
Weaknesses	High energy costs							•		•		2
	Board commercial actions		•			•	•	•	•			5
	Climate					•						1
	Parochialism		•			•	•					3
	Planning		•		•	•	•	•	•	•		7
	Management structure		•	•	•	•	•	•	•	•		8
	Payout history	•	•	•	•	•	•	•				7
	Shareholder satisfaction		•	•		•	•	•				5
	Shareholder mobility		•			•		•				3
	Aged technology			•	•	•	•	•		•		6
	Multi-sites		•	•		•	•	•				5
	Milk composition		•		•	•	•					6
	Cost structure knowledge		•		•	•	•	•				5
Strengths		5	2	2	5	2	1	3	3	3	2	
Weaknesses		1	10	5	6	12	10	10	3	4	0	

Opportunities and Threats also may be ranked in order of how critical and probable their occurrence and consequences may be for the organisation. Such ranking and sorting should allow the organisation to focus on the more strategic (urgent and important) of these factors. It is important to remember that the usual SWOT is a snapshot only. In the right hands and with the right investment, it is a powerful tool of analysis. When using the SWOT, the planner must seek to use it as a relational database and like all databases, its utility reflects the amount of time and effort invested in keeping it relevant and up-to-date. The integrity of the analysis that it provides will decay in line with rates of environmental change. The user will therefore need to build some allowance for time into the picture that will allow the organisation to project present patterns and influences into future effects and consequences.

3 The Generic Strategy Approach to Strategy Analysis

Along with the competitive forces approach to industry analysis goes Porter's idea of 'Generic Strategy.' Porter proposed that all strategic choice boils down to a selection between one of four generic alternatives. These alternatives are represented in the following matrix in Figure 6-5.

Figure 6-5 Generic Strategies



The basic strategy alternatives facing a business organisation consist of:

Narrow product range, Low Cost orientation (a company with a single or small number of product driven by the need to tightly manage costs);

Narrow product range, Differentiation orientation (a company with a single or small number of product that possesses a high degree of differentiation);

Broad product range, Low Cost orientation (a company that manufactures a variety of products or services and where cost control and management is crucial to its positioning);

Broad product range, Differentiation orientation (a company where the products and services that it offers all need to deliver significant differentiation to the marketplace).

As originally proposed, the model requires the user to select one or other of the four options. This is arguable however, because in reality, most organisations use a variety, or mix of such ‘generic’ approaches, making cost and differentiation not mutually exclusive but rather always present in varying degrees and combinations. It is possible to represent this in another form that acknowledges this reality. See Figure 6-6 and Figure 6-7. This model keeps the components of the earlier model but makes each an independent vector along which the organisation can adopt a desired positioning. Thus either or both low cost and differentiation can apply to varying degrees and both can be further configured by the extent to which the organisation chooses to constrain or diversify their product and services portfolios.

Figure 6-6 Generic Approach 1

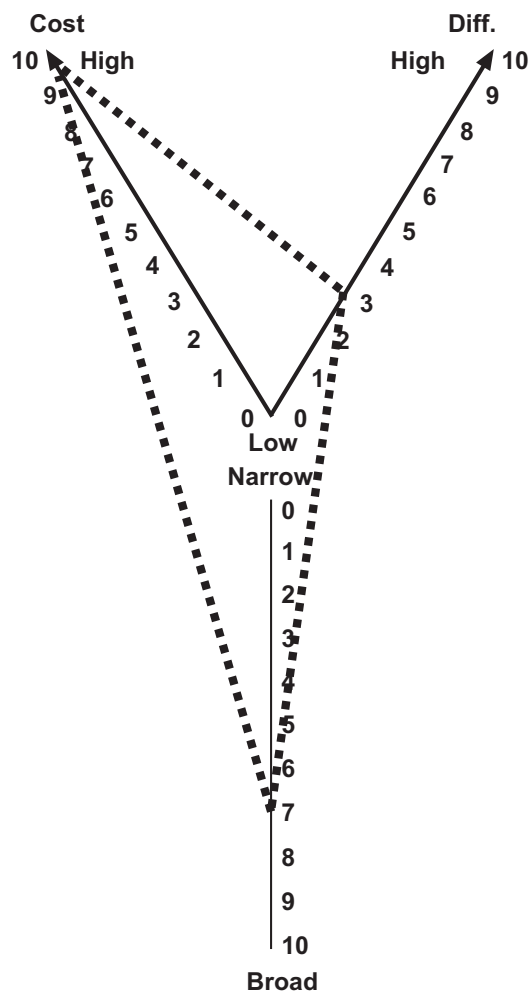


Figure 6-7 Generic Approach 2

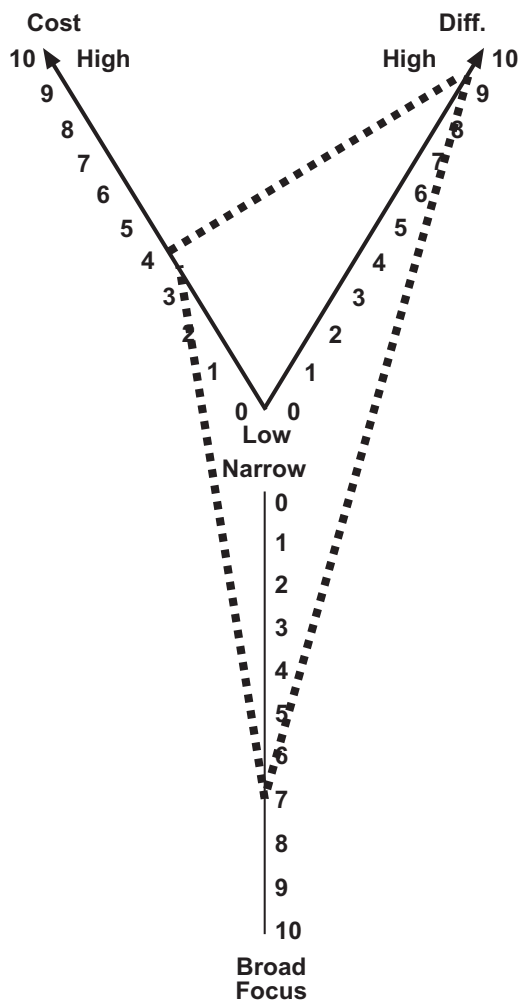


Figure 6-6 represents an organisation's strategic positioning as being:

- High on the scale of Cost Control
- Low in the need for Differentiation
- Tending strongly towards the development of a wide range of products/services

On the other hand, Figure 6-7 represents an organisation's strategic positioning as being:

- Towards the Low end of the Cost constraint scale
- At the very High end of the Differentiation scale
- Towards the Narrow end of the product/service focus scale

3.1 Generic Strategy in the Value Chain

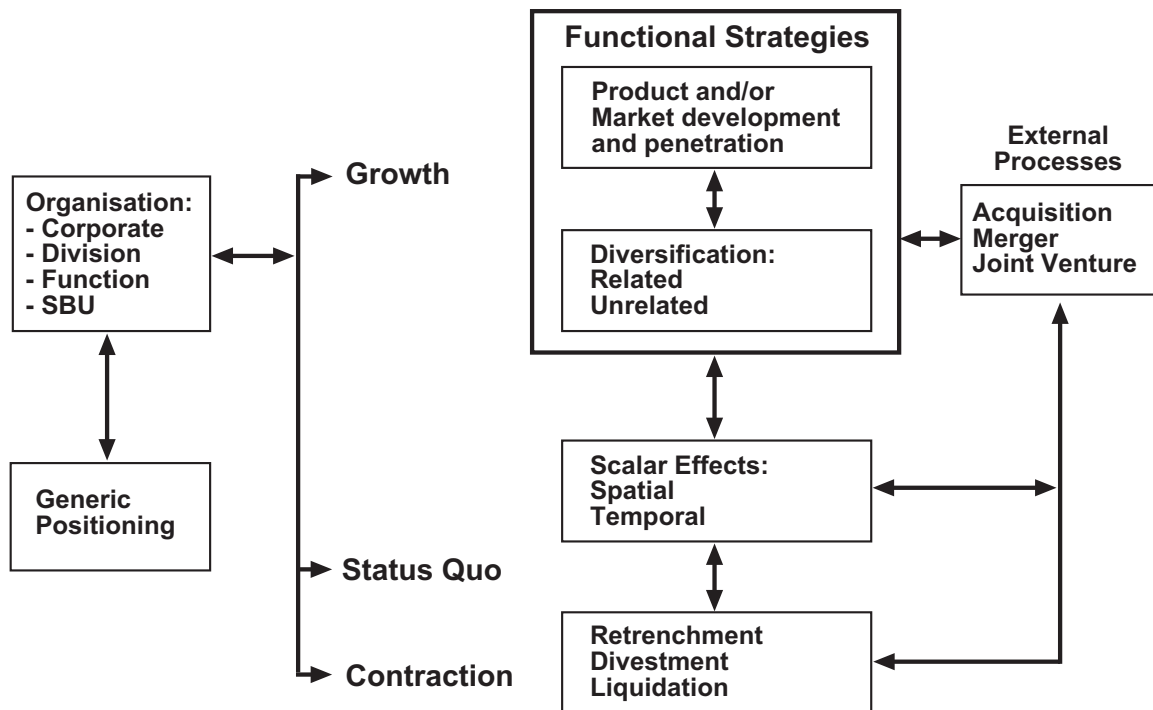
Each of these strategy mixtures would represent very different types of strategic positioning. Although originally considered to be mutually exclusive, it is indeed possible to picture both cost and differentiation applying equally on a step-by-step basis through the value chain. See Table 6-4 below. Where the different strategies are set out for a small community based newspaper.

Table 6-4 Generic Strategy in the Value Chain: The Happy Valley Gazette

The Happy Valley Gazette		
	Cost Leadership	Differentiation
Inbound Logistics	<ul style="list-style-type: none"> • Maintain low overheads: • Home based operations • Shared computer facilities • Low cost labour and employment subsidies 	<ul style="list-style-type: none"> • Contributions by prominent personalities
Operations	<ul style="list-style-type: none"> • Rapid production, e.g., Desk Top Publishing, flat organisational structure • High capacity utilisation 	<ul style="list-style-type: none"> • Owner/management • Timeless, generic stories on file • Editorial/layout template based on overseas newspapers i.e., distinct house style • Balance between advertising and editorial • High quality b/w and colour presentation • Extensive error control
Outbound Logistics	<ul style="list-style-type: none"> • Paperboys employed for low cost 	<ul style="list-style-type: none"> • Subcontracting paperboys • Stylised distribution stands for city distribution • Weekly circulation
Sales and Marketing	<ul style="list-style-type: none"> • Price war e.g., offering bulk order and prompt payment discounts 	<ul style="list-style-type: none"> • Image • Develop unique Sales and Marketing techniques
Service	<ul style="list-style-type: none"> • Efficient and cost effective information systems 	<ul style="list-style-type: none"> • Flexible credit arrangements • Coupons, competitions, and letters to editor to gauge readership interest levels

The generic strategy approach helps the strategist to address the overall parameters within which its functional and positional strategies will sit. All generic strategies need to be translated into marketing, production, human resource, information systems and other related determinations. This is shown in Figure 6-8.

Figure 6-8 Strategy Flow Chart



The flow chart positions the generic and functional strategies in the overall context of strategy creation and implementation. Strategy originates and is embedded within an organisation or unit thereof; the basic options that constantly apply are Growth, the Status Quo, and Contraction.

If the organisation seeks to grow it can do this through growth of product and/or market and sales and may do so in a related or unrelated manner. It is in this area that the functional strategies need to be defined and applied. Strategic reach may extend from the local to the international (spatial), and from short-term into the far long-term (temporal). The organisation may also engage in external initiatives they may take it down the pathways of acquisition, merger, and joint venture. All of these components interact with one another and this in turn will influence the ultimate choice of strategic direction and positioning. For example, with regards to its intra-industry relationships with competitors, it may choose one or more of the following options:

Adjusting to the new and noisy neighbours

- by which the organisation adapts to its environmental conditions or other competitive organisations, and takes internal action which brings its

administrative and operational policies and programs into agreement with external pressures;

Fighting back

- by which the organisation seeks to overcome environmental resistance by co-operation, absorption, or agreement to remove the influence and impact of the external group;

Organising the neighbourhood and getting along with the new neighbour

- by which the organisation shares leadership and mutual commitment to an industry or problem, and provides mutual assistance and help to an external group to achieve a common purpose; this is much like joint venturing for mutual benefit and is common among the world's airlines – the new partner/competitor configurations (One World, Star Alliance) are examples of this.

Setting neighbourhood rules and standards to control new arrivals – anticipating and acting ahead of the need

- by which the organisation anticipates ahead of time the nature of the demand or services which are expected by the external group and makes operational decisions to accommodate or deflect the demand;

Fight or flight

- by which the organisation refuses to accede to, or accept, the demands or constraints from the environment, and conflicts, withdraws, liquidates, or undertakes an action to fight.

Strategies such as these can be shaped and moderated by the overall 'generic' mix of cost, differentiation and focus that in combination, sets the decision making framework in place.

4 The Stakeholder / Output Outcome Approach to Strategy

This is best represented as part of the Process and Value chains. Organisations need to create a mix of outputs and outcomes that best meet the claims of stakeholders in the organisation. The stakeholders each use their own criteria with which to moderate and manage their relationships with the organisation. Thus a lender will be interested in how well the strategies of the organisation deliver the incomes flows necessary to service their investment; a shareholder will look upon the same strategies and wonder if they will both increase their dividend payouts as well as prompt an increase in the capital value of their holdings; the key suppliers will seek to match and fit their own processes and systems to those of their chain partners, bearing in mind that much of the value of what they create stems from joint activity on their respective parts. It is for this reason that the individual strategies of the members of each industry value chain must ensure that their individual

strategic positions in their own home landscapes also takes into account their place and positioning in the overall industrial chain. (Refer back to Block 5: each of the Outputs in the Pip Fruit Process Value Chain requires specific strategies that are designed to ensure that the goals are achieved at acceptable levels of financial return.) Three selected examples of this follow:

- To achieve ‘Fruit of a specified size, shape, colour, condition, age and subjective ‘look and feel’ the orchardist will need to develop fruit selection and tree husbandry strategies as well as operational practices that will lead to growth in crop volumes and quality.
- To achieve ‘Cartons designed to deliver strength, rigidity and security as well as the most economic storage configurations; to ensure the retention of the fruit qualities specified at the orchard gate,’ the carton manufacturer will need to develop strategies that allow them to reliably source quality ingredients and develop relationships with their prime suppliers that give them the ability to continually innovate in carton design and construction, as the requirements of the other members of the industry value chain evolve in pace with the demands of the final member: the end customer.
- To ensure that the packhouse delivers an output where ‘Fruit is screened, selected and securely packed to conform to the product specifications,’ attention will need to be paid to human resource strategies directed at the recruitment and retention of skilled staff and where rewards motivate efficiency and productivity on the packhouse floor.

5 The Organisational ‘Key’ Approach to Strategy

Strategy analysis and choice may also be derived from within the framework provided by the ‘Key Analysis’ approach to organisational analysis. The particular values of the equation $[S+C+P+R]$ (Structure, Culture, Process, and Resources) defines the particular patterns of interaction that best positions the organisation on the pathways for meeting its goals. The link between this, strategy formation, and choice has been addressed in Block 5.

5.1 Envisioning Strategy

Strategy analysis and choice is about identifying and selecting between alternate pathways to the same ends. The ends consist of three parts – the Mission, the Vision, and the Goals. (See Block 3.) The ‘big strategic picture’ definitions of Mission and Vision are crucial to the integration and alignment of the component elements of strategy. In particular, the Mission statement creates a base and boundary for industry positioning strategies; the Vision statement in turn drives and shapes the choice of organisational

structure, form and function and by so doing, helps in turn to give shape to its overall strategic intent. Vision drives strategy choice in that it provides the ‘kernel’ around which the organisation can evolve a sense of its own ‘self’ and the attributes and characteristics that give this shape, substance, and personality. The organisation must therefore have a very clear and implementable vision statement that is capable of being deconstructed and converted into strategies which in turn are also capable of being operationalised and implemented.

Questions for Consideration

Critically review the following proposition and its associated question. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: Strategic pathway options and choices may emerge out of a variety of complex relationships that are embedded within the overall strategic planning cycle. It is not a static but a dynamic process and the strategic planner must balance the need to simplify and rationalise choices against the need to embrace the complexity that lies at the heart of the ‘strategy equation.’

Task: Consider this proposition in relation to the following question:

When articulating long-term strategies, how does the organisational strategist best balance the need for depth of analysis against the need for simplicity in definition? (i.e., Simple statements with powerful undertones and shades of meaning – easily read, understood, and actioned.)

5.2 Activity: Strategy Analysis and Choice

Examine the Strategic Options for a selected organisation – these may already exist and/or be developed as part of a strategic planning and analysis process. Identify the extent to which they meet the following Suitability, Feasibility, and Acceptability criteria (adapted from Johnson and Scholes, *Exploring Corporate Strategy*).

Suitability: this refers to the strategic positioning of the organisation in its industry and societal landscapes. How well does the proposed strategy fit the patterns in the SWOT?

Feasibility: this refers to the organisation’s ability, in a resource and capability sense, to implement the particular strategy. The ‘key’ analysis provides the necessary insights to assess this dimension.

Acceptability: this refers to how well the strategy delivers to the stakeholders aligned with the Outputs and Outcomes equation at the end of the organisation's Resource Value Chain. It is clearly driven by the extent to which the strategic option meets their separate expectations.

Consider each Strategic Option and each of the Criteria in turn, and then determine an overall assessment.

Strategy Assessment				
Strategic Option	Assessment Criteria			Overall Rating 1-10
	Suitability	Feasibility	Acceptability	
To gain and retain ISO accreditation	Allows for differentiation among competitors- first on the block. Meets government contract regulations	Will require additional technology infrastructure. Resource constraints exist and additional funding required through borrowings.	Meets the improved performance criteria of the lending institution. Will generate new and additional earnings	7

Source: Adapted from Gerry Johnson and Kevan Scholes, *Exploring Corporate Strategy* (6th Edn) 2002 Financial Times Prentice Hall.

6 Summary

Strategies can evolve through a variety of frameworks and within the constraints of a number of different models of the strategy processes. They may evolve within an organisation and/or between an organisation and its environments. There is considerable variety in the particular forms and expression that strategies may take, but most can be classified into a smaller set of overall options and choices. Particularly when we consider approaches that can apply irrespective of the industry type or structure, the idea of generic strategies has appeal and encourages the search for the commonalities across widely differing landscapes.

Strategies are the means through which the organisation seeks to give shape and form to its overall **vision** and defines its place in the world through its sense of **mission**. Organisational **goals** provide the end points towards which strategies evolve and with which they share a highly interactive relationship. Change in any of the 'end' definitions has consequences for the strategic pathways and positioning strategies that it employs.

Resource utilisation strategies are at the heart of the organisational and industry value chains, and it is through their selection and choice that its business relationships are forged with its 'chain partners.' Most especially, this emerges through the mutual expectations engendered and required by the Output and Outcome linkages that binds the participants within the chain is a mix of competing and cooperating relationships.

Commonwealth of Learning Executive MBA/MPA

SC3 Strategic Management

Block 7

The Industry Environment

Course Author:

Dr. Robin W. Smith
Teaching Fellow
Graduate School of Business
College of Business
Massey University
Palmerston North, New Zealand

Course Designer/Editor:

Shari Virjee, BA, GD IM (Post-Graduate
Diploma in International Management)
Vancouver, Canada

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The Commonwealth of Learning
1285 West Broadway
Suite 600
Vancouver, BC V6H 3X8
CANADA
e-mail: info@col.org

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1 A Tour of Block Seven: Objectives and Introduction

After working through Block Seven of this course, you should be able to:

1. Describe the Life Cycle approach to industry analysis and its key ingredients
2. Describe the Competitive Forces approach to industry analysis and its key ingredients
3. Explain the range of industry entry and exit barriers
4. Identify and analyse the pattern of forces at work in any given industry.

1.1 Introduction

Two approaches to industry analysis are presented in this Block: The Life Cycle approach and the Competitive Forces approach. Each has its advantages and shortcomings and each offers a sufficiently different way of looking at, and describing the relationship between an organisation and its industry environments.

2 The Life Cycle approach to industry analysis

This approach to industry analysis has been employed for many years as a means of analysing and selecting appropriate strategic choices that best matched its position or stage along its life cycle.

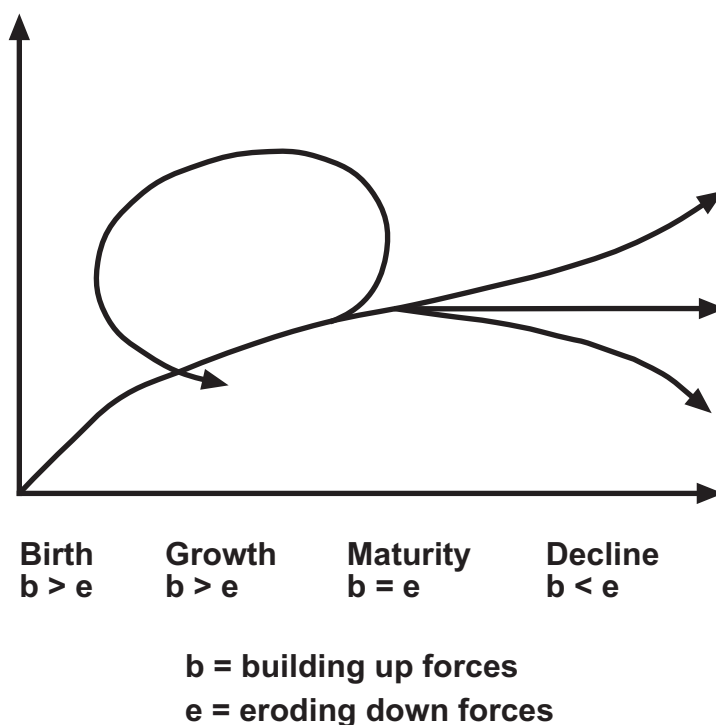
It rests on the assumption that as industries, organisations, and their mix of products and services evolve and change across time, they are presented at each successive stage(s) with a range of 'generic' options concerning what strategic choices are available, and what should be the best to select from the range available. (**Note:** Also see Block 1 for an introduction to the life cycle.)

At **Startup**, the organisation is pictured as 'entrepreneurial' in structure and culture, largely undifferentiated by function with low levels of formality in decision making. The focus is on revenue generation as new entrants flow into the developing industry and niches open for specialised operators. During **Growth**, the organisation lays down the foundations of structure as pressure come on for task and functional specialisation into marketing, production, finance, human resources, information technology etc. The focus remains on revenue generation but the organisation begins to pay more attention to the efficiencies and effectiveness of its processes and systems. Towards the end of this period as the organisation and industry approaches **Maturity**, pressures come on to maintain strategic positioning in the industry as sales volumes and rates of growth begin to slow.

Through the maturity phase the industry may experience consolidation through mergers and acquisitions as shakeout occurs in the face of stagnating or declining sales. The long-term survivors begin to emerge and the less successful disappear or depart the industry as it begins the process of **Decline** – this may come quickly or progress slowly over a long drawn out period of time – the coal industry in the UK was an example of this.

This ‘classical approach’ treats each life cycle (product, organisation and industry) as if it were a separate event and that each has little formal connection to the other. Clearly this is not the case. Each of these separate life cycle models employs the same structure, content and underlying rationale and logic. This is shown in Figure 7-1.

Figure 7-1 The ‘Classical’ Life Cycle Patterns



The curves presents four broad strategic possibilities or outcomes when read from right to left. All of these are options that would apply equally to any of the three life cycles.

- a steady decline into oblivion (1) – liquidate or exit.
- a lingering-on existence (2)
- a new burst of growth and a consequential reprieve from both these possibilities (3)
- a turnaround and a return to an earlier state of existence by restarting the life cycle clock (4), through some form of industry restructuring, usually achieved through radical product innovation.

In the case of the fourth option, the turnaround could be achieved by any or all of the following: new market/new customers, reworked product, new product, re-engineered company, restructured industry, etc.

2.1 The Product/Market Life Cycle

The Product/Market Life Cycle focuses on the development and growth of individual products and services, their collective impact on each other, and their place and fit within the 'portfolio' to which they belong. Much of marketing strategy is centred on this particular life cycle and the strategies employed to grow and develop the outputs (goods and services) of the organisation.

2.2 The Organisational Life Cycle

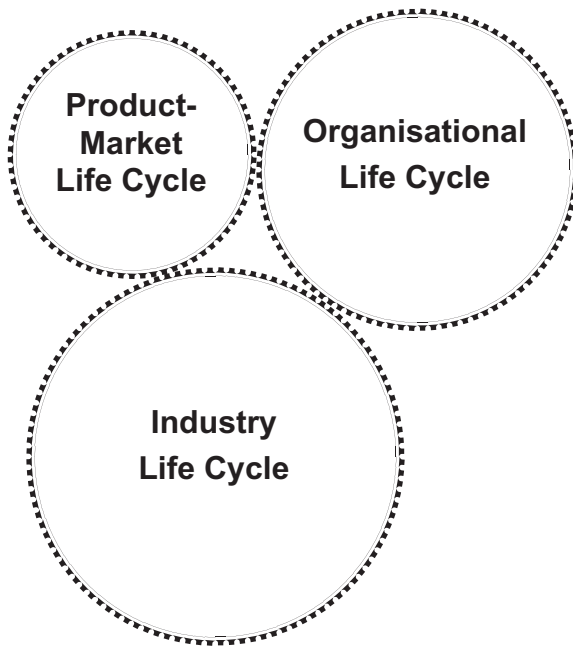
The Organisational Life Cycle is of particular concern to those most interested in the influence of the passage of time and aging, as well the environment on the structure, culture and processes of organisational development and behaviour. The concern here is with the strategic consequences of change on the organisation as it progresses from start-up through to maturity and beyond – perhaps to exit altogether, or to reinvent itself through organisational restructuring or repositioning into another industry altogether.

2.3 The Industry Life Cycle

The Industry Life Cycle attracts the interest of the economists concerned with the short and long run cycles of expansion and contraction that typify the evolution of whole industries. These cycles have become increasingly more complex over the last few decades as industry members reinvent and redefine themselves in line with their ever-changing understanding of the business they are in (Mission) and what type of business they wish to be (Vision). The boundaries between whole industries and between industry segments within industries, have continued to blur as many firms find themselves functioning as 'members' of multiple landscapes that straddle different industry types and groupings. (See Block 3 – The Mission: 'What is our business' and 'What business are we in?')

From the strategy perspective it is important to remember that it is the aggregate or collective effect of all three life cycles that counts. Each of these life cycles has their own professional culture and history of use by various disciplines (e.g., Marketing, Organisational sociology and psychology, Economics). Each however makes only a partial contribution to the total strategic picture of the organisation in its industry landscape. It is when they are deployed together that their value as a tool of strategic analysis is enhanced. This relationship is represented as a group of interconnected 'Cogs' in Figure 7-2.

Figure 7-2 The Multiple Life Cycle Model

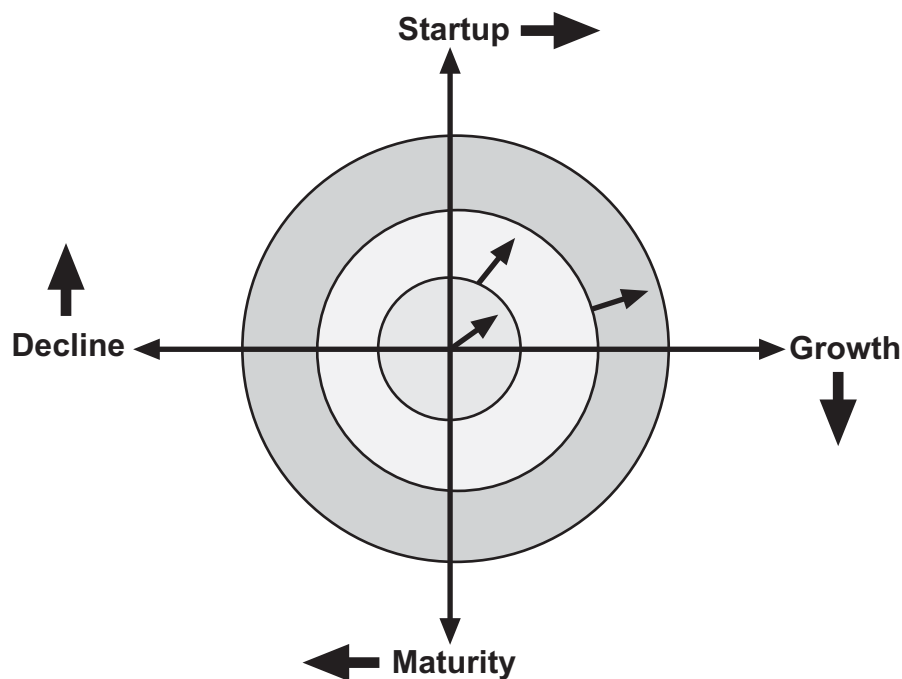


The Figure shows the interconnection between the three cycles and the fact that a change in strategic positioning within any one of the life cycles has simultaneous implications for positioning in the other pair. To gain a more complete strategic overview of an organisation's positioning in 'space and time,' it is necessary to analyse all three cycles simultaneously and to give due consideration to how they relate, align and interact with one another. This is demonstrated in the following two scenarios:

2.3.1 Scenario One: Sunrise (Start-Up)

A recently formed company with a newly developed and radically different product has begun the process of manufacture and sale to a new and growing market. In this case, all three life cycles are within the start-up phase. One of the best examples of this is the home PC industry in the late 1970s when Apple began to market their first desk top and home computers. The strategy settings on the life cycle clock in Figure 7-3 are all similarly located within the start-up phase. Product development was concerned with implementing innovation and rapid technical evolution in new and improved features; the organisation had less of a focus on form and structure and more on flexibility and multitasking; and the PC industry itself had little structure as yet, with few or no real barriers to entry. The strategy focus was on building demand, growing market share and boosting revenue flows as rapidly as possible.

Figure 7-3 Life Cycle Clock: Scenario One



2.3.2 Scenario Two: Sunset (Mature Phase)

The second scenario presents a different picture whereby both the organisation and its industry are represented as being in a mature phase with the industry verging towards decline – what are euphemistically described as stagnant or sunset industries typified by very low or no growth or even decline in terms of new and additional sales – little responsiveness to promotional stimulation and minimal movement in the way of technical or systems innovation.

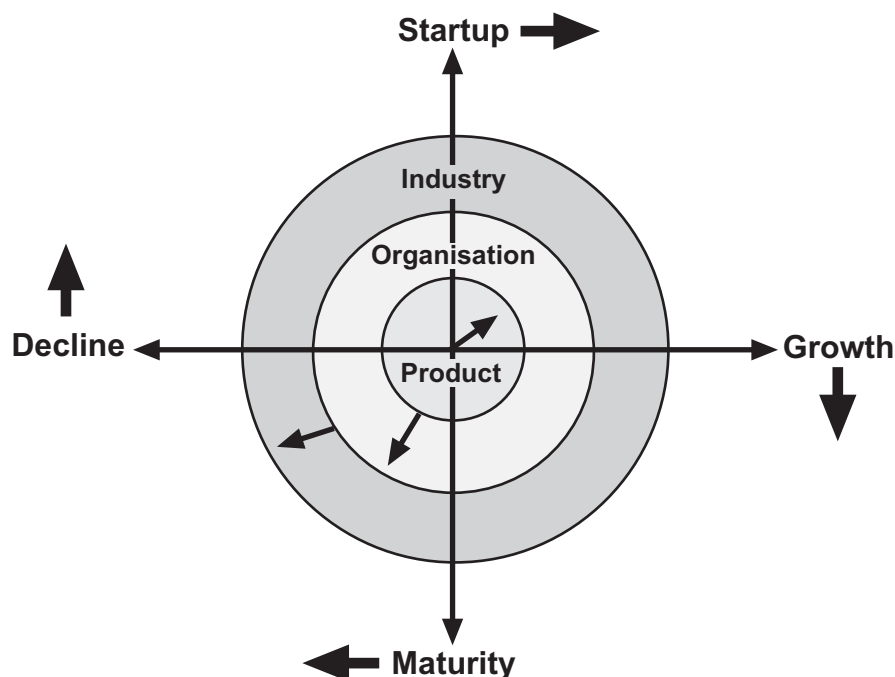
The home photography market is a good example of this. The industry consisted of paper-based products tied into a long established distribution and developer relationship between the customer and the suppliers/distributors of film and film products. This rather static and slow-growing market was to be reborn twice in the coming decades from the 1970s through to the current times – firstly with the innovation by Polaroid of ‘instant, in-camera photo positives,’ the individual customer was now less tied to the traditional channels of film supply and development. The second and even more radical restructuring of the industry came with the introduction of digital technology which provided for the shift from analogue to digital imagery. Digital imaging has expanded into commercial and industrial as well as domestic usage and has stimulated a massive growth in consumer demand.

Organisations at the mature stage are generally considered to be culturally conservative with explicit and accepted rules and policies that guide most thinking and behaviour.

Processes are typically routine and entrenched, built around outdated capital and manufacturing goods. Such organisations are generally ill-prepared for, and not inclined to respond to radical change, avoiding ‘out of the box’ thinking, and anything that would significantly disturb their comfort zone. They are especially vulnerable to buyout and takeover for the residual value of their physical assets, knowledge and expertise. In this scenario however, the organisation is attempting to revitalise itself by the launch of a new product pictured in the start-up phase of its cycle.

If the new product is simply a variation on existing offerings, it will likely be slated to fail; if it is radical and innovative, then it likely to offer both opportunities and threats. This was the situation that confronted the fountain pen manufacturers when their industry was transformed by the entry of the biro in the years immediately following WWII. Many traditional manufacturers were required to respond to a radically different approach to writing – disposability. The fountain pen was built to last for a considerable period of time and was well differentiated into a variety of niches. The entry of the biro thus turned this concept on its head as it targeted the need for a cheap, reliable and replaceable approach to personal and business writing needs. Resetting the industry cycle through product innovation is not uncommon, and in more recent times, other examples present themselves – such as the impact of digital technology on the global watch industry when industry leadership shifted from Switzerland to the USA. This was followed in turn by the development of the quartz movement (by the Swiss) which allowed the Japanese to shift industry leadership to themselves as they mastered its application and use. Finally, the development, again by the Swiss, of the Swatch (fashion focused time), allowed them to again reclaim global leadership of the industry.

Figure 7-4 Life Cycle Clock: Scenario Two



Questions for Consideration

Critically review the following proposition and its associated question. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition:

The transition through the four stages of the life cycle (start-up, growth, maturity, decline) is not an inevitability; the final shape of the cycle is in the hands of the organisation itself, and reflects the decisions it makes about its long-term strategic interests and positioning.

Task: Consider this proposition in relation to the following question:

What determines how little or how much discretion an organisation has over its own future and what influence, if any, does the stage of organisational and industry life cycles have on this?

3 The Competitive Forces approach to industry analysis

The 'Competitive Forces' model of industry analysis developed by Michael Porter is characterised as a market forces model and is used to describe the ways in which the patterns of competition in the market interact with the patterns of competition between the organisation and its supplier and customer groups, and in so doing, shapes and defines the competitive structure, nature and condition of the industry. This is shown in Figures 7-5 and 7-6.

Figure 7-5 shows the main components of the model, whereby the organisation sits at the center, and is located within two landscapes – the industry (the inner square) and the societal (the outer square). Two 'economic' measures of competitive activity are featured: new entrants and substitutes. The intensity and the direction of the flow of these can raise or lower the competitive 'signature' of an industry. The two organisational measures were chosen to represent the 'balance of power' relationships that an organisation enjoys with its suppliers and customers. The assumption behind this is that, like individuals, an organisation is driven to meet its own needs and serve its own ends, and that it will always act in its own best interests. Given the increasing levels of environmental complexity and interlocking business relationships however, this assumption may need to be revisited.

Figure 7-5

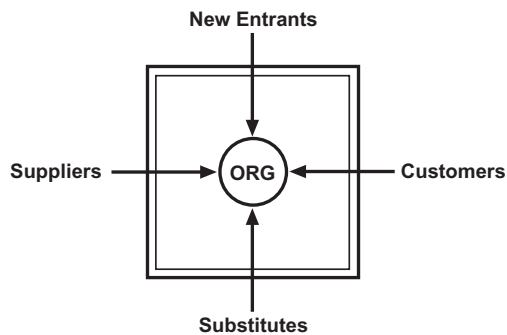
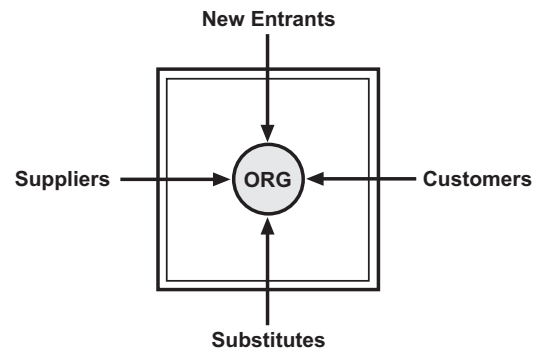


Figure 7-6



What Porter has achieved through this model is to integrate (in very simple terms) a behavioural (Organisational Behaviour) strategic perspective on the organisation (as highlighted in Figure 7-6) with an economic, or marketplace approach to analysing the industry environment. The resulting fusion of these two strands creates a ‘model’ that is widely used to analyse an industry from a ‘competitive’ perspective and used to identify the options or choices facing individual players in their respective landscapes.

The surrounding landscapes are highlighted in the following Figures 7-7 and 7-8. Figure 7-7 shows the industry environment that surrounds the organisation, and Figure 7-8 shows the Societal landscape that underpins and contains the industry landscape as well as the organisation itself.

Figure 7-7

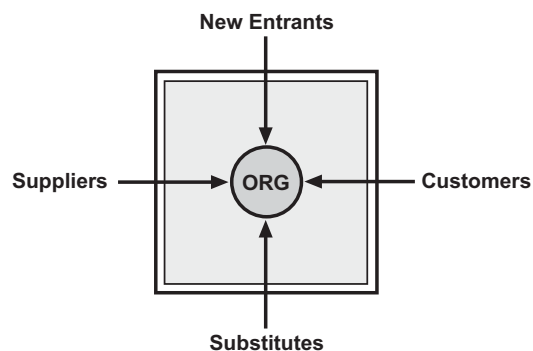
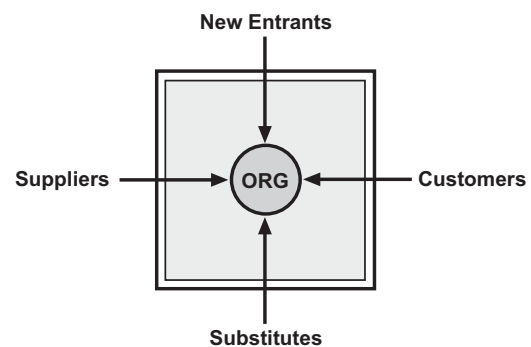


Figure 7-8



The distinction between the vertical ‘economic force’ axis and the horizontal ‘inter-organisational force’ axis is shown in Figures 7-9 and 7-10. What arises out of this juxtaposition of the two axes is whether or not they separately represent ‘qualitatively’ similar or different types of competitive force or pressure. Is ‘marketplace’ competitive pressure different in type and kind, from ‘inter-organisational’ competitive pressure?

Quantitatively they may be the same or similar in their effect on the organisation, but qualitatively, one might expect the shape and form of these effects to vary considerably from organisation to organisation. The answer for this may lie in the widely varied nature of the responses available to the organisation when seeking to mitigate the effects of pressure coming from direct competitors, or those pressures applied by the key suppliers and customers upon whom the business depends for its resources and its sales. In the first case, the focus might be more on Win:Lose strategies, while in the latter instance, on Win:win.

Figure 7-9

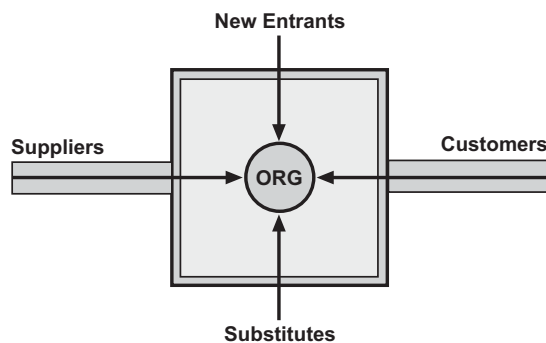
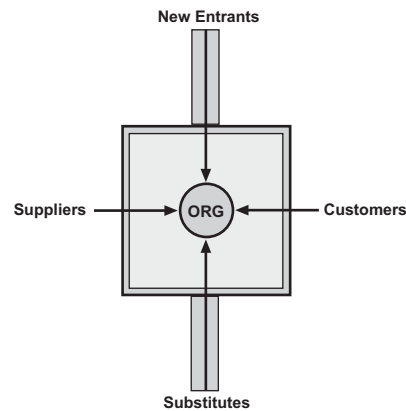


Figure 7-10



When combined, the two sets of forces meet within the competitive framework that is unique for each individual business organisation. This is shown in Figure 7-11.

Inserting a SWOT analysis into the competitive forces model helps to enhance the utility of Porter's perspective and that of the manager's strategic thinking. This is shown in Figure 7-12. By so doing, the pattern of forces at work in the industry and societal environments may be further analysed and interpreted in terms of whether or not and to what extent they represent Opportunities and/or Threats. Likewise, the organisation can be analysed along the lines of strengths and weaknesses, and both sides of the SWOT when combined, help to 'glue' the separate 'squares' of information together.

Figure 7-11

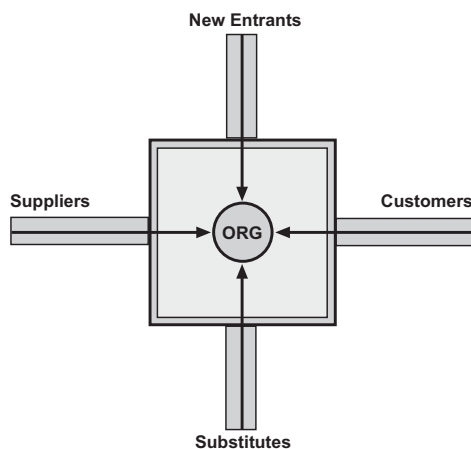
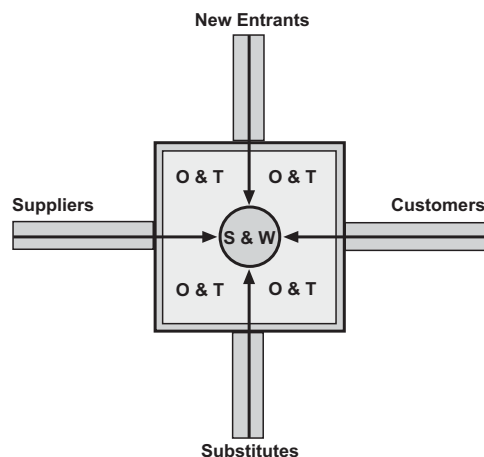


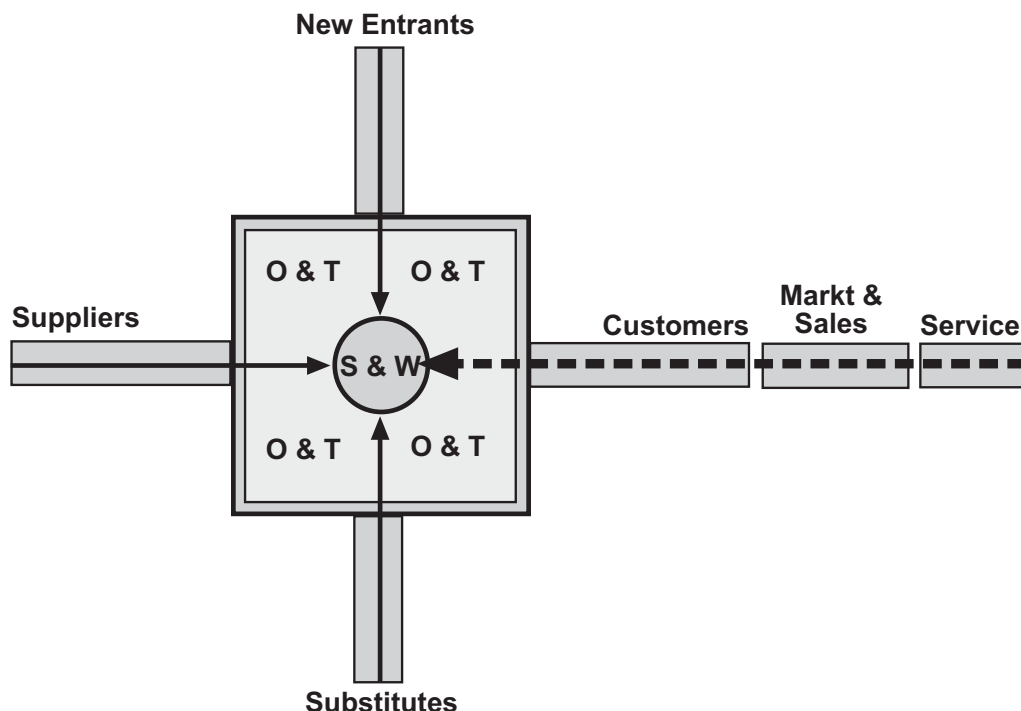
Figure 7-12



There are a number of issues concerning the use of the model as a tool for analysis. They include the following:

- Firstly, any organisation is located within both an industry as well as a societal context. The 'Competitive Forces' model tends to de-emphasise the societal dimension although it has a major role in setting the rules by which commerce and industry play the market game.
- Secondly, both a business organisation's suppliers and customers exist within their own industry environments. Contextual effects that originate upstream or downstream of the firm may be transmitted through supplier and customer channels. This makes for a more complex set of forces at work to determine the competitive framework and power relationships in which the target firm is enmeshed. Vertically integrated firms may become directly involved in such overlapping environmental effects by virtue of their simultaneous membership in a number of different industry environments.
- Thirdly, the two axes are different in their influencing effects and the role they play within the structure and culture of the organisation. The horizontal dimension is really the input-process-output equation presented in a slightly different form. When extended further it becomes the 'Value Chain.' (**Note:** See Block 5 for a detailed look at the Value Chain and its derivative, the Resource Chain.) The vertical axis is concerned with external factors that are more clearly competitive and combative in nature. The mix of these influences is complex and needs to be addressed in some formal way – such as through the value-chain or other type of analytical and diagnostic tool.

Figure 7-13 Extending the Competitive Forces Model – the Value Chain



4 The Patterns of Competitive Force in the Value Chain

The patterns are shaped by the search for advantage between the organisation and its supplier and customers groups. Advantage goes to the strongest, and strength derives from a combination of factors that determine the competitive advantage that each group enjoys over the other.

A SUPPLIER group is powerful if:

- it is dominated by a few companies and is more concentrated than the industry to which it sells.
- it is not obliged to contend with other substitute products for sale to the industry.
- the supplier group does not depend on the industry as a customer.
- the supplier group's products are differentiated, or it has built (i.e., switching from one company's product(s) to another is costly for the customer.
- the supplier group poses a credible threat of forward integration.

A BUYER group is powerful if:

- it is concentrated or purchases large volumes relative to seller sales.
- the products it purchases from the industry are standard or undifferentiated.
- it faces few switching costs.
- it earns low profits from the relationship.
- buyers pose a credible threat of backward integration.
- the industry's product is unimportant to the 'quality' of the buyers' product or services.

The Supplier to Buyer Chain of Forces

This describes the relationship between an organisation and its supplier/buyers in competitive forces terms. It makes the basic assumption that even though they are essential to each other's existence, their relationships are essentially competitive in nature. In their dealings with each other they seek to leverage their own individual interests and tend to ignore the collective interest.

Competition and Cooperation together

Because of the development of supply chain systems such as JIT (Just in Time) delivery and because of an increasing tendency to outsource the non-core functions of a business, a growing need has developed for co-operative behaviour in relationships between members of the Value Chain. There has also arisen a mutual interdependence whereby each organisation depends on the successful survival of the other – they need one another to create a 'Net Value Added' for the final customer in the chain. In practice it is likely

that relationships are more accurately a blend of both competition and cooperation and the mix is dependent on the individual characteristics and environmental conditions in which the organisations find themselves from time to time.

Each player in the chain has their own home world

Note that although the Supplier to Buyer chain links organisations into mutually dependent relationships, each of these levels in the vertical chain exist in their own respective industry landscape and their behaviour is driven by the pattern of forces with which they themselves have to contend in order to stay in business. For example, a company that manufactures plastic pipes for underground water, waste and power delivery exists within a complex multi-layered set of industrial landscapes:

- The **Supplier** landscape is made up of companies that manufacture plastic pellets, injection moulding machinery, specialist additives, etc.
- The **Organisation's** own landscape is made up of other plastic as well as concrete and steel pipe maker competitors.
- The **Customer** landscape is made up of wholesale distribution and retail industry outlets as well as contracting companies who make use of the pipes to meet their own customer needs.

5 Competitive Structure of the Industry

The competitive structure of the industry is itself shaped in large part by the nature of the following conditions:

- the number, distribution, and size of competitors.
- the rates of product/market and industry growth.
- the degree of product/market differentiation.
- the extent of diversity in competitor personalities and culture.
- the patterns of proprietorship, management, and investment.
- the nature and structure of entry and exit barriers.
- the evolutionary status of the industry/product.

5.0.1 The players and the playing field

The number of players on the field governs the conditions of play and often the nature of the game itself. Competition tends to be intense where there are large numbers of players of roughly equal size. Differences also arise where size itself begins to convey an advantage and it is in the interests of a player/competitor to seek to increase the scale of their operations – economies of scale may come into effect and competitive leverage may swing in their favour as they become the more important players on the field.

The number of players and their range of size and distribution can dramatically affect the shape and character of the industry itself. Pressure between players for space (market share) and between them and their respective suppliers and customers further defines the mix of skills and abilities required to survive – eventually the possibility arises where the players remaining in the game (the survivors) begin to look more like one another as the environment shapes them in similar ways towards the same final form. The search for differentiation becomes harder as they trend towards similar solutions.

5.0.2 The shift from revenue growth to cost control – across the life cycle

The rates at which markets and industries grow determine the space available for the players to make their own moves. High rates of growth can attract large numbers of new entrants if the barriers to entry are low. Entry may be by self-startup, by joint venture with an existing player or some by merger and acquisition. In the early stages of industry or product growth the focus by players is on keeping on top of the sales curve (revenue growth) for as long as possible. As demand slackens the sales curve begins to flatten and the players start to look inwards towards self-improvement (cost containment, more efficient processes) as a means of sustaining the bottom line (return).

5.0.3 The more the industry competitors look alike, the more they behave alike ...

The more differentiated the members of an industry, the less the levels of competitive pressure that exists between them. The more they look and behave alike and the more they compete in similar ways, the more intense is their rivalry for customer and market share. Differentiation may be hard to achieve and keep, in industries where the players can easily copy each other's attempts to differentiate. The banking industry is a good example of an industry where products tend to be very similar and where it is relatively easy to duplicate the latest efforts of your competitor (if they are successful and they are compatible with your own positioning in the marketplace).

5.0.4 Doing their own thing ...

The more diversity in personality and culture the more likely it is that the players will seek and develop their own unique solutions. It is in everyone's interests – suppliers, players and customers alike – that industries contain members with as much diversity in their governance and management as is possible. The less they look and behave alike the more likely it is that the industry will remain competitively healthy.

5.0.5 After a while they all tend to look much the same ...

The more an industry is dominated by small, ubiquitous groups of investors and managers, the more it is likely that if one player suffers financially, they will bring down the rest of the market. Interlocking and overlapping directorships are an invitation to the multiplication of common attitudes and abilities and the more this happens, the more likely it is that a mistake or error in judgement in one organisation will be repeated elsewhere.

6 Barriers to Entry

The influence of the vertical axis, new entrants and substitutes, on the level and direction of competitive force in the landscape is influenced to a significant extent if the entry and the exit gates to the industry are difficult or impossible to negotiate. These barriers include:

6.1 Economies of Scale – ‘the bigger we are the better we are at our business’

This refers to the minimum size or scale of operations required in order to enter the industry game. It assumes a correlation between production volumes, unit costs, and bottom line profitability. For example, as in the case of the sugar cane industry, scale effects may refer to and include other functions and processes in addition to *production* (mechanical harvesting of cane) such as *distribution* (bulk sugar storage and distribution on bulk carriers,) or *promotion* (large data bases of customers) or *sales* (customer record systems) etc. Scale benefits may be possible in theory but are sometimes very difficult to capture and maintain in practice over the longer term. Much domestic animal production is intensive and focused on reducing or holding costs as well as growing revenue through improvements in productivity – ‘more (output) from less (input)’ being the strategy and growing the bottom line at the same time is the goal.. Recent scares regarding BSE and Foot and Mouth have raised serious questions about the viability of production systems, based in part on scaled up mega farms and feedlots, that fail to protect both the health of the customer as well as the welfare of the animal and the income and security of the farmer.

6.2 Product Differentiation

To enter an industry any organisation must be able to replicate and hopefully enhance or replace the existing differentiators in order to meet customer expectations or be able to create a differentiation that is hard for the existing industry members to duplicate. For decades the Japanese used a mix of cost and quality control to penetrate the USA and grow their market share. It took many years and much pain (loss of jobs, loss of market influence, etc.) for Detroit to finally get its act together and develop an effective response.

6.3 Capital Requirements – ‘this game is for serious players only’

The scale or mix of investment required may itself be a barrier. In these situations the new entrant needs deep pockets and good credit ratings to join the game. Capital also includes human and intellectual capital especially in respect of the newer more knowledge-based industries. This is typically the case with enterprise start-ups in areas as diverse as genetic engineering and power generation where innovation is typically

centred on new and innovative technology and where trial and error experimentation can be costly to fund and sustain across the development and implementation phase of the enterprise.

6.4 Access to and Control Over Distribution Channels – ‘stay out of my sand pit’

In some industries key and dominant players may ‘lock up’ the existing distribution channels and shut out new players. The domestic whiteware manufacturer in New Zealand, Fisher and Paykel, has for many years successfully used its dominant position in the market and its competitive leverage over its channel customers to ‘lock out’ distributors of imported refrigerators and washing machines.

6.5 Cost Disadvantages independent of scale

6.5.1 Proprietary product technology

In this case a failure to own or gain access to a key technology can bar the prospective entrant. This is particularly noticeable in industries that are rapidly evolving and where attempts are being made to control fundamental breakthroughs that lend advantage to the front ranked group of runners. Patenting strains of laboratory experimental animals such as mice and rabbits that express certain characteristics (such as certain genetic deficiencies) can constrain the ability of a competitor to trial their own drug therapies. The whole GE revolution turns on growing your own advantage even as you seek to restrict your competitor.

6.5.2 Favourable access to raw materials – called ‘Owning the Mine’

This is especially the case where they are scarce and lacking close substitutes. The ownership and control of Oil reserves is an example of the powers that a favourable location can bring to the few and the lucky. A very important part of Japan's industrialisation from the 1950s onwards was driven by the need for a nearby, relatively cheap and politically secure source of coking coal which it found in the open-cut coal fields of Queensland, and northern New South Wales, Australia.

6.5.3 Favourable locations: thinking alike – location, location, location

The fast food-takeaway franchise chains have structured their strategic positioning on developing and applying successful locational algorithms. The fact they end up facing each other from opposite corners of the same intersection indicates they have arrived at very similar conclusions.

6.5.4 Learning or experience curve: thinking smarter

More and more final end products are configured from the intellectual property and patents, licences from a variety of sources held by a vast array of different and sometimes

competing producers. For example, Sony, having lost the battle for the hearts and minds of the retail home market finally licensed the VHS format from JVC. Dolby noise control hardware and software is licensed by a vast array of radio and HiFi/Sound System manufacturers. The simple timing switch that controls the windscreen wipers in vehicles is licensed by virtually every auto manufacturer and assembler in the world.

6.5.5 Government policy: Level playing fields? Transparency? Equity?

Not all industrial environments provide fair and equal opportunities for their members. This can apply where government policy restricts access to key industries that are considered important to national interests – economic, political, and military. It may take the form of subsidies applied to those industries that are to be kept economic to suit a political or strategic purpose. Government may choose to invest public monies to stimulate or grow key areas of the economy that would not normally attract sufficient attention from the private sector. Export trade incentives and rebates and investment and tax concessions to encourage industrial and regional growth strategies may be applied differentially to advantage some and disadvantage others.

6.5.6 Try, try and try again

The longer you work at something the more efficient you become in its operation. Keeping ahead of the competition on the learning curve allows the front players to keep changing the rules to their advantage. It also means learning how to identify the key factors that are crucial to survival and incorporating them into the next wave of competitive pressure.

7 Barriers to Exit

7.1 Specialised Assets

Assets that are highly specialised and specific to the particular business or location have low liquidation values. A business may be trapped in an industry because of an inability to realise on its capital assets. Machines whose function it is to form and mould plastic pipes cannot do the same industry for steel. Purpose-built hotels cannot be converted into hospitals. Trucks built to carry cement cannot easily switch to being milk tankers. Much capital investment is specific to a particular manufacturing or service process and difficult at best to convert to another. If there is little resale value, and the investment is large and long-term, getting out may not be an option or one that relies more on the sale of the business as a going asset. One of the problems associated with staying in the game is that innovation and R&D may progressively reduce the value of your capital assets as they become progressively outdated.

7.2 Fixed Costs of Exit

Legal commitments such as labour agreements, resettlement costs, maintaining spare parts capabilities means that some organisations simply cannot afford to close down.

Most business organisations exist in a tangled web of obligations and duties, some of which may be underpinned by the force of law. Avoiding or voiding such commitments may raise the costs of exit to the point where they exceed the cost of staying in business. This is more likely to occur where existing profit margins are still satisfactory and where the business is not actually running at a loss.

7.3 Strategic Interrelationships

Interrelationships may exist between an internal supplier and their customers in the company in terms of image, marketing ability, shared facilities etc. that make it difficult to close down.

Some SBUs or production/service units' real worth lies in their contribution to the value creating activities of other SBUs within their own organisations. For many years IBM maintained their own computer chip manufacturing capability so as to control the quality and supply of its own product innovations and reduce its dependency on external suppliers. Any decision by IBM to exit from chip manufacturing necessarily involved an assessment of the worth of the strategic relationship between this division and its internal customers.

7.4 Emotional Barriers

Sometimes, Management's unwillingness to make economically justified exit decisions is due to loyalty to employees, fear for their own careers, pride, etc. In these instances, sentiment rules everything.

One of the hardest business decisions is to know when to let go. Many small and medium sized businesses (SMEs) in particular embody the aspirations and the personality of their owners. When they get into difficulties, the temptation is to hang on and wait for better times although that never seems to come. Selling the business, or closing down, becomes a very personal matter and often represents the abandonment of a cherished dream.

7.5 Government and Social Restrictions

On occasion, governments may require industries to stay operating in order to provide a social or economic service to the community at large. Subsidies are provided in many countries in order to sustain uneconomic agricultural production – as is the case with rice production in Japan, dairy production in France, lamb production in the USA. In the case of Japan it is supported with additional tariff barriers against imported rice – emotional and nationalistic overtones can also intrude as rice is considered to constitute a large part of the Japanese culture and soul.

Questions for Consideration

Critically review the following proposition and its associated question. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition:

The dynamic nature of contemporary patterns of industry growth and change requires 'analytical models' capable of reducing the levels of complexity whilst at the same time capturing the essence of what is strategically significant within the overall detail.

Task: Consider this proposition in relation to the following question:

Identify, assess, compare and contrast the strengths and weaknesses of the Life Cycle and the Competitive Forces approach to industry analysis.

7.6 Activity: Industry Analysis

Select an industry and identify the pattern of forces (competitive and cooperative) at work and the underlying characteristics that shape this pattern. For example, the type and number of competitors, industry structure such as size, number and variety of product/market niches, entry and exit barriers, distribution and supply chains, extent of horizontal and vertical integration etc. as shown in the example below. **Note:** You may choose to use some or all of the information that you would have collected when preparing your answer to activities in earlier Blocks.

It is recommended that you use a table in a form such as the one below to record the information you collect. Please note that a small illustration is given to get you started.

Industry Description:		
	Patterns of Competition & Cooperation	Underlying Characteristics
Aerated Drinks and Sodas		
Small number of large competitors (National) and a very large number of small competitors (local to area)	Intense levels of competition with a constant flow of new entrants and exits	Many different flavours and varieties, with considerable overlap and constantly evolving 'brands'
Dominant national brands that have absorbed many existing and start-up operations	Distribution and supply channels largely shaped by the national brands	Sub-Contract delivery systems with intense competition for small margins

8 Summary

The Industry Analysis component of strategic management and planning focuses on characteristics of the landscapes to which an organisation belongs, and in which it seeks to participate and carry out its purpose. The choice of approach and model employed to analyse the industry does itself, in turn, establish and configure the parameters within which analysis can proceed. Arising from this process, determinations can be made about the significance of the industry's effects and influence on the organisations that compete within its boundaries for advantage and gain. Any reciprocal influences by the participating organisations on their landscapes can also be identified, described and accounted for as part of the overall process of analysis.

For any one industry there are complex patterns of influence and effects that extend well beyond the simple one-to-one perspectives provided by the single organisation with regard to its industry relationship. Each participating organisation has a set of stakeholders in association with it. Most stakeholder groups for most industries also help shape the industry landscape by their interactions with the host organisation – shareholders, investors, suppliers, and customers all contribute to a web of effects the influence of which advances and retreats across the landscape in line with evolutionary processes – from start-up through to extinction or rebirth.

The two techniques presented in this Block are among a number of more commonly used tools and models developed over the years to assist in building industry 'strategic pictures.' Each offers a means to achieve a similar end – to develop an informative and reliable industry knowledge base on which to make organisational decisions about strategic positioning for the future.

Commonwealth of Learning Executive MBA/MPA

SC3 Strategic Management

Block 8

Strategy Implementation and Control Processes

Course Author:

Dr. Robin W. Smith
Teaching Fellow
Graduate School of Business
College of Business
Massey University
Palmerston North, New Zealand

Course Designer/Editor:

Shari Virjee, BA, GD IM (Post-Graduate
Diploma in International Management)
Vancouver, Canada

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The Commonwealth of Learning
1285 West Broadway
Suite 600
Vancouver, BC V6H 3X8
CANADA
e-mail: info@col.org

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1 A Tour of Block Eight: Objectives and Introduction

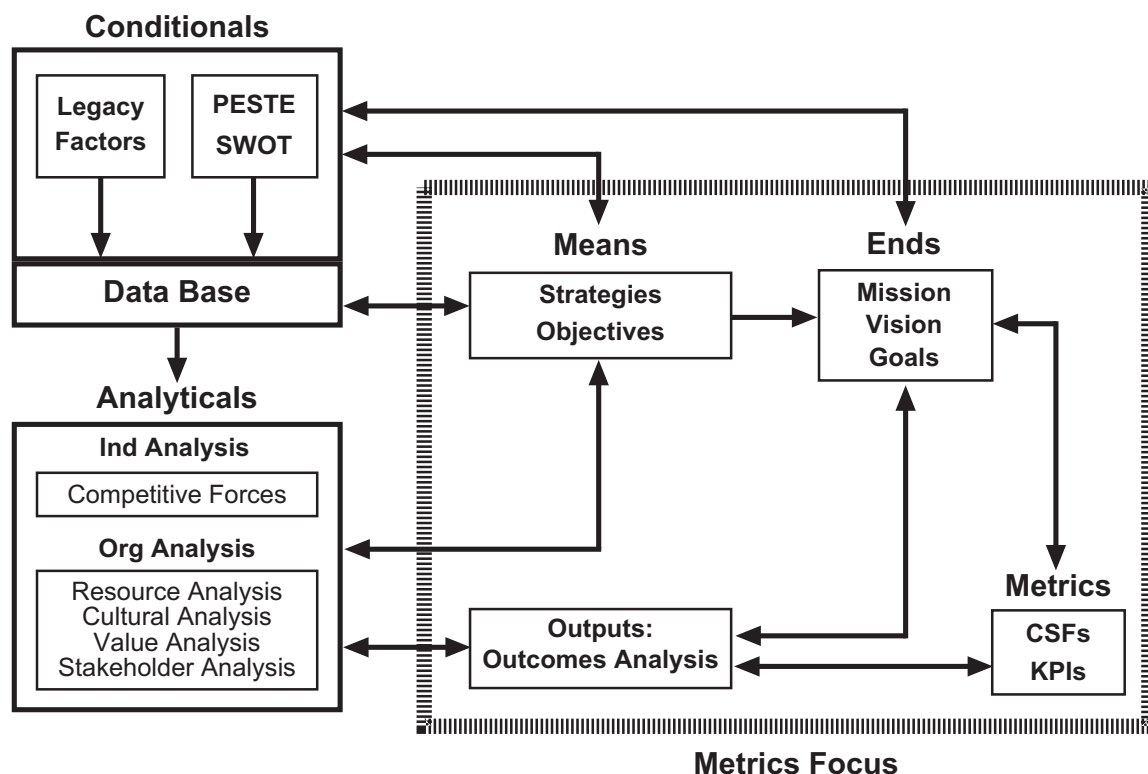
After working through Block Eight of this course, you should be able to:

1. Distinguish between the Financial and Strategic Health of an Organisation
2. Understand the place and role of the Financial Ratio approach to the measurement of the financial performance of an organisation
3. Understand the place and role of the Balanced Scorecard approach to the measurement of the Strategic Health of an organisation
4. Understand the place and role of the Critical Success Factor approach to the measurement of the Strategic Health of an organisation.

1.1 Introduction

The Strategic Planning Cycle represented in Figure 8-1 shows that the focus for the measurement of strategy is centred round the Strategy Equation (Ends and Means) and its interaction and relationship with the Output Outcomes statement. (See Block 2.)

Figure 8-1 Strategic Planning Cycle



Legend for Metrics Acronyms:

CSFs – Critical Success Factors. These refer to those conditions, circumstances that need to be achieved and met in order that the organisation be able to gain both its Goals as well as successfully implement their associated Strategies – the things the organisation needs to do to stay on the strategy path and achieve the defined ‘Ends.’

KPIs – Key Performance Indicators. These are the measures associated with each of the CSFs that assist the organisation to determine the extent to which it is achieving its critical success factors.

In order to determine its strategic condition and health, an organisation needs to be concerned with measuring and assessing the following dimensions of performance:

- How well the Ends have been attained with regard to the Vision and the Goals; also where appropriate, as per its stated Mission and Values);
- Both how effectively the Means have been implemented (strategies) but also to what extent and how well they have been attained (objectives);
- The efficiency and effectiveness with which the resources have been applied to the achievement of Means and Ends;
- The Outputs and Outcomes of the organisation (on both the Inbound and the Outbound side of its value chain) measured both in functional terms (Financial, Customer/marketing, Process/Production and Human Resources) and also from the organisation’s Stakeholders’ perspective;
- Its performance in its chosen key areas and the CSFs that it needs to monitor, through its selected KPIs, in order to assess the strategic positioning of the organisation at any given point in time within the context of its industry and societal landscapes.

The overriding concern of the modern business organisation is on its ‘strategic health’ and mostly but not exclusively on its ‘financial health.’ The concept of strategic health requires the organisation to move beyond the standard financial and accounting measures and models used to assess and represent the economics of the business. These measures take a largely historical perspective, and while it is necessary to do this in order to provide quantitative measures that inform the organisation on the condition of its underlying capacities and competencies, the utility of its present actions and choices about future directions is also very important.

It is possible to envision a situation where financially, an organisation appears to be successful but strategically, it is in a seriously difficult condition: for example

- a company that continues to reward its shareholders at the expense of its maintenance budget or plant replacement requirements;
- a company that intensively harvests its current product offerings whilst neglecting to provide sufficient R&D funding for new product development;

- a company that neglects to invest in its B2B (Business to Business) relationships and fails to support and sustain those that are crucial to its long-term positioning and survival within its industrial value chains.

2 Financial Ratio Analysis

The financial health of an organisation is typically determined through the use of a variety of financial measures and in particular through the use of ratio analysis. Financial ratio analysis consists of the comparison of two or more financial measures of organisational performance. They are derived and calculated from the information provided in a company's financial statements and records. The values and historical trends of these ratios can be used to make inferences about a company's financial condition, its operations and its strategic performance by comparison with its competitors – individual and collective.

By itself, a financial ratio is a rather useless piece of information. In its organisational and industry context, however, a financial ratio can give the strategic decision maker an excellent picture of a company's financial and strategic health and in particular, the level and the quality of performance it represents as well as information about developing and emergent trends. A ratio gains utility and value by comparison to other data and benchmarks of both a financial and non-financial kind.

For example, the 'gross margin' is the gross profit from operations divided by the total sales or revenues of a company, expressed in percentage terms. Taken by itself this has little meaning, but if competitor's margins are known, then the organisation has the ability to chart its performance and peg it into a whole of industry context. This ability to make inter-organisational comparisons permits each industry member to assess its own performance with regard to its industry's 'ratio standards.' If industry trends (upward or downward) for a particular ratio are known, then management is able to assess how well or otherwise the organisation itself is performing in regard to its own strategic determinations. This requires, however, that the organisation be able to relate 'Strategic Equation' elements (see Block 3) to selected financial ratios and that the connection between the two be traceable and measurable. This means that the results of vision and goal-driven strategic decision making can be traced through the patterns of financial performance of the organisation. An approach along these lines is what underlies the Balanced Scorecard approach to strategy assessment (to be discussed later in this Block).

Financial ratio analysis groups the ratios into categories which provide information about different facets of an organisation's strategic and operational performance. A short overview of some of the categories of ratios is given below. A more detailed picture can be sourced at the following www site: <http://www.bized.ac.uk/compfact/ratios/>. (See the Course Introduction for a full list of References and Further Reading for this course.)

2.1 Performance Ratios

Performance ratios calculate return on capital employed and return on net assets. This is shown in Table 8-1.

Table 8-1

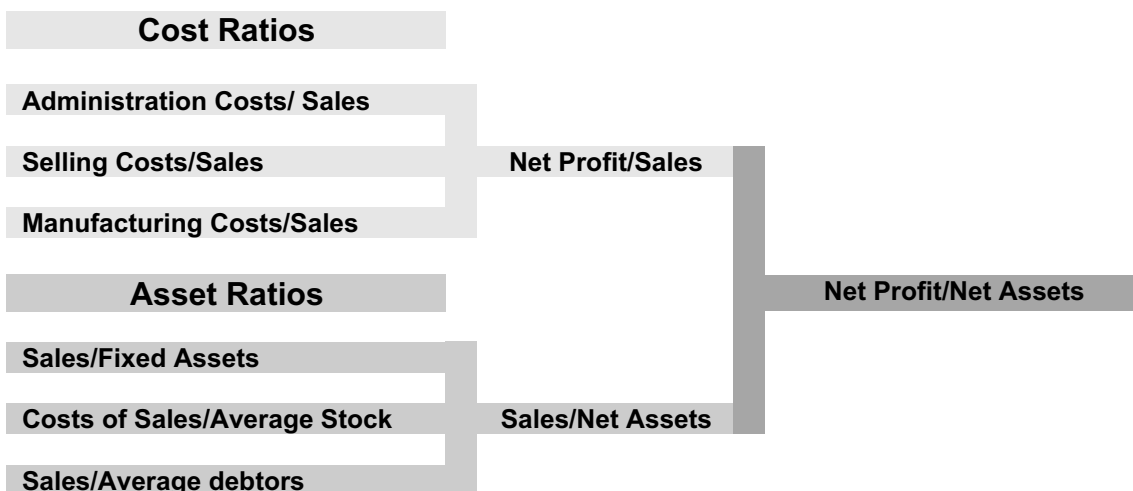
Operational/Strategic Focus	Relevant Ratio
Return on capital employed (ROCE)	Total profit/Total Assets
Return of net assets (RONA)	Net profit/Net Assets

These ratios can in turn be dependent upon other ratios. For example, RONA is dependent upon other ratios as shown in Figure 8-2 below. If RONA is not satisfactory for a business as a whole or for the individual SBUs that it supports, it may be necessary to check the net margin (net profit/sales) and the asset turnover (sales/net assets). A low net margin leads to an analysis of Cost Ratios a number (see also Figure 8-2).

2.2 Cost Ratios

A similar analysis of asset ratios would be required if asset turnover was low. For example, from a marketing perspective, sales are an important measure of performance and an important part of these calculations. Poor ratios can be expected if sales performance is bad. The reasons for this may have to with inadequate promotional and marketing budgets, poor positioning in the channels or failure to deliver on the outcome specifications (customer benefits) to the various customer groups along the value chains. Alternately, poor net margin may also derive from high cost structures embedded in administration or manufacturing.

Figure 8-2 Cost Ratios



2.3 Efficiency Ratios

Efficiency Ratios are developed for the circumstances that apply within the specific functional area under measurement and review: sales, production, distribution and human resources. In the area of sales for example, the following ratios could apply and this is the type of information that might benefit and lead to better strategic performance of the marketing and sales component of the strategy equation. See Table 8-2.

Table 8-2 Operational/Strategic Focus

Operational/Strategic Focus	Relevant Ratio
Sales Space	Sales/Square Metres of sales space
Sales Team	Sales/Number of Sales people
Sales person	Sales by Person/Totals Sales
Sales Region	Sales in Region/Total Sales
Product	Sales of product category/Total Sales

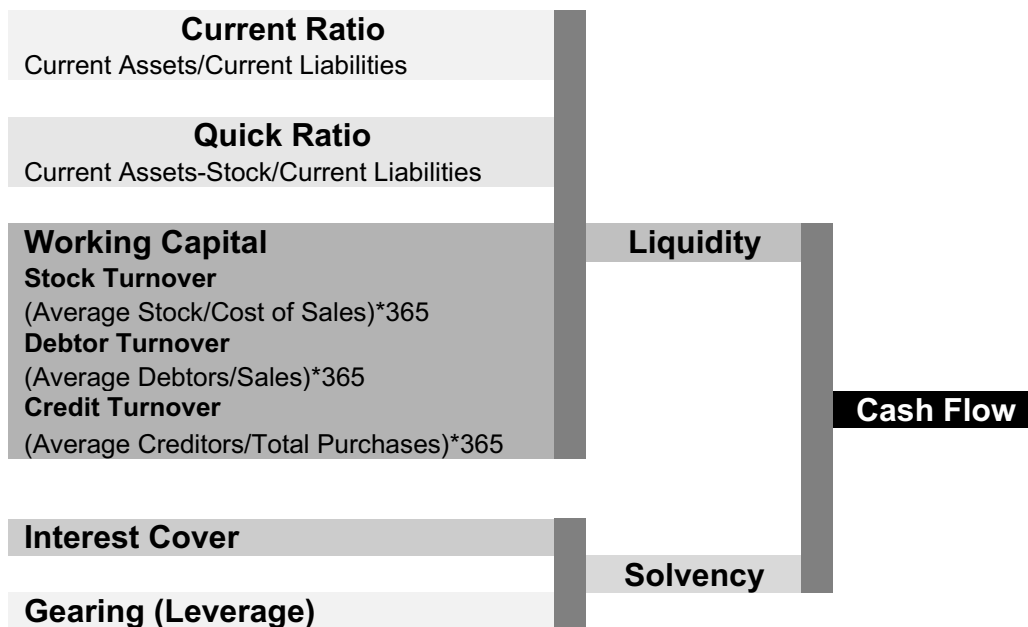
Similar sets of ratios are generated for performance measurement in other areas as well. For example, **Employee Ratio** measurement is focused on the human resources of the organisation and in particular, on each individual or group-based contribution to profit. This can be further divided into three other ratios for analysis:

- Sales/Employee
- Expenses/Employee
- Assets/Employee

It should be noted that ratios can be developed that have specific meaning and relevance for the organisation and therefore the mix of ratios may vary considerably from organisation to organisation resulting in a blending of the industry generic with the more organisationally specific.

Financial ratios focus on the financial viability of the organisation. They divide into Liquidity (Short Term) and Solvency (Long-term) as shown in Figure 8-3.

Figure 8-3 Current Ratio



The current ratio is designed to indicate how well the assets of the organisation cover current liabilities and should normally be greater than 1. The Quick ratio indicates how well a organisation can meet its short term debt. In general it should be greater then 1.5.

Liquidity depends to a great extent on the rate of flow of working capital – the cash-to-stock-to-debtors-to-cash cycle. Restrictions in the flow of such capital or distortions induced by changes in customer financial and other arrangements may induce strategic consequences for the organisation. For example, extending credit to customers lengthens the time it takes for working capital to get around the system. Surges in sales normally require increases in working capital to fund the production and delivery of the required goods and services, and this may create major problems for those that must find the finance. Such demand surges may induce ‘over trading’ which can and does lead to company failure. This can and does occur when start-up companies find that demand has outstripped their capacity to supply and they must borrow to meet their liquidity constraints. It can also occur when key customer order volumes overwhelm the production capacities of the supplier as the customer seeks to gain the discounting advantages that large run orders can bring. Sales staff need to recognise such limitations when negotiating sales contracts.

Solvency ratios analyse the longer term financial position, and divide into **interest cover** (Profit/interest charges) and **gearing or leverage** which shows the extent to which debt is used in a company’s capital structure. The main types of gearing are operational and financial. **Operational gearing** is a form of capital/labour relationship: a highly geared company has a high investment in equipment and a low labour input. **Financial gearing** on the other hand, has to do with the financial structure of the business, particularly the ratio of debt to equity.

Just as it is crucial that an organisation be analyzed within the context of its environmental landscapes, so also it is crucial to note the importance of having the proper context for ratio analysis. Changes or movements in financial measures over time (the historical perspective) need to be placed against the background of the organisations current and prospective strategic situation and positioning in the market – without such ‘back-grounding’ or ‘contextualizing,’ the financial measure and message has little value in predicting future trends. An organisation that has gone through a merger and acquisition exercise (as either the target or the initiator), or repositioned itself into a different niche employing new and innovative technology, would be able to glean little predictive value from its historical ratios.

Similarly, making industry comparisons requires an ‘apples with apples’ and ‘oranges with oranges’ approach. It makes little sense and creates little value to compare the ROCE ratios of more stable power generation and distribution companies with women’s fashion and garment houses – any results would be strategically meaningless. As well, measuring a company’s profitability ratios over less than a full commodity (a dairy farm or orchard) or business cycle (a summer season hotel or winter season skifield) would fail to give an accurate long-term measure of profitability.

It is worth noting that different analysts and stakeholders often view financial ratios and their usage from very different perspectives. For example, credit analysts, those interpreting the financial ratios from the prospects of a lender, focus on the ‘downside’ risk since they gain none of the upside from an improvement in operations. They pay great attention to liquidity and leverage ratios to ascertain a company’s financial risk. Equity analysts look more to the operational and profitability ratios, to determine the future profits that will accrue to the shareholder.

The use of financial ratio analysis is well-developed and the actual ratios are well-known. However, practicing financial analysts often develop their own measures for particular industries, and even individual companies. Strategists will often differ drastically and draw different conclusions from the same ratio analysis.

3 The Balanced Scorecard

The Balanced Scorecard (BS) represents an approach to strategic health measurement that seeks to offset and align the financial performance of an organisation with performance in other aspects of its strategic management.

The BS, as with the other models or frameworks considered in this course, is concerned with assembling component parts of the strategic equation into a set of relationships that allows for a deeper understanding of their individual and collective significance. It provides for translating an organisation’s strategic goals and objectives into a set of performance indicators.

The Four Dimensions on which the BS elects to focus are:

- The **Financial dimension**: this is about making a profit
- The **Customer dimension**: this is about satisfying a customer need (or in our terms Outcomes or Benefits)
- **Internal Business processes** (delivering value – through the values or process chain)
- **Learning and Growth**: people and systems and their application to strategic resourcing and improvement

Looking carefully at this list you may note that each of the four ‘dimensions’ aligns quite closely with the functional components of the organisation:

- Finance
- Marketing
- Production (both goods and services)
- Human Resource and Systems (Technology and Information)

A number of illustrations are provided to demonstrate the link between each perspective and the selected Critical Success Factors (CSFs), and their associated measures. This is shown in Illustrations 1a through to 1c, and 2.

Illustration 1a: A small community newspaper

The business of this enterprise is the production and sale of a local community newspaper. The main focus is on cost control and reduction, low levels of wastage and high levels of output. Interpersonal relationships are the key to growing revenue through advertising sales where the client can expect a well-targeted and relatively low-cost entry into the local marketing channels.

Financial Perspective		Customer Perspective	
CSF	Measures	CSF	Measures
Maintain low overheads Shared computer facilities Flexible credit arrangements	Cost Ratios Asset ratios Efficiency Ratios	Positive one-on-one relationships with core advertisers	# of sales % of available space sold
Internal Perspective		Innovation & Learning Perspective	
CSF	Measures	CSF	Measures
Home Based Operations Rapid production, e.g., Desk Top Publishing,	measured in deadlines met and units produced – print run	Flat organisational structure High capacity utilisation Efficient and cost effective information systems	# of processing errors % of raw material wastage Time to response

Illustration 1b: A radio station

Here the focus is on setting and meeting revenue targets, building relationships with both customer groups (advertisers and listeners), keeping on- and off-air error rates as low as possible and recruiting and building effective human resources to meet the community-centred focus of the station.

Financial Perspective		Customer Perspective	
CSF	Measures	CSF	Measures
Revenue targets	Yield Minutes, spots, sold by zone Average rates by zone Forward bookings %	Advertisers Customer Satisfaction Client Database Listeners Brand Awareness Time spent listening	# of complaints # of lost clients Spend per Client # of contacts Response time Ratings Survey
Internal Perspective		Innovation & Learning Perspective	
CSF	Measures	CSF	Measures
Error analysis Operational audit	Errors logged Time taken per task Number of tasks Value of tasks Quality impact of task	Retention of Skills Performance benchmarks	Minimum performance standards and levels Number of complaints

Illustration 1c: A small research laboratory

In this illustration the focus is on improving access to new opportunities and building effective customer relationships. Being ahead of customer expectations in terms of meeting and exceeding deadlines and being timely to both new product opportunities as well as working to exceed customer expectations. There is a need for quality in task as well as in service expectations.

Financial Perspective		Customer Perspective	
CSF	Measures	CSF	Measures
Project starts and completions Revenue volumes and mix Capacity utilisation Capital and asset utilisation	% of starts/bids % of completions/starts	Timeliness Client involvement Focused marketing Establishment of Key relationships	Deadlines met or exceeded % of customers satisfied with timeliness Contact hours Frequency of contact # contacts made Brand awareness # of successful contacts and contracts
Internal Perspective		Innovation & Learning Perspective	
CSF	Measures	CSF	Measures
Appropriate management Quality of Work	# of industrial incidents # of new project starts \$ levels of funding quality of external relationships Quality Assurance measures - % of satisfied customers	Timeliness Staff selection	Opportunities identified and captured Turnover rates Wastage rates Absenteeism Retention rates Awards

Illustration 2:

The Illustration below shows a balanced scorecard for POSTBANK a State Owned Enterprise established by the NZ government out of the ‘banking services’ division of the Posts and Telegraphs department, when it was split into three separate entities: Postal Services, Telecommunications, and Banking. Although POSTBANK was eventually sold to a private bank, it went through a process of reorganisation and repositioning to better prepare it for the commercial realities of the open market. It did so focused on a ‘simply banking’ vision which drove all aspects of the repositioning and restructuring. Strategies were developed to allow for the progressive transformation of the organisation into a more commercially recognisable and viable banking structure but which conserved and made best use of existing resources – especially the front line employees that had built up considerable OTC (Over the Counter) face-to-face, communication and relationship skills. They also had to create a more modern banking infrastructure in terms of new products and updated technology without losing their existing customer base. This is reflected below in both the Objectives and Scorecard measures.

The Balanced Scorecard: POSTBANK NZ			
The Vision	The Strategies	The Objectives	Balanced Scorecard
'Simply Banking'	<ul style="list-style-type: none"> • Create the Bank of Tomorrow within the Bank of Today • Retain and extend the current customer base • Develop and grow the product portfolio • Develop a credit management process • To meet the needs of a commercial bank 	Financial	
		Return on Capital	ROCE
		Revenue growth	Revenue Flows
		Customer	
		Simple, problem free relationships	% share of customer Wallet
			# of complaints
			Inter-bank service ranking
		Internal	
		Best practice technology	QA ranking and rating
		Efficient 'Credit call' management	% defaults on borrowings
		Growth	
		Clear and strong corporate Identity	Brand recognition And reach
		Positive banking culture	Staff satisfaction levels

The balanced scorecard has helped to bridge the measurement gap between financial and strategic health. It helps to better state and measure the relationship between the 'Ends' component of the strategy equation and the strategies and related measures developed to measure how well the organisation performs across the four selected dimensions identified above.

4 Critical Success Factor Measurement

Identifying and detailing the Critical Success Factors is central to the ability of organisations to strategically position themselves with respect to their competitive marketplace as well as in regard to their key supplier and customer groups. Each CSF must therefore have as associated measure or set of measure, most commonly referred to as KPIs, that permit it to be measured in ways that facilitate the strategic management process as a whole. The right set of factors and the correct set of measures is necessary to ensure that the correct set of outputs and outcomes are achieved. What follows is a detailed set of such factors developed for a New Zealand dairy factory. The level of detail provided by the example is not exceptional and you should note that the CSFs themselves focus on key strategic aspects of organisational performance as well as the crucial relationships that the factory has to develop and sustain with its partners in its own

organisational value chain as well as with its positioning in the dairy industry as a whole. Study this pattern of factors and associated measurement carefully.

Illustration 3: The Contented Cow Milk Company

This illustration sets out the list of Critical Success Factors for a standard dairy factory where the surrounding farmers are both its suppliers and shareholders. The farmer therefore has a double financial interest in the factory and it is in the farmer's long-term interest that the factory be managed and operated as efficiently as possible. A strong emphasis is placed on statistics-based modelling of the performance of the factory in a number of key areas. In this instance, the industry employs a Standard Cost Model (SCM) which provides a series of benchmarks against which any single dairy factory can measure both their individual performance as well as how well or otherwise their economic performance matches that of the industry as a whole. This helps both the farmer and the dairy factory to measure their strategic and operational abilities and determine to what extent they match the SCM.

The CSFs cover those areas that are of importance to the strategic success of the factory and include:

Payout to farmers

- If the factory is unable to buy the raw milk at a price that provides an economic return to the farmer, both parties risk economic failure. Because the quality of milk can vary from season to season and from farm to farm, the price paid to the farmer will reflect the attributes of the milk and its potential for process and conversion into a variety of differentiated products. It is in the farmers' interest, therefore, to operate their farms in such a way as to create the maximum value.

Customer relationships

- This clearly relate to the mix of industry and retail customers that further process or consume the outputs of the factory. It will help you to remember that the Output and Outcome sequencing can be applied here just as it was for the Pip Fruit industry as shown in Block 5. The dairy factory itself possesses its own Value Chain and CSFs, such as 'Customer Relationships,' which identify and measure the nature and quality of the interactions between the members of the value chain as well as the customers of these members that are themselves distributed at different stages along the value chain itself.

Output maximisation

- This has to do with ensuring that the flow of raw materials into the factory and the sequence of processes through which it is stepped from raw milk to matured cheese makes the best use of available capacity. Because it is a seasonal industry, capacity utilisation is an issue, because it requires the organisation to work 24/7 (24 hours a day, seven days a week) for periods of the year and 0/7 for the out of season stages in the supply cycle. As far as possible, peak milk flows must match peak production operations. If supply is under or in excess of capacity, a problem will exist.

Product mix

- This has to do with the ability of the factory to create the optimum combination of product values possible. If it fails to keep abreast of technology it may be unable to move with changing market needs and benefits. In the case of butter packaging, a failure to make provision for smaller pack sizes may cut the factory out of a segment of the lifestyle markets that want smaller amounts available in convenient packs sizes. Low or no salt butter, low or non fat milk all address the dietary requirements of a more health conscious market. Achieving and keeping the right combination of traditional and evolving products is crucial to helping the factory stay relevant and competitive in its chosen markets.

Yield maximisation

- This has to do with achieving the best combination and best use of available resources applied to each step in the value added chain. It is, or should be, part of the management process and sits at the heart of output efficiency and effectiveness and with the installation and operation of a Quality Assurance system.

Quality maximisation

- This has to do with attaining, keeping and exceeding the quality specifications for the products created by the factory. This usually also involves external agencies, standards setting and benchmarking as well as some form of inspection and auditing to ensure compliance with and achievement of the set standards. Failure to achieve and sustain these standards could result in shut down or closure and in the corruption of the brand and brand values. Good health and safety standards reinforce the value of the product and support the growth of consumer confidence.

Suppliers

- This has to do with the capacity, ability and willingness of the suppliers to the factory to meet their contracted levels of production in any given season. Too little supply results in lower levels of product output and an underutilisation of the productive capacity of the plant. Excess of supply during peak flow periods can create disposal challenges for both the farmer and the factory.

Industry Payment Models

- Conformity to these models allows the organisation to benchmark their performance against the industry for the given set of prevailing business conditions.

The Contented Cow Milk Factory – Identification and Measurement of Critical Success Factors		
Factors	Prime Measure	Influencing Factors +/-
Payout to Farmers (Crediting of Payment components)	\$ per kg milk fat paid to Farmers as Suppliers	Operating Efficiency: systems Equipment – calibration and use Quality of product Volume of product
Customer relationships	\$ Repeat sales. number of complaints Level of regular contacts	Willingness to invest in customer contacts, commercial sensitivities
Output maximisation (Levels of production)	Tonnes, percentage Tonnages of products produced versus capacity	Flexibility between units of peak production Shareholder satisfaction, climate, payout, corporate culture, loyalty of suppliers, long-term view
Product Mix (commodity products – milk powder; value added - colostrum)	Tonnes produced Market share percentage and value Consumer surveys Premium Pool \$ Maximisation	Technology capability. Competition for specialised products between Dairy Companies Domestic demand Health groups
Yield maximisation Efficiency	Measurement of losses compared with Standard Cost Models (SCM) Dollars	Attitudes, Systems, Technology Transport, Energy Usage
Quality maximisation	Milk fat yields/grades ISO 9000 Quality Assurance Models	Suppliers, Skilled staff Supervision Technology
Suppliers (farmers)	Number farmers Cows per acre Milk fat per acre	Production levels Quality standards Content potentials
Degree of match with Industry Payment Models	Comparison with industry Payment Models. Efficiency of Capital \$ spent, comparisons with payment models and competitors	Availability of capital at competitive rates and conditions. Product market securities. Analysis of major competitors' performances
Research and Development	Value Added Products	International comp Domestic consumers
Company morale Commitment of staff	Performance standards, absenteeism, turnover, accident rates	Leadership style Training
Environmental quality and protection	Compliance with water right standards	Societal attitudes, legislation, protection of yields through loss reductions

Research and Development

- The whole thrust of product innovation in the dairy industry has been away from commodity outputs towards differentiated and valued added industrial and consumer goods. Research and development provides the underlying expertise and capacity to fund and facilitate this strategic thrust. A failure to fund this type of development risks isolating the factory from the more high-margin high-yield revenue streams, and instead, locks the enterprise into a dead end, maturing and declining market.

Company morale and culture

- The traditional working environments of Dairy factories have been likened to those of ships at sea. Strongly hierarchical in management form and culture, and driven by machine-paced systems, its management focus was on the effective implementation of directives from above rather than on a more group-based process centred on the factory floor. These models of management have had to change as industry consolidation has progressed across the industry and large corporate entities have emerged with a better educated and envisioned management and a more technically skilled and competent workforce.

Environmental Quality and Protection

- Dairy factories are potentially heavy polluters of the physical environment and new legislation in more recent times has brought considerable pressure on all business organisations to incorporate real and active procedures to minimise or eliminate such impacts. Failure to conform and comply carries significant penalties and a long-term offender would put at risk their business and reputation in the industry.

Identifying and setting the right factors and ensuring their linked measures are place is crucial to achieving the output and outcome specifications that permit in turn the achievement of the long-term goals and vision for the organisation. In this way the CSFs of an organisation connect with the Outcomes and Outputs specifications. This also means making sure that the right measures are chosen to match with the CSF. Poor selection of measure can lead to a distortion or outright failure in an area where success is crucial.

In a very different arena for example, a police campaign designed to reduce the incidence of alcohol-related accidents will focus on stopping and testing drivers in those hours of the day and night when they are more likely then not to be on the roads – late evening and through to the early hours of the morning. The focus needs to be not on the number of drivers stopped and tested but on the number of drunks detected and prosecuted with a subsequent fall in the road accident rates. Critical success factors associated with this might be the availability of sufficient police officers, effective driver education programmes and the determination of the courts to prosecute and convict the offenders.

Illustration 4: Private Local Radio Station

The final illustration demonstrates how detailed CSFs and their related measures apply equally to a 'services' rather than a 'manufacturing' or 'processing' type of business and industry. In this example there are two customer groups: the **listeners** and the **advertisers**. The radio station has identified the following areas on which it needs to focus its performance:

Advertisers

- The efficiency (measured in terms of costs – not unlike the SCM of the dairy factory) with which it delivers its services in comparison with its competitor ratings;
- The establishment and enhancement of a client database able to track the spending behaviour and decisions of its clients;
- The extent to which it meets the listening needs of its customers; how well it **fits** their requirements;
- How well it reaches its customers for the purposes of marketing and sales – levels of awareness;

Listeners

- Listeners recall of the radio station's brand – how well the listener discriminates the products of this radio station from all others.
- How well the delivery format matches their listeners' needs.
- Growth in share of 'ear' (as in audience for visual media)
- Time spent dedicated to listening to the station
- The connectability (relevant content, engaging radio hosts) between the station and their listening public.

Radio Local 1000FM: Performance Measurement – Selected Perspectives

	Critical Success Factors (CSFs)	Key Performance Indicators (KPIs)
Customers – Advertisers' Perspective	<ul style="list-style-type: none"> Media cost efficiency study Establish client database Client demand profiling – type and spend Customer satisfaction research Campaign effectiveness 	<ul style="list-style-type: none"> Cost per thousand comparisons TV/Radio/ Magazines/ Newspaper Number repeat clients Increased spend per client Number of client calls Response time Increase in incremental spend Number of participating clients Monthly client telephone survey Frequency of complains Number of lost clients Customer Satisfaction Index Customer Awareness Index Market share
Customers – Listeners' Perspective	<ul style="list-style-type: none"> Brand awareness recall Format relatability Cumulative Growth Time spent listening, viewing, reading growth Promotional effectiveness 	<ul style="list-style-type: none"> Ratings survey assessment Number of external media campaigns run Number of complaints, compliments Tracking research perceptions Focus group recall Music research Telephone traffic Number of new listeners Number of new database names Ratings surveys Growth in P1 audience Speed to market Increased reach

Questions for Consideration

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your tutor.

Proposition 1: That financial health measures for an organisation such as ratio analysis have little predictive value. They are good measures of the past but reveal little of the future.

Task: Consider this proposition in relation to the following questions:

1. What are the respective strengths and weaknesses of both financial and non-financial measures of strategic health and how can they best be combined?
2. What other perspectives exist that could be incorporated into the balanced scorecard to further enhance its utility and relevance?

4.1 Activity: Critical Success Factors – Strategy Measurement

Determine the Critical Success Factors for an organisation. Identify those areas, activities and their measures whose successes are critical to the strategic future of the organisation. Remember that you may apply the same measure to more than one CSF. For each CSF identify those factors that influence their attainment. Please use the chart below as a guide to complete the activity.

<div>_____:</div> Name of Organisation		
Identification and Measurement of CSFs/KPIs		
Factors	Prime Measure	Influencing Factors +/-

5 Governance

The styles and patterns of organisational governance have a significant bearing on the determination and implementation of strategic directions as well as on the allocation of resources and the distribution of benefits to the often competing and conflicting interests of the stakeholders – individuals as well as interest groups.

In recent years, attention has focused on the respective roles of the senior management team -- the CEO and the Boards of Directors – in proposing, deciding and implementing strategy. In particular, recent literature provides a detailed look at the organisational structures and processes that separate as well as link these roles together, as well as the overriding importance of the shareholders, for commercial organisations.

There are two conceptual threads that underline substantially different perspectives on the role of the Executive and the Board: Agency theory and Stewardship theory.

5.1 Agency Theory

In Agency Theory, the managers are pictured as the ‘agents’ of the proprietors or owners, needing rewards to motivate them to action and to keep their attention focused on the maximisation of shareholder wealth. The duty of the Board in these circumstances is to develop the right mix of rewards necessary to stimulate the CEO and management team to achieve results in line with projected shareholder earnings. This relationship between Board and CEO can be obscured and blurred when the CEO also occupies the position of Chairperson of the Board. Agency theory suggests that in these circumstances the interests of the proprietors/owners will move to second position behind that of the CEO. Overall, the agency view pictures the CEO as ‘opportunistic’ and ‘self-seeking,’ driven from essentially selfish reasons. It is the job of the Board to harness this energy to the organisation’s prime purpose: enhanced profitability, and dividend and capital value growth rates for the stockholders.

5.2 Stewardship Theory

In Stewardship Theory an alternative view is offered. The CEO and senior executives under this model are driven by a more complex mix of needs and motivations, and personal rewards integrate with group and institutional rewards – both financial and non-financial. Here, the focus is on the development of organisational structures and systems that support the role of the CEO and management (the CEO being viewed as the ‘steward’ or keeper of the organisation’s purpose and intent, whose focus should be on protecting and conserving the interests of all stakeholders, including the proprietors.

5.3 Principles of Corporate Governance

From either standpoint, there are a range of activities and responsibilities that are the concern of organisational governance. They have been set out in a recent publication of the OECD (1999), entitled, 'Principles of Corporate Governance,' available online at <http://www.oecd.org/pdf/M00008000/M00008299.pdf>.

In summary, the corporate governance framework should:

- protect shareholders' rights
- ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights;
- recognise the rights of stakeholders as established by law and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises;
- ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company;
- ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

All of these principles have implications on the management of the strategic processes of the organisation. In particular, the protection of shareholder rights, equitable treatment, stakeholder rights, timely and accurate disclosure and strategic guidance. Each of these topics is described in detail below.

5.3.1 Protection of Shareholder Rights

The protection of shareholder rights targets such important issues as knowing the true mix of ownership, possessing accurate and timely knowledge of the organisation's economic performance, and being aware of the patterns of flow and the movement of investment within the marketplace from business to business. The shareholders of a company constitute a polity, a community of interests, having a natural concern and right to exert their individual and collective perspective and influence over the strategic future of the organisation. As with most such communities, particularly (in the case of publicly listed companies), there is usually a diversity of perspectives and positions of power and influence over such processes. Good governance presupposes that it is through creating the maximum opportunity for the full range of voices to be heard that the executive and policy makers of the organisation gain the most benefits. To keep a balance of power in place and to protect the interests of the smaller and less influential shareholders, it is necessary to establish rules of behaviour to ensure that the following results are achieved:

- 'Shareholders have the rights to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as 1) amendments to the statutes, or articles of incorporation, or similar governing documents of the

- company; 2) the authorisation of additional shares; 3) extraordinary transactions that, in effect, result in the sale of the company.’
- ‘Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.’
 - ‘Markets for corporate capital should be allowed to function in an efficient and transparent manner.’ (p. 17)

5.3.2 Equitable Treatment

Equitable treatment refers to the balance of interests and power between different shareholders based on such factors as size of holding, privileged access to insider knowledge, personal interest disclosures by management and directors on matters of policy and strategy. The thrust of this principle is towards the establishment of corporate societies where equity and transparency are the rule rather than the exception – equity in the sense of equal access for all, and transparency in the sense of open disclosure of information with no reserved or hidden position. In recent decades there has been increasing concern over the ‘rights’ of the small shareholder/investor and their power or lack of it to express their views and opinions or substantively influence the overall operation and strategic positioning of their investment.

5.3.3 Stakeholder Rights

Stakeholder rights refers to the ‘rights’ of those that have a financial relationship with the organisation – employees, suppliers, customers, investors, shareholders. Any organisation is a mosaic of interests and expectations, shaped and driven by the interaction between the stakeholders, who all seek to both optimise their own benefits as well as ensure the long-term survival of the organisation. If the organisation fails, what happens to:

- the suppliers that have advanced goods and services?
- the savings and pension plans of employees?
- the customers with partially completed contracts?
- the investors that have taken the funding risk?
- the pensioner and institutional shareholders alike that have accepted the assurances and smooth words of the annual reports?

Organisations locked into their own and industry value chains engage in complex dealings and agreements with stakeholders that stretch from the short to the very long term. Future shaping and determining decisions that involve an element of significant financial risk need to be ‘grounded’ within a stakeholder consultative framework that recognises and makes allowance for their interests, as well as those of the organisation itself.

5.3.4 Timely and Accurate Disclosure

Timely and accurate disclosure has to do with both the style and the content of the information passed from the organisation to its stakeholder constituencies. This in turn

depends on the type and kind of measures employed and the form in which this is processed and disseminated. Financial information needs to be presented within the context of the strategic framework so that actual performance can be assessed alongside that which was projected and planned. Consider it a type of 'scorecarding' that links the measures to the CSFs and through them, to the overall Vision for the organisation. Aged data is as bad as inaccurate data in assisting to inform stakeholder judgement. Financial data for the past financial year may relate poorly to the current strategic health of the organisation and provide little real support for projecting future possibilities.

5.3.5 Strategic Guidance

Strategic guidance has special relevance to the long-term positioning of the organisation. In particular, the board is seen as especially necessary to the effective discharge of a number of functions:

'Reviewing and guiding corporate strategy, major plans of action; risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.' (p. 43)

It is in this area that many of the issues involved with the 'agency' and 'stewardship' approaches to governance come into focus. In particular, the extent to which the 'Executive' component (e.g., the CEO) interacts with, integrates or dominates the 'Policy' (the Board), and, the benefits of one over the other of the two alternate management theories/models; one is centralised around the Executive, aimed at removing structural and process blockages in the organisation, and focusing on executive performance – and where executive performance is seen to be driven by additional motivators other than the strictly financial; the other is focused on establishing the right motivators to boost executive performance – how to create the buttons to drive the executive in the pursuit of shareholder wealth. This is not just an academic distinction. Each perspective assumes a different underlying model of how individuals behave in organisations and about how best to motivate people. They also assume different attitudes towards the 'purpose' of the organisation and the role that leadership should play in giving this a particular emphasis.

6 Summary

Measuring the strategic performance of a organisation requires that the strategist fully understand both the strategic and well as the operational characteristics of their organisation. As the saying goes 'the devil is in the details' and the details of financial performance provide targeted information on how well an organisation is utilizing its resources, how well 'conditioned' it is to progress its strategies and what are the flow-on effects of strategic positioning (and repositioning) on the interstices of the organisation itself.

In more recent years, models and methods such as the Balance Scorecard, have begun to develop which assist CEOs to expand their perspectives on their organisation and which allows them to assess its capacities and performance across a number of dimensions including financial, process, customer and resource allocation and usage.

The process of measurement must also reflect both the external requirements of the law as well as the needs of the executive and planners for real-time and on-line information about the marketplace and the functioning of the organisation within such a context and framework. The payoff for the organisation is that the information collected through measurement will reduce some of the uncertainty and risk that accompanies the business organisation in an age of constant change.

Commonwealth of Learning Executive MBA/MPA

SC3 Strategic Management

Tutor Guide

Course Author:

Dr. Robin W. Smith
Teaching Fellow
Graduate School of Business
College of Business
Massey University
Palmerston North, New Zealand

Course Designer/Editor:

Shari Virjee, BA, GD IM (Post-Graduate
Diploma in International Management)
Vancouver, Canada

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The Commonwealth of Learning
1285 West Broadway
Suite 600
Vancouver, BC V6H 3X8
CANADA
e-mail: info@col.org

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Preface

The following pages address the exercises, case studies, and self-evaluation activities published in SC3 Strategic Management. The purpose of these comments is to elucidate the course author's intentions in constructing the learning exercises in the course, and to provide guidance for the Tutor in providing the appropriate support and feedback to the learner. The final section serves as an Answer Key for evaluating the Activity-based assignments.

1 Introduction to Tutor Guide

This Tutor Guide is intended for use by Tutors and Administrators of SC3, Strategic Management. As students navigate through the eight Blocks of this course, completing the Assignments and preparing for the final assessment, Tutors, having read the contents of this Guide, will be well-equipped to fulfil their role as facilitators of the learning process.

The following information has been provided for your reference and consideration, and to ensure that effective learner support is given to students of the SC3 course: Course Outline, Assessment Scheme, Assignment Formats, and Answer Keys for Activity-based Assignments, plus a suggestion on how to use the Questions for Consideration for face-to-face contact with the Tutor. The section on the Final Examination provides suggestions on how to plan and design the Final Exam so that it may be tailored to a given (i.e., geo-specific) student market.

2 Course Overview: A Tour of SC3

2.1 Course Outline

Block 1 Introduction

- Nature and value of strategic management
- Characteristics of strategic management decisions
- Benefits of SM
- Components of SM
- SM as a process

Block 2 The Strategy Cycle

- The strategic management and planning cycle (SMPC)

Block 3 The Strategy Equation

- Strategic Ends and Means

Block 4 The Strategy Landscape

- The Societal Environment
- The Industry Environment
- The Organisational Environment

Configuring the Organisation in its Landscapes

- SWOT – the externals (O&T)
- SWOT – the internals (S&W)

Block 5 Organisational Analysis

- ORGANISATIONAL 'KEY' analysis: Structure, Culture, Process, Resource alignment and allocation
- VALUE analysis: value, supply chain, process chain
- Competency analysis

Block 6 Strategic Analysis and Choice

- Generic Strategies
- Functional Strategies
- Strategy selection processes and techniques

Block 7 Industry Environment and Strategic Choice

- Industry Analysis: competitive and cooperative forces model
- Strategic choice and Life Cycles: Product, Organisational and Industry;
- Life Cycle Analysis: from emergence to decline

Block 8 Implementing Strategy and Strategic Control Processes

- Structure, function, process and strategy
- Governance and strategy
- The Metrics of Strategic Management
- CSF and KPI (Critical Success Factors, Key Performance Indicators)
- Outputs and Outcomes – linking the stakeholder (customer etc.) into the Value Chain

2.2 Student Exercises

The course of studies is supported by two types of student exercises:

- Questions for Consideration
- Activities.

2.2.1 Questions for Consideration

The Questions for Consideration have been designed to encourage the student to think in depth about the content of the course and the diversity and variety in the subject matter. In BLOCK 1 the questions are simply listed for consideration. In the remainder of the BLOCKS, the questions are positioned alongside **a propositional statement** designed to provide a background and a context within which the student should seek to develop their answer. This helps to focus the student's attention within a defined context and requires them to analyse and interpret the problem or issues from this perspective. This adds to their thinking discipline and has the effect of building their critical faculties. The bulk of

the questions have been developed for the first four Blocks which constitute the largest proportion of the curriculum.

The questions themselves provide a means for students to both acquire skills of analysis, and to gain practice in developing answers that will assist them in their preparation for the final exam. To acquire these benefits it is necessary, therefore, that they attempt a sufficient selection from the range provided. This is something that the Tutor needs to determine before the course commences.

Note: It is suggested that, *prior to the start of the course*, a short list of questions be identified, that students will be expected to prepare for discussion during the face-to-face contact time with the Tutor. This will give them the chance to prepare their arguments and develop their material for further analysis within the context of a specified tutorial session. The short list could be changed from year to year, so that each new intake is required to break new ground. There are sufficient questions and activities to make such rotation possible.

2.2.2 Activities

The second component is built around a range of Activities designed to involve the student in desk and/or field research. Each activity focuses on an aspect of strategic management and if properly carried out, will help to develop in the student a greater knowledge of real world strategic activity as well as the connections that exist between concept and practice.

Through these exercises, students should be able to develop material that will serve to illustrate their exam answers and through which they may demonstrate their understanding of the links between theory and practice.

2.2.3 Optional Online Readings & Terms

The occasional online reading appearing in the text is considered Optional and has been provided for those students wishing to read further on a specific topic. The online location of these readings are referred to as 'Web Links'; in order to access these locations (on the World Wide Web), students would require connection to the Internet.

3 Assessment Scheme

Students are required to submit four Assignments based on Activities within the Block text, for a total of 30% of the total grade for the course. The first two Assignments related to Block 1, and carry a lesser percentage weighting; this allows students to become familiar with the Tutor's marking scheme* before they attempt Assignments Three and Four, which carry a heavier weighting and a specific format. A Final Exam worth 70% is to be administered at the end of the course.

The below scheme provides details of the Assignments, and also suggests a timeline (based on completion of Blocks) for submission of these requirements.

Block	Description of Activity	Assessment weighting
Block 1	Assignment One: Defining Strategy A & B	5%
	Assignment Two: Activity (student selected)	5%
<i>*Tutors, please ensure timely return of marked Assignments with feedback, in order that students may understand their weaknesses before attempting Assignments Three and Four.</i>		
Block 2		
Block 3		
Block 4		
Assignment Three (student selected from across these three Blocks)		10%
Block 5		
Block 6		
Block 7		
Block 8		
Assignment Four (student selected from across these four Blocks)		10%
Final Exam		70%
TOTAL		100%

3.1 Assignment Formats

Students are assessed in a variety of ways. They are expected to establish and maintain performance across all assessment areas. The mix of assessment has been designed to measure the clarity of their understanding of course concepts as well as their ability to apply these to practice. The written assignments are focused on the conceptual as well as the practical. The Final Exam* seeks to assess both their understanding of theory and concepts as well as their application to strategic planning and management in practise.

**See Section 4 for more details on the Final Exam.*

Below are two suggested formats for Assignments. They are intended primarily as a guide for students as they complete Assignments Three and Four, as well as for Tutors as they evaluate students' submitted work. You may use these details to prepare a 'Course Assessment Information Sheet' as a helpful reference to students.

3.1.1 Essay

Title: Essay

Due Date:

Weighting: 10% of total grade

Purpose: *To develop an understanding of the concepts and models of strategic management.*

Format: You are expected to provide a thoughtful and well-thought response to one of the following questions:

Q1.

Q2.....

Note: It is suggested that the Tutor select 2-3 options from the **Questions for Consideration** included in the BLOCKS (Classroom Discussion and Debate style), or alternatively, from those questions in the Test Bank.

3.1.2 Investigative Report

Title: Investigative Report

Due Date:

Weighting: 10% of total grade

Purpose: *To encourage an understanding of the actual nature of a strategic condition, circumstance, or event in an organisation and its environment.*

Format: You are expected to prepare and present a ‘strategy investigation’ assignment as directed by the Tutor. This will follow the instructions and format as set out below. The Format in particular will help you to assemble your ideas and organise your thoughts into a consistent whole.

Note: It is suggested that the Tutor selects 1-2 options from the list of **Activities** as set out in the various BLOCKS. These Activities should be pre-selected and included in the ‘Course Assessment Information Sheet’ so that the student is aware of the assignment details and the form of assessment from the start of their studies. As well, it would be helpful to give students a set of clear instructions that includes a Format for them to use when undertaking the assignment. The following is a SUGGESTED FORMAT ONLY – it can and should be varied to fit the nature of the selected task. It is important however that a format be supplied to the students so that they know what expectations they have to meet and the structure and content of the format supplies such a framework. It should also assist the Tutor in the assessment of the students’ work and in the assignment of a grade.

Sample Only

Part A: Introduction (A% of total)

Title Page

Abstract

Part B: Description (B% of total)

1. **Introduction** (number of words)
Purpose of the report
Summary of the investigation
Key lessons and recommendations
2. **Research method** (number of words)
How you obtained the information used in the report
What conceptual models you used, and why you used them
Limitations of the report
3. **Background** (..... towords)
Step 1 in detail (from above)
4. **The** (.... .to words)
Step 2 in detail (from above)

Part C: Evaluation and Epilogue (C% of total)

5. **Evaluation** (..... to words)
Step 3 (from above)
6. **Epilogue** (if appropriate) (..... words)
You may wish to provide a few paragraphs about what has happened subsequently to the organisation, and its current plans for the future

Part D: Resources (d% of total)

References, Appendices

4 Final Examination

The final exam consists of three parts – Parts A, B, and C. The rationale for this is set out below:

Part A consists of Multiple Choice questions designed to test and probe a student's understanding of concepts used in the course. Most especially they are configured to challenge a student to discriminate between similar meanings and choices. The examiner can adjust the level of difficulty by using differing degrees of ambiguity in the options provided.

Part B requires students to extend their understanding of course concepts and definitions to a further level, and be able to illustrate their understanding through example. These questions may be drawn from the **Test Bank** (supplied with the course). For example, the Tutor may, for any given course, select a short list of questions from the full list as set out in the Test Bank. This set (e.g., 20 questions) may be given to students at the beginning of the course with the advice that the exam will contain a selected number (say 10) to make up the set of questions in Part B. From this the student can be required to answer 5 (their selection from the 10). Using the Test Bank in this way has the benefit of challenging the student to prepare for the exam throughout the full duration of the course, providing a focus around which they can structure their studies, as well as serving to reduce some of the stress of dealing with a totally unknown exam.

The answers should be in an essay type format and kept to around 3-400 words (or 1-2 pages). The questions are designed to require the student to explain the content and relevance of a particular idea or concept and relate it to a given **example** drawn from their own experience or from information gained from the course. This is most important, as their provision of relevant examples and illustrations will serve to demonstrate their understanding of the application or expression of the concept in practice. Students can prepare and self-test themselves from the questions supplied by the Tutor. This should be done as a study discipline commencing from the start of the course. To be completely confident of covering this part of the exam, the student should review and research answers to all the questions supplied by the Tutor.

In **Part C** the student should expect questions on the broader strategic issues and conditions facing all organisational types (business, not-for-profit, public and private sector, etc.) and their implications and consequences for the discipline of strategic management and planning as a whole. They should focus on current events and business practices and conditions. This ensures that the students develop an awareness and understanding of present conditions and circumstances and to do this, they need to engage in effective reading. The questions could be expected to cover various aspects of the following key themes:

- The evolution and changes that have occurred in recent years to industry and societal landscapes in (Country, District, Region, etc. of choice);
- The components of such landscapes and the various ways in which they can be analysed for strategic management and planning purposes;

- The composition and construction of organisations and an understanding of the strategic processes and conditions at work within them;
- The place, role and effectiveness of selected tools and models used in the analysis of such landscapes and such organisations;
- Significant shifts in strategic thinking and perspective (e.g., such as those that have accompanied the contemporary emphasis on performance Outcomes and well as Outputs when assessing the effectiveness of the implementation side of the strategic planning cycle).

The Tutor needs to make sure that students are aware that they need to go into the exam with a small set of examples in mind that they can use to illustrate their answers. They need to be able to reference their answers to an industry(ies) or organisation(s) with which they are familiar and, in this regard, the material they have developed for their Tutor contact and group work sessions should be of significant help. In this way, a portfolio of illustrations can be built up over the period of the course.

Note: The Final Exam is **Closed Book** which means students will **NOT** be permitted to take textbook or any other materials with them into the examination.

4.1 Case Studies

It is also possible to arrange the structure of the exam so as to include questions based on a set case study or studies. The course may supply a set of case materials that the student is expected to read and analyse and with which they are expected to become familiar.

Questions may be supplied with the cases that would require students to solve ‘problems’ or suggest ‘solutions’ to queries raised by the case. This would prepare them for the actual questions that would feature on the exam.

These questions (trial as well as exam) should be designed to assess their ability to analyse and interpret a given set of circumstances and conditions, and suggest reasonable and argued solutions to the main issues that the case reveals.

If more than one case is supplied for preparation, students will need to read and analyse them all in order to cover all possibilities. That means students will need to work their way through the cases, identifying the key issues and problems, and developing and answering questions that require them to probe the material for possible solutions.

Note: Material for such cases will normally be made up from in-country cases supplied by case study data banks and clearing houses within the country or the region concerned. It would be supplemental and additional to the course as it currently stands.

4.2 Test Bank

The test bank has been designed to cover the content of the entire course. The bank would normally be used to select questions to be used in Part B of the exam. They may however also be used to suggest options and choices for Part C as well. It has been developed to:

- allow the Tutor to select from a wide variety of questions and from questions that take slightly differing perspectives on the same issue. This give them the best possibility for mixing and matching different types of questions from course to course and from year to year;
- allow the Tutor, through making a selection for any given course, to develop different strands or themes that they can use to reflect current and important issues;
- allow students to prepare for the final exam and focus their studies and time to this end. Their learning therefore proceeds across the course, and Part B of the exam enables students to display the depth of their preparation and their understanding of the material.

5 Questions for Consideration Answer Key

Questions as featured in Blocks 1-8 are included for easy reference. Answers for both the direct and proposition-style Questions for Consideration can be found in this section and marked by the notation, '**Tutor Note.**'

5.1 Block One: Questions for Consideration

Conditioning

1. How does your organisation define, establish and maintain performance levels?

Tutor Note: *This process and its associated activities would be the equivalent of the exercise and fitness measures that individuals use to measure their own health and performance such as heart rate (levels of profitability), oxygen intake rate (ROI), glucose absorption rate (ROE), red and white blood cell count (Asset utilisation), etc. These and others are all measures of both financial and strategic conditioning, as well as that for strategic health as a whole.*

2. What are the main characteristics of the environment that stimulate or dampen an organisation's drive to achieve such performance levels?

Tutor Note: *Students need to look for the connections between the organisation and its environment and trace the cause and effect relationships*

between them – for example, the level of competitive pressure may be such that much of an organisation's available resources for growth are spent in just surviving or maintaining an existing market position rather than building strengths to assist it to keep up with or get ahead in the strategy game.

3. What are the main characteristics of the organisation itself that also stimulate or limit its drive and ability to achieve sustainable levels of performance?

Tutor Note: *Organisational culture is often important in this regard – for example much of an organisation's energies and attention may be expended fire-fighting internal political conflicts between different lines of functional or small business unit management. The structure of the organisation may require adjustment or realignment in order to better exploit the full potential of its resources and the systems that underly its value chain.*

Organisational Fit and Stretch

1. How well fitted (as with a key to its lock) is your organisation to the industry environment in which it operates?

Tutor Note: *By way of example, methods of distribution often vary considerably with local conditions and an operator's bulk distribution of a product in one area, as in the case of cooking oils, (say by small tanker to supermarkets) may have to be scaled down to match the scale of demand and distribution in another area (say to small retail outlets that sell the product in small containers supplied by their customers). In this instance the vegetable oil distribution firm would have to adjust (stretch) itself to meet market conditions if it wishes to survive across a range of different operating environments. It may have to 'stretch' itself to meet different and varying customer needs and expectations. If it is unable or unwilling to do so it needs to find a different set of business conditions that better matches what it seeks to achieve.*

2. Has your organisation established appropriate and functional linkages to its external environment?

Tutor Note: *In this regard it is worth considering to what extent its culture matches the culture required to succeed in its competitive niche? Does it think, act, and behave in the way it needs in order to have a chance at long-term survival? What are its more important external relationships and does these work effectively in practice?*

Adaptability and Flexibility

1. Define the attributes of your organisation that inhibit or enhance **flexibility**, and give an example of how the inhibition or enhancement takes effect.

Tutor Note: *This question focuses on flexibility – essentially, keeping the same structure, functions, and processes, but able to adjust and rearrange them.*

2. Identify what you consider to be the unique, **adaptive** elements in your organisation? Do these propel the organisation along specific strategy paths? How have these elements evolved and what has been the triggering or shaping forces that have influenced the evolution?

Tutor Note: *The focus of these questions is on adaptability which is seen as including flexibility but allowing for fundamental changes to different and alternative forms of structure, function, and process.*

3. To what extent does your organisation take a ‘specialist’ or a ‘generalist’ (or mix of both) stance in the way that it seeks to position itself in its strategic environment? Identify those elements that you feel characterise such a stance.

Tutor Note: *Specialisation implies a dedicated and focused application of resources usually within a niched environment. Although this optimises its chance of survival within the niche it also increases its potential risk if conditions become unfavourable and the organisation is unable to wither, adapt to the change, or lacks the necessary abilities to escape to an alternate niche or landscape. The generalist organisation is able to survive in a range of environments by adjusting to and modifying its own survival needs.*

4. What are the key characteristics that shape your organisation’s ability to respond with flexibility to environmental change?

Tutor Note: *Flexibility refers to the ability (also capacity) of an organisation to rearrange its parts (who and what it is) and its processes (what it does and how it does it) to meet and respond to contingent events, both internal and external to the organisation. (E.g., changes in workflow processes where workers carry out single, tightly defined tasks, compared to one where a smaller workforce is trained to be multi-skilled and engages in multitasking activities – much TQM activity has been directed at creating Quality Circle production-centred processes both to enhance worker contribution to the bottom-line, but also to create an improved workplace culture.)*

Evolutionary Processes

1. Identify the main forces that drive the evolutionary process for an organisation and an industry of your choice.

Tutor Note: *Students would need to consider a number of allied questions. (E.g., are they market or technology-driven, are they attitudinal or behavioural, or a mix of these and others? Think through the actual details and how they are revealed in the form and behaviour of the organisation itself.)*

The Woods and the Trees

1. How rigidly structured is your organisation, and to what extent are group-based (and integrative) strategic planning activities the norm?

Tutor Note: *Think about the setting of goals and objectives across the organisation, and the establishment and interpretation of policy and strategy. Also, consider whether, strategic planning and thinking is restricted to the top of the managerial hierarchy and to the centre (Head Office) of the organisation – or is it more broadly diffused and dispersed, across the business units and functions as well as up and down the management channel?*

2. Identify the nature of relationship boundaries in your organisation, and the ways in which group perspectives are reconciled with the whole – especially between different activity and product areas.

Tutor Note: *There are many such boundaries and they consist of the following:*

- *Where the organisation interacts with its industry environment*
- *Where the major echelons or coalitions of interest, authority, and power within the organisation meet and interact (old culture meets new culture!)*
- *Where functionally different lines meet and merge (finance meets human resources)*
- *Where scale effects, such as scale and complexity, lead to organisational departmentalisation (SBUs).*

Resources

1. How and by whom should the allocation of scarce resources be managed for distribution to competing ends and means (goals and strategies)?

Tutor Note: *This is normally the function and responsibility of management. How it is done can vary depending on a range of factors such as the organisation's overall attitude towards risk management, product/market niching, intensity and mix of competitive forces, the utilisation of competencies, and its overall strategic health.*

2. How should resource claims (by departments, divisions, SBUs, functional areas) be prioritised? By short-term contribution to the bottom line (immediate survival) and/or by their contribution to long-term goals and opportunities?

Tutor Note: *The resource allocation and distribution process is at the heart of an organisation's strategic activity. It is the economic driver for the organisation and the chosen patterns and priorities of supply will reflect the*

decisions made by entrenched interests about strategic directions and destinations. It involves finding the answer to such key questions as: are resources to be reserved for existing patterns of strategic interest and what room should be made for growing new options and choices?

Change

1. Describe and define the cycles of change that shape and condition of your industry. List their characteristics.

Tutor Note: *Students should look for the source and attributes of such cycles. They may arise out of changes in technology, product changes, changes in fashions and tastes and from external events such as energy crises and shortfalls. Each industry is shaped and defined in ways peculiar to the nature and condition of the industry concerned. The automobile industry is evolving under pressures from customer demands and governmental requirements into a more fuel efficient and low pollutant product; the energy industry is seeking to develop replacement technologies for carbon based fuels – such cycles of technology change are constantly at work.*

2. What constitutes the long-term horizon (? years) for your organisation? What are the conditions that have shaped such a time-line?

Tutor Note: *Students need to look at such conditions as rates of innovation and speed of implementation to market; levels of turbulence and the impact of variable cycles of turbulence and change. Is it the rates of change as much as an increasing inability to predict and prepare for what change may bring – the levels of certainty are generally lower.*

3. Is your organisation a change-maker or change-taker? Does it drive change conditions or does it mostly focus on catching and riding the industry's wave?

Tutor Note: *Students need to look at the extent to which and in what ways industry innovation arises as a result of its own actions or inactions. Innovation may be seen to include not only the development of new ideas and products by an organisation but also is reflected in the extent to which the organisation is willing to adopt, adapt, and respond to the innovating behaviour of its competitors.*

Attention: The questions that follow have been structured to fit alongside a propositional statement.

Tutor Note: It is recommended that these questions be taken up as a group or classroom discussion. Students will find a sample answer provided at the end of Block 1, to serve as a guide as they prepare their ideas for discussion with classmates.

Strategy Models – Schools of Thought

Critically review the following propositions and their associated questions. Detail and illustrate your reasoning. You should prepare your thoughts for classroom interaction or face-to-face discussion with your Tutor.

Proposition 1: The key strategic issue for the modern business organisation is a failure to integrate and reconcile the varied perspectives that different managers bring to the strategic planning task.

Task: Consider this proposition in relation to the following question:

Do functionally different skills, experience, and backgrounds amongst managers (marketing, finance, human resources, information technology, etc.) automatically erect barriers to the creation of a single strategic vision?

Tutor Note: *It has traditionally been assumed that different functional skills by their intrinsic nature shape the thinking and actions of their practitioners. The accountant, marketer and engineer see the world through different glasses. Is this the case? Are their ways of thinking conditioned by the models and tools they employ when practising their crafts and sciences? Do the functional areas of an organisation each seek in their own way to project their own vision for the organisation? Does functional focus interfere with the integration of thought and action? Do accountants 'see' different strategies to the engineers? If these differences exist are they innate or acquired through training and socialisation?*

Proposition 2: There is no one 'right' way to create and manage the strategy processes of an organisation.

Task: Consider this proposition in relation to the following question:

How does a manager know they have chosen the right strategy mix for their organisation?

Tutor Note: *Students should be encouraged to recognize that much of strategic decision making is shaped by approximations and judicious compromise. There is little that is obviously black or white about the choices and most effort is concerned with selecting between different shades of grey. There are also usually a number of strategic options that present themselves and selecting between them may involve working with small margins of difference. In such situations intuitive or emotional factors may provide the telling difference. Final proof may not present itself until the strategies have been partially or even fully implemented.*

Design School

Proposition 1: The receipt of strategic information in organisations is restricted and biased and therefore, the process of strategy formation is distorted.

Task: Consider this proposition in relation to the following question:

Can better organisational design improve the signal to noise ratio of information flows within an organisation?

Tutor Note: *Is it possible to ‘tune’ an organisation’s communication system so as to reduce or eliminate the levels of ‘rubbish’ in such a way as to improve the quality of strategic decision making? Students should focus on the structural, cultural, and process barriers and impediments to good organisational communications and on finding ways to reconfigure them to better suit the organisation’s needs. Structure may impede by presenting too many layers and levels and too many intermediaries between the origination and destination – for example, sales reports that contain critical competitor or channel seller information would need to reach the CEO’s desk on the same day they were developed or acquired. Organisational processes that emphasise restriction rather than dispersal of information for confidentiality purposes may block communication access to key functional or regional managers. Keeping them out of the communication loop may render them unable to respond to environmental challenge as effectively as they should.*

Proposition 2: Strategies are perspectives, or concepts, that are formed in an individual’s mind and by extension in the collective mind of the organisation.

Task: Consider this proposition in relation to the following question:

In what ways or otherwise does the ‘collective’ mind of the organisation resemble the ‘hive’ mind of social insects (wasps, bees, ants, etc.)?

Tutor Note: *Students should be encouraged to think about the levels of ‘free will’ and ‘freedom to act’ an organisation needs to structure into its processes and how best to aggregate any knowledge and benefits gained from this strategy for the collective use of the organisation as a whole. Is the world of the social insect simply blind instinct or does it follow environmentally sanctioned and socially viable routes to competitive success*

allowing the entity to survive as a whole across the generations? For the organisation where does the boundary lie between culturally driven and socially sanctioned conformity to rules and policies for the sake of uniformity on the one hand and for the long term survival needs of the organisation on the other?

Planning School

Proposition 1: The more formal the approach to strategic planning the more effective will be the final result.

Task: Consider this proposition in relation to the following question:

Does a formal approach to strategic management and planning always work well irrespective of the levels of environmental uncertainty?

Tutor Note: *Consideration should be given to the intrinsic value to be gained from the use of formal processes as part of the organisation's approach to strategic planning. Does formality constitute a valuable discipline and brake on any tendency on the part of individuals and institutions to lose direction and purpose under conditions of prolonged stress and where levels of uncertainty and chaos are high?*

Proposition 2: The best use of senior management time is to relocate the planning role of management to a specialist full-time unit, existing in a staff relationship with line management.

Task: Consider this proposition in relation to the following question:

Does stripping the strategic planning role out of management's responsibility set create one cluster of problems (isolation from the data source, another layer of inference and potential dissonance) as it solves another (freeing up of management time, efficiencies gained from task specialisation).

Tutor Note: *Students need to be reminded that planning is one of management's key roles and that delegation of that role may bring both benefits as well as risks. The busy manager gains from being able to outsource the tasks of data collection and analysis to a specialist unit; with this goes the risk that they may remove themselves from a full understanding of the limitations and qualifications surrounding such information. In turn, knowledge without 'context' may create the potential for failed understanding by management of the significance of what is being represented.*

Positioning School

Proposition 1: The modern market place is as much defined and shaped by patterns of co-operation as it is by patterns of competition.

Task: Consider this proposition in relation to the following question:

Is co-operation little more than the absence of competition, or is it simply competition in another form – that self-interest always rules?

Tutor Note: *Encourage students to see the twinned relationships between competition and co-operation. That both strategies can and do coexist together and that either or both may be necessary to the long term survival of not only the individual competitor but of the industry as a whole. They may wish to look further into the underlying concepts associated with this. A good starting point is the following reference:*

Game Theory

<http://william-king.www.drexel.edu/top/eco/game/game.html>

Proposition 2: Goals that are not measurable and not measured are not managed.

Task: Consider this proposition in relation to the following question:

Should all goals possess a quantitative as well as a qualitative component?

Tutor Note: *Measurement is a crucial component of the strategy cycle – goal measurement is central to this process. The issue for students is a recognition of the extent and direction the measurement should take – the boundary line beyond which extended measurement serves little purpose and the search for greater and greater detail becomes a cost rather than a benefit. Does it really matter if a measure is rounded off at the first or the fourth decimal point? What are the consequences for decision making reliability if objective data becomes wrapped in a subjective assessment of its importance and significance. Little higher level data exists in an organisation (other than the direct measure itself) that is not a blend of the subjective with the objective. Does this matter, and if so why so?*

Entrepreneurial School

Proposition 1: The role and importance of the entrepreneur in creating and sustaining the strategic vision of an organisation shifts and changes as the organisation progresses from start-up through to maturity and beyond.

Task: Consider this proposition in relation to the following question:

1. Do all entrepreneurs have a finite shelf-life as far as their role in their organisation is concerned?
2. Across the organisational life cycle, do the costs of entrepreneurial leadership gradually outweigh the benefits?

Tutor Note: *It is helpful for students to look at and observe the career history of identifiable entrepreneurs (individuals) as well as organisations that enjoy a reputation for innovative, original, and pioneering behaviour. What are the benefits and costs to sustaining such a reputation and is it appropriate if allowed to dominate the 'Ends' and 'means' decisions of an organisation. Is the 'entrepreneurial' spirit best concentrated and harnessed in a specialist organisational unit or allowed and encouraged to spread through the whole of the organisation and would these options vary depending on the nature of the business? Does the entrepreneurial spirit contribute to innovation and change but detract from organisational consolidation and managerial focus over the longer term? What are the costs of investing in entrepreneurial strategies and strategies designed to facilitate the integration of the entrepreneurial spirit into the culture of the organisation?*

Proposition 2: Without the 'entrepreneur' there can be no strategic vision for an organisation.

Task: Consider this proposition in relation to the following question:

By nature do entrepreneurs have more of a vision for their own innovation than a vision for the organisation, which must bring the innovation to the market place?

Tutor Note: *For entrepreneurs where does the boundary lie between their role and purpose in an organisation and the broader purposes (Mission, Vision, Goals, etc.) of the organisation? Do entrepreneurs exist to infuse entrepreneurial drive into the organisation or does the organisation exist to serve as their vehicle to the future? Or is it a little of both?*

Cognitive School

Proposition 1: An organisation's capacity for creating effective strategy is defined and shaped by the quality and character of its cognitive makeup.

Task: Consider this proposition in relation to the following question:

What conditions hinder or block the establishment of 'clear thinking' principles and practices in an organisation?

Tutor Note: *It is important that students take on board and develop an understanding of the influences that their own 'mental models' have on the way they see the world around them. Being able to become detached and removed from the subject of analysis helps the process of clarification and injects a less subjective and confined view of the world. The phrase 'I think therefore I am' by Descartes also has a corollary – 'I am (I exist) because of the way I think.' The way we think has a great bearing on how we see the elements in the landscape, how we perceive them to interact (cause and effect), and how we read and appraise the significance of such conditions from the strategic perspective. The application of the cognitive sciences to organisation behaviour and especially to the strategic management and visioning process is a vastly underresearched area – apart from Konichi Ohmae's book 'The Mind of the Strategist' little has been done to study and understand the link between the cultural and mental models employed by the leadership of such organisations and their links to improved decision making.*

Proposition 2: Strategies arise as perspectives, or concepts, that form in the mind. Good strategy therefore requires mental agility and acuity on the part of an organisation's leadership.

Task: Consider this proposition in relation to the following question:

What does it take for an organisation to begin to see threats as potential opportunities and weaknesses as strengths in the making? When is a glass half full or half empty?

Tutor Note: *Organisations are composed of individuals each with their own unique perspective both on themselves and on the organisation for which they work and for which they have a vested interest in its survival and success. To increase the organisation's chances in this regard it is important to the organisation that in a collective sense individuals develop a strategic perspective on their work and on their responsibilities. The student needs to understand that this capacity for seeing things is a trait that needs to be encouraged and promoted and deliberately grown through appropriate reward mechanisms.*

Learning School

Proposition 1: The role of organisational leadership is to manage the process of strategic learning.

Task: Consider this proposition in relation to the following question:

Do line managers make the best teachers of strategic thinking, and are they best positioned to facilitate strategic learning?

Tutor Note: *In the heat of daily battle, do CEOs and managers have the time and space to grow the organisation's capacity for strategic thinking? Developing strategic thinking skills usually involves both action centered learning as well as a time for contemplative evaluation and review. Most managers have little enough time for their own personal development and growth without having time left over for growing the organisation in this regard. However, a failure to invest in this area (both time and dollars) may mean a less than optimal return on the wage and salary dollar and a staff that has only minimal connection to the organisation's long term expectations and ambitions. Students need to look at the world of work for the manager of a modern organisation and how the strategic learning process for the organisation should be best configured.*

Proposition 2: There are many potential strategists in most organisations.

Task: Consider this proposition in relation to the following question:

If the number of potential strategists is potentially so large, why then, are there so few who get the chance, or themselves desire to realise their abilities?

Tutor Note: *This requires the student to think about the nature of work and what the average employee seeks from this aspect of their lives. Does paid employment only serve to meet out-of-work personal ends or does it provide a vital connection in their lives? Is the gain or loss of a job concerned with more than just meeting the survival needs of the employee? What encourages and commits employees to take a more engaged and active role in the organisation and what gives them the drive to participate more fully in its policy and strategy making councils? Is it a sensible strategy to actively seek towards?*

Political School

Proposition 1: The strategy formation process is fundamentally a political activity.

Task: Consider this proposition in relation to the following questions:

1. Are political processes in and of themselves necessarily good or bad?
2. Does it matter if the 'Ends' are achieved largely irrespective of the 'Means'?

Tutor Note: *Political behaviour is largely centered around gaining access to and control or influence over resources and their use and allocation to achieve a particular individual or group end. In common usage we tend to think of this as undesirable if the process is not transparent and open and the contest does not take place on a level playing field. The best result is said to be gained when individual drive and ambition can be harnessed to the interests of the organisation as a whole, to the long term interest and benefit of both. At all levels and in many ways pressure may exist to bypass formal and visible procedures and employ a 'back door' approach to influencing decision making – strategic or otherwise. The best strategy choices are assumed to arise out of open contestable debate over options and possibilities where the argument rests on its own merits and not on 'hidden agenda' shared by the few. Means may achieve ends but if they are perceived to be irregular and 'out of line' with agreed procedure, they may be resisted and create more disfunction than they are worth.*

Proposition 2: It is individual self-interest that shapes and drives the strategic decision making processes of an organisation.

Task: Consider this proposition in relation to the following question:

1. Is politics the 'art of the possible' and does the political process merely provide the means for individual self-interest to be harnessed to the goals?
2. Without such a connection, would there would be little loyalty or allegiance?

Tutor Note: *It is argued that it is individual ambition and energy that guides the fates of organisations and that the best strategy is one that allows this to be captured and shaped for the benefit of all. The concern is expressed that rewards have a tendency to rise to the point where the real value of the individual to the organisation becomes questionable – the 'costs' exceed the 'benefits' that they bring. Certainly the level of remuneration paid to senior executives is rising on a global basis and in particular in some countries such as the USA appear to have moved well beyond the point of balance where personal greed and the status that goes with high income levels is now out of control. Is this acceptable in terms of good governance processes and do such distortions cloud the strategic focus – short term personal benefit outweighing long term organisational success? Do CEOs opt for strategy choices that lift their remuneration levels but which may fail to deliver on the promise?*

Cultural School

Proposition 1: Strategy formation is fundamentally a process of collective behaviour, based on shared beliefs and commonly held understandings about what shapes and defines the ‘now’ and the ‘future.’

Task: Consider this proposition in relation to the following question:

What is the link, if any, between the culture of the organisation and the shape and character of its patterns of strategic choice?

Tutor Note: *Culture can be likened to a set of lenses that shape our view of the world and which configures inbound information so that it best reflects our needs and requirements – even creating unconscious selection pressures that prejudice the selection and interpretation of the information gathered and received. Culture may open up as well as blind the organisation to the meaning within the message or even whether the message is received at all. Culture becomes but a facilitator and barrier to renewing and refreshing our view of the world as well as the interpretation that we place on the content received. It may be configured by the structural and process elements of the organisation – contrast hierarchically as opposed to networked organisations and the different cultural orientations that these organisations engender in their members.*

Proposition 2: Culture and especially its ideological component inhibits, rather than facilitates, effective strategic decision making.

Task: Consider this proposition in relation to the following question:

Given time, does the liberating power of innovative beliefs eventually become the paralysing force of entrenched dogma?

Tutor Note: *In the cycles of change that affect organisations as well as whole industries, newly innovative behaviours and attitudes eventually become in their turn old habits that may live on well past their expiry date. Across time, as environments evolve and organisations respond, the potential exists for organisations to progressively drift out of touch with the changing reality and for culture to become a distorting and negative influence on their decision making processes. Organisations need to have a means whereby it is able to address their underlying assumptions and understandings about their aims and purpose and ensure that there is alignment between beliefs and actions.*

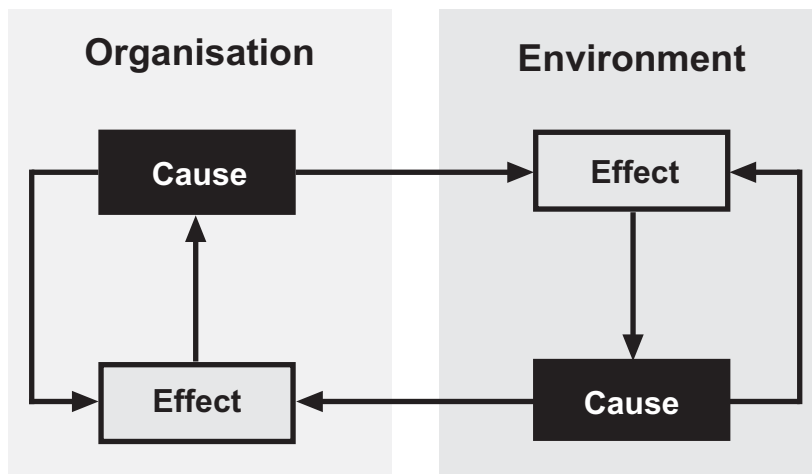
Environmental School

Proposition 1: The environment dictates strategy by forcing organisations or their attributes into ecological-type niches.

Task: Consider this proposition in relation to the following question:

To what extent and in what ways do organisations themselves proactively shape their own environments?

Tutor Note: *Encourage the student to use the Cause and Effect figure provided to help them to organise their thoughts and to picture the multiple ways in which the cycle of cause and effect can flow between the organisation and its environment. The impact by the organisation on its environment may reflect both on their size and scale of operation but also on their positioning in terms of innovation and leadership of the segment(s) to which they belong. The student should also think in terms of the 'collective' effects that industry members as a whole can have and what shapes the form this takes – remember Porter's list of industry forces as a starting point for this.*



Proposition 2: Strategies are positions, niches where organisations are sustained, until whatever nourishes them there runs out.

Task: Consider this proposition in relation to the following question:

Are industry landscapes better described and analysed as a collections of many specialist micro-environments (niches), rather than as a single and mostly uniform macro environment?

Tutor Note: *Very few industry landscapes are uniform and undifferentiated. Even where there is a high degree of monopoly or concentration there will certainly be a wide variety of niches (currently occupied or not) that will provide toe holds for start-ups seeking to gain entrance. Encourage the student to look for the forces which enhance or minimise this diversity along with an appreciation of the fact that these niches may themselves*

evolve across the overall industry lifecycle. The student needs also to recognise that individual niches may provide a point of entry as well as exit from the industry – having developed a specialisation within the niche the application and use of the technology in other industry landscape may allow them to cross link to other opportunities or depart and re-establish in another ‘home’ environment altogether. For example, many of the photocopying companies came into the reprographic industry from a different industry base – Canon is a good example of this, beginning life as a camera manufacturer and exploiting its talents in lenses to extend its product breadth and reach.

Configurational School

Proposition 1: Strategy is best left to the processes of the mind rather than those of instinct – such as the ‘heart’ or ‘gut.’

Task: Consider this proposition in relation to the following question:

Is ‘instinct’ little more than stored past experience waiting to be tapped and activated when the situation and context requires?

Tutor Note: *Although it may be termed instinctual, intuition based decision making may be more grounded in past experience and learned behaviour than is commonly understood. It is perhaps better for the student to visualise decision making as optimal when good personal judgement is applied to a foundation of objective data – personal experience lends weight to the interpretation and meaning of the message in the data.*

Proposition 2: Good strategy making is as much an art as it is a science.

Task: Consider this proposition in relation to the following question:

When in doubt, is it better to follow ‘gut instinct’ or the dictates of the the mind?

Tutor Note: *Is a more rationally formal, number based approach to decision making necessarily superior than one inclined towards the intuitive and qualitative? There is considerable debate, especially among practising managers about the limits to which a rational approach can be applied before it becomes counterproductive – it is argued that very little decision making is based on quantitative measures alone and that qualitative evaluations have a crucial part to play in the process. It is through the qualitative interpretation that the quantitative makes its contribution.*

5.2 Block Two: Questions for Consideration

Planning Horizons

Proposition 1: The idea of ‘long term planning’ is a misnomer. The ‘long-term’ has in fact become the ‘short-term’ as the planning horizons of industries and organisations have shrunk, driven by an evolving mix of increasing levels of competitive force, rapid product turnover and change, and constant technological innovation.

Task: Consider this proposition in relation to the following questions:

1. What are the organisational and environmental conditions that determine how far into the future an organisation can project its vision?
2. What helps and hinders the organisation’s ability in this regard?

Tutor Note: *The student needs to consider independently and together the net effect of such factors as the rates of change, the complexity and regularity of change, and how effectively and predictably the cycle of change can be measured. Planning horizons have shrunk under such pressures and few industries are not now affected by higher levels of unpredictability than was the case in the more recent past. The Vision defines and sustains the image that the organisation has of itself and projecting it forward into the future requires that it be able to map and measure its attributes against the possibilities that the future may throw up to challenge its sense of self.*

Proposition 2: That the strategic mix of an organisation’s structure, culture, and processes changes as it matures and grows in age, size, and complexity. Strategically speaking, a ‘seasoned and battle-hardened’ organisation has a very different view on the world from those that have just come into being.

Task: Consider this proposition in relation to the following question:

What assumptions underlie the belief that, irrespective of organisational type and condition, the strategic performance of an organisation can be improved by using formal planning processes?

Tutor Note: *Irrespective of acquired knowledge and experience, decision making processes in an organisation need to be part of regularised and accepted behaviour. Formality implies rules and procedures that exist outside the influence and control of any one individual and that will be progressed as an accepted part of corporate life – this recognition in turn enters into the culture of the organisation and the practice becomes the norm. This helps to establish processes independent of individual manipulation and to set up lines of accountability and responsibility that are recognised and agreed to as part of the agreed way of doing things.*

Goals

Proposition 1:

The time spent planning is of debateable value and is a cost to the present rather than an investment in the future.

Task: Consider this proposition in relation to the following question:

1. Can an organisation ever over-plan?
2. Does too-regular strategic analysis eventually and inevitably lead to organisational paralysis?

Tutor Note: *These questions are concerned with the need to find a point of balance at which effort invested in terms of time and resources gives a positive payback on that investment. It is also concerned with the fact that too much information can obscure the solution and the search for an answer becomes entangled in a determination to leave no stone unturned. Time and the attention of management is a scarce resource and needs to be husbanded. At some point the organisation will need to develop a sampling process for information selection and analysis that will allow it to achieve results similar to those achieved by more exhaustive means. In highly programmable situations where the organisation has a detailed knowledge about conditions this sampling process could even become highly formularised and routine.*

It is also however about closing the gap between analysis and action and this can be more easily achieved where there is familiarity with the material and little variation between one cycle of production and consumption and the next. Where uncertainty levels are high as a result of rapid change and information content becomes increasingly unfamiliar there will be a natural tendency to hesitate, slow down, and extend the analysis-into-action gap.

Proposition 2: The insights and foresight of a strategically gifted individual leader is of more strategic value than the best of group based judgements. The search for consensus can paralyse an organisation and diverts attention from results-seeking to process-doing.

Task: Consider this proposition in relation to the following question:

Do too many strategists spoil the clarity of a Vision?

Tutor Note: *While diversity in opinion and judgement may contribute to better decision making, at what point and under what circumstances does it become counterproductive? Diversity can bring both creative conflict and innovative solutions but at the cost of clarity – a vision for the organisation should distill the essence of what the organisation is about and have appeal and relevance to the wider body of its membership. The issue for management is to drive the process of thinking so that a convergence of views is*

achieved which retains the ability to inspire and guide and with which most organisational employees can identify and feel a sense of ownership.

The question of too many or too few strategists becomes an issue where this convergence is not achievable and where the interplay of ideas and debates over ends and means becomes more 'Bable like.' On the one hand 'too many cooks can spoil the broth' and on the other 'many hands make light work.'

The Practice of Strategic Management

Proposition 1: Too much formality and emphasis on planning processes will slow down and stifle the ability of an organisation to respond to change; too little formality, and the organisation will never develop the discipline necessary to navigate through difficult times.

Task: Consider this proposition in relation to the following question:

Does an emphasis on formality in strategic planning processes necessarily mean that an organisation automatically limits its ability to think and act in a creative manner?

Tutor Note: *The student needs to appreciate that there are real and potential benefits and costs associated with formally setting aside resources (time and dollars) to prepare explicit statements concerning an organisation's 'Ends' and 'Means' – its strategy equation.*

Formality requires the organisation to make explicit what is implicit and by so doing to engage in a debate over the correctness or otherwise of its current patterns of thinking and behaviour. The argument is made that being too formal can squeeze out the flexibility that goes with an informal and implicit approach to decision making; that rules and other guidelines often arise in such circumstances that conspire to limit and constrain thinking and action and force the organisation into a straightjacket – by doing so the organisation 'builds a rod for its own back.' Far better to leave it well alone and keep such processes to a minimum.

Others argue that it is only through adopting a more formal approach to strategic planning that an organisation can strip out and expose for open debate the hidden ambitions and inefficiencies and personalised agendas that thrive when decisions are allowed to go unchallenged and uncontested through an open forum.

Proposition 2: Formal planning requires such an on-going and constant investment of organisational energies at all levels of management, that its overall effect may turn out to be negative rather than positive for the organisation. Planning can waste time and resources and is a distraction from the daily tasks of survival.

Task: Consider this proposition in relation to the following questions:

1. What is the importance of accurate measurement to effective management?

To how many decimal points should the measurement of strategic facts and information be taken?

Tutor Note: *This addresses the level of detail required to make quality strategic decisions. Precision in measurement is clearly important for those processes where high levels of measured accuracy is required as part of the manufacturing cycle as well as constituting part of the Output specifications of the product itself – specialist measurement tools and meters used in science and engineering is an example of this. The CSFs and KPIs for such a manufacturing concern would focus attention on this and measures of their performance would need to provide knowledge regarding the detail and accuracy in performance of the design functions.*

Alternatively, the costs associated with generating such information may well exceed its value and it becomes more a question of selecting the best ‘approximate’ measure for the job. What counts most is that the measure assists the strategist to select between options or to refine existing strategies and that the selected measure, ‘the tool,’ is as close as possible to being ‘fit for purpose.’

2. Is irregular measurement as bad as inaccurate measurement for good strategic decision making?

Tutor Note: *This addresses the need for consistency and reliability in measuring the results of strategy and the short answer to the question is ‘usually yes.’ The irregular use of measurement may create a sense of partial achievement and this may in turn lull the organisation into a false sense of compliance.*

Irregularity in functional performance of any kind is often symptomatic of deeper concerns and issues at work in an organisation. The irregularity may stem from a failure in due process and an inability to systematise performance measurement within the process chains of the organisation. It may also stem from inadequacies in the culture which takes an ‘it will be all right’ approach to the cultivation of the necessary work disciplines required for the job.

The Role of Strategy Related Policies and Procedures

Proposition 1: Policy operationalises the corporate philosophy (Vision, Mission, and Values), thus potentially playing a key role in establishing a fit between corporate culture and strategy. (**Note:** Without policy guidelines there is a lack of behavioural focus within employee groups and this eventually leads to a process and systems breakdown and the creation of disconnection between and across organisation levels and networks – equivalent to a breakdown in the ‘rules’ that establish order and coherence in thought and action.)

Task: Consider this proposition in relation to the following questions:

1. Does the absence of organisational rules (policies) always bring anarchy?
2. Can the routines, processes and 'rules of work' impose their own sense of order and a sense of what the future will bring?

Tutor Note: *This question goes to heart of the modern organisation where the emphasis is as much on empowering individuals to make strategically connected decisions as it is on extracting 'the managers' from the details of daily operations and allowing them to focus more closely on the strategic dimension.*

It is also in part about setting agreed and understood organisational goals and allowing staff to work out the pathway solutions on a case by case basis depending on the context and the specific set of circumstances being addressed – to what extent and to what degree can the individual employee be left to seek situationally driven and specific solutions to the problems and issues that he or she encounters?

Are the rules of employee behaviour and action better stated in positive rather than in negative terminology? The focus and attention should be more on 'what is' rather than 'what is not' possible – allowing the staff member to choose between a range of possible responses rather than the organisation attempting to anticipate all possible contingencies and defining an automatically matching response.

Proposition 2: Policy directives and prescriptions lay down a framework to which organisational culture can attach and grow. Much of what we call culture are rules of behaviour encoded in policy and organisational practice, and which are, in turn, expressed as patterns of organisational thought and action (i.e., our actions reflect our thoughts and behaviours).

Task: Consider this proposition in relation to the following questions:

1. Unless constantly reassessed, does the reason for a particular policy being in place gradually fade over time?
2. Does the policy itself become more like a rule that needs to be obeyed out of habit rather than as an intelligent guide to action and thought?

Tutor Note: *One of the most difficult areas of strategic management involves the human or so-called 'soft' side of the organisation. By instinct individuals seek to develop a sense of order out of disorder. They also seek to establish patterns of thought and action that allow them to manage their interactions with other individuals and groups and the surrounding environmental conditions that shape and determine their lives.*

The organisational community is no exception to this. Once established and set in place constant reformulation of these basic cultural habits are resisted since they represent and provide a sense of continuity and permanence. The risk arises that a discontinuity will develop between the purpose and the observance of a 'policy rule' and gradually over time the organisation's ability to 'keep up with the times' begins to erode.

Organisational Levels and Strategic Planning Roles

Proposition 1: Group centred strategic decision making best suits the ultra-competitive business environments of the 21st century. Today there is less room for ‘solo’ players and the real strategic advantage comes from exploiting multidisciplinary teams that bring varied skills and depths of experience to problem solving and decision making.

Task: Consider this proposition in relation to the following question:

In what strategic conditions would it be best to use individuals rather than groups to make the key choices and decisions?

Tutor Note: *Complex, many layered, and variable rich environments challenge the abilities of individuals to absorb and utilise the information that they generate. Technology has enhanced this ability by providing the means to construct and access data bases for improving the strategic decision making capabilities of an organisation.*

The technology also makes it possible to ‘connect’ and ‘hard wire’ additional users and contributors into the network for very little additional cost. This boosts the volumes of data and enhances the quantification of decision making; but does it improve the quality? The meanings which lie within the data and their interpretation and application to practice may be better processed by the individual rather than the collective mind. This could be the case where insight is more valuable than consensus and where the cycle time between thought and action is short and urgent.

Proposition 2: A shift from a short to a long-term organisational perspective is generally thought to ensure a corresponding shift in management processes and practices from operational to strategic action and decision making.

Task: Consider this proposition in relation to the following questions:

1. Irrespective of organisational level, is all decision making ‘strategic’ to some extent?
2. Does operationally-centred management remain too often bogged down in detail and fail to see the big picture when circumstances and conditions change?

Tutor Note: *Again this question directs the student’s attention to the need to see strategic decision making as a whole of organisation activity and not just one that is restricted to the upper tiers of the management team.*

To the driver of the car the strategic picture of the road ahead is built up in part through his or her ‘birds eye view’ of the road ahead, but complemented and enhanced by the information transmitted through the body of the car (and instrumentation) that signals changes in the surface condition of the road that may cause the vehicle to lose traction

and slide out of the planned line of motion. Ideally, each block of information should combine to produce an integrated 'strategically significant picture' of the approaching section of road and whatever dangers it may present. Each contributes a part of the picture and each assists the other to better refine its own significance.

5.3 Block Three: Questions for Consideration

Strategy Equation

Proposition 1 (Required): All elements of the 'Strategic Equation' must integrate and interface with each other. Significant change in any one key element requires that the equation be reconfigured as a whole.

Task: Consider this proposition in relation to the following questions:

1. Would the Vision and the Mission of an organisation be expected to change on a regular basis and under what circumstances would it be necessary to re-examine them in depth?
2. Would the Mission and Vision of an organisation be likely to remain unchanged across the successive stages in an organisation or industry life-cycle?

Tutor Note: *The attention of the student needs to be drawn to the fact that the primary purpose of the Mission and Vision statements is to give the organisation a set of working definitions around which it can build its positioning strategies in the industry landscapes of its choice. As these landscapes evolve and the organisation transforms itself over time there is a need to revisit these definitions and reaffirm their utility. The more generic and the more simplified the statements the more likely they would be to retain these values. However this cannot be assumed and taken for granted. As well the organisation may wish to restructure and reposition itself into other 'away-from-home' industry landscapes and this would certainly be an occasion in which to undertake such considerations.*

It is worth reminding students that the Mission statement ties the organisation to the industry landscape and that the Vision statement is more closely aligned with the organisation itself. As the life cycle of the industry unfolds the attention should come to focus on the Mission. As the organisation evolves, it is the Vision that needs attention.

Proposition 2 (Optional): That the 'strategy hierarchy' view of strategy does not fit the needs of the 'new organisation' that seeks to de-emphasise hierarchy and emphasises instead the value and necessity of a networked approach to strategic management and planning.

Task: Consider this proposition in relation to the following questions:

1. Does the hierarchical view of strategy still have relevance in an age where networked organisational structures and processes, and outsourced functions and systems, are increasingly the 'norm'?
2. What effects would a move from a hierarchically structured to a horizontally structured organisation have on defining and implementing its strategic 'ends' and 'means' statements?

Tutor Note: *The traditional view of strategy is that it is hierarchical in nature and mirrors (by default) the inherently hierarchial component in all organisational structure. This ignores the revolution in organisational form that has occurred over the last several decades. Strategic management is more appropriately seen as a process that infuses all levels and all activities of the organisation and that with hierarchical contraction combined with outsourcing and devolution very many different structural forms are now represented in most industry landscapes.*

It is not that hierarchy has or should disappear entirely from its traditional role in strategy, but that the historical focus on hierarchy has now been softened and blurred by the more recent ability to build 'virtual organisations' where the functional activities and processes of the organisation can be offloaded and outsourced to contractors. In these situations the Vision of the organisation may well have to encompass the fact that the responsibility for its achievement is now distributed across a number of external provider groups.

How Organisations Define Themselves

Proposition 1: The 'official' industry descriptions (mostly statistical and established to measure national economic output and productivity), increasingly fail to reflect the reality. Newer ways must be developed to define and map the constantly evolving business landscapes that characterise modern industrial enterprise.

Task: Consider this proposition in relation to the following question:

If the 'industry market place' is best left to define itself, to what extent should outside attempts by governmental policy makers be allowed to intervene to determine its boundaries and the ways in which it carries out its business?

Tutor Note: *Traditional industry boundaries are breaking down and blurring as their members continually seek to define and refine their understanding of the nature of the business in which they engage. The banking industry blurs in the financial services industry; coal companies become a sector in the energy industry and compete with wind and water to supply electrical energy to industrial and home users alike; the previously separate radio, television, newspaper sectors are now part of the media industry. All of these developments have occurred because the market place has had more freedom to*

define its own structures and boundaries and can respond more directly to the shaping forces of technology and customer demand. Public sector intervention in this process has become more like that of an umpire whose job it is to ensure that the rules of play are followed but not to intervene to regulate the strategy or the tactics of the game. It is also to ensure that competition operates to the advantage of the market and that the price mechanism is allowed, within reasonable limits, to drive the allocation of resources for the production of goods and services to the benefit of all.

Proposition 2: The question ‘What is our business’ is central to the strategy equation. The boundaries between business landscapes are constantly breaking down and being redefined as business organisations increasingly evolve with, and drive, the evolution of such environments along often temporary and shifting pathways.

Task: Consider this proposition in relation to the following question:

How, and in what ways, would the mission statements of individual companies come together to collectively define the ‘business we are in,’ and the shape of the industry in which they all play out their life-cycles?

Tutor Note: *The Mission statement is part of the means by which an organisation answers the question of ‘what is my business?’ In the collective sense it is the sum of all these definitions that define the shape and contours of the industry of which they are a part. So long as a group of competitors has similar understandings of the nature of their business then for that moment in time they belong to an industry or a segment thereof.*

Goals

Proposition 1: Keep one eye on the heavens and one eye on the ground. That total goal focus can not only direct the energies of an organisation by keeping it on a strategic track but it can also lead an organisation to ignore environmental and organisational changes to its long-term cost and detriment.

Task: Consider this proposition in relation to the following question:

How do goals serve to anchor an organisation in its industry and societal landscapes and in what ways are they therefore susceptible to constant pressures to readjust, to fit or stretch with the changing conditions?

Tutor Note: *Goals define positions to be achieved by the organisation. Positioning in turn involves a locational and a contextual component – it is these two elements when combined that allows the organisation to go about its business with a sense of direction and purpose. Their particular form and content may vary with changing conditions and circumstances as well as reflecting the strategic perspective (proactive, reactive, etc.) adopted by the organisation itself.*

Proposition 2: The organisation's goals are the crucial element in strategic management – without goals, the management function for an organisation lacks direction and coherence.

Task: Consider this proposition in relation to the following question:

How and in what ways do goals best serve an organisation's management process?

Tutor Note: *An organisation's Goals provide the manager with an important device for achieving internal consistency and focus within and across its many different cultural and political platforms and constituencies. This is especially the case in the larger and more complex organisations where areas of common agreement and purpose are crucial to the coordination and integration of effort. A lack of such common identification and concurrence with goals (and 'end' statements in general) encourages the growth of personal agendas and territorialism (turf wars) where resource wastage can and does occur.*

Objectives

Proposition 1 (Required): When poorly defined, partially understood or not fully agreed to by individuals and interest groups in their application and use, objectives may become dysfunctional rather than beneficial for the organisation.

Task: Consider this proposition in relation to the following questions:

1. What differentiates an Objective from a Goal?
2. What is the role of objectives in the 'strategy equation' – where do they fit into the equation and what organisational purpose do they serve?
3. How do Objectives assist in mapping out strategic pathways?
4. What happens to Objectives when changes are made to existing strategies?
5. What is the link between Objectives and Mission Statements?
6. How do Objectives (measurable points of attainment along the strategic pathways) relate to measures of overall organisational performance such as KPIs (Key Performance Indicators)?

Tutor Note: *All of these questions draw attention to the importance of good and clear objective definition. It is the objectives which operationalise strategy and which bridge the strategic plan to the action plans. Objectives are a point of focus for measurement and represent the 'achievable steps' which gives shape and form to the strategy(ies) to which it applies.*

Typically it is also the point at which work responsibilities associated with a strategy are assigned as tasks to individuals and groups. Working backwards, individual members of

the organisation should be able to locate themselves within the overall strategy framework and gain a sense of connection to the larger picture of which they are a part.

Proposition 2 (Optional): Management by Objectives (MBO) is a neglected approach (and technique) for achieving organisational agreement, alignment, and focus on the strategic future of an organisation.

Task: Consider this proposition in relation to the following questions:

1. How can objectives help to achieve organisation-wide alignment of views and perspectives?
2. What organisational barriers could stand in the way of achieving a set of agreed objectives (organisational structures, cultures processes, etc.)?
3. What part can the process of collective or group based objective setting play in developing a broad based approach to organisational governance?
4. What effects has the IT/IS revolution had on MBO (networking, shared responsibility, etc.)?

Tutor Note: *This series of questions encourages the student to use objectives as the central focus of a strategy development and implementation model. Objectives are placed at the centre of this and the strategic management process is built up and around the hierarchy of objectives. Mutually developed and agreed objectives provide both the framework as well as the content necessary for strategic positioning.*

Policies

Proposition 1: Rule-governed behaviour hinders rather than helps effective decision making.

Task: Consider this proposition in relation to the following question:

Where does the boundary lie between too few and too many rules?

Tutor Note: *This is a boundary and balance that needs to be determined on a case by case basis. Where rules are directed at the definition and maintenance of outputs and outcomes and where they are linked to TQM and QA strategies as well as benchmarking and similar measures of performance then their maintenance is clearly important to the strategic health of the organisation. Where they have developed around evolved habits and behaviours that are clearly linked to past conditions and events then their retention will act as a roadblock to progress.*

Proposition 2: Rule making and rule setting as a means to an end, can and often does becomes an end in itself.

Task: Consider this proposition in relation to the following question:

Is the on-going battle between the forces of conformity and diversity, between compliance and creativity, necessarily always bad for the organisation?

Tutor Note: *All of these options and choices may be viable at any given point in time and elements of both can and do exist within the organisation at the same time.*

Conformity and compliance with relevant and applicable law is as important as the ability to diversify and explore new product initiative and transforming technologies. The tug and pull of both interact to define the patterns of appropriate behaviour that best meets the strategic needs of the organisation. Difficulties can arise however when rules designed to facilitate this process become progressively out of step and inappropriate to their task.

5.4 Block Four: Questions for Consideration

Industry Landscape

Proposition: The ‘Strategic Equations’ of competing organisations interact with one another, and in so doing, help to define the shape of the landscape of which they are a part.

Task: Consider this proposition in relation to the following questions:

In what ways does a business organisation’s definitions of its own ‘ends’ and ‘means’ shape the nature and characteristics of the industry to which it belongs?

Tutor Note: *Goals and their associated strategies reflect the competitive postures adopted by organisations and which mirror their attempts to respond to industry requirements and conditions. When multiplied by all competitors across the whole of an industry environment they will usually reflect a mixture of the well trodden and commonly accepted as well as the more unique and innovative.*

As the industry landscape evolves the strategic advantage goes to the competitor that can spot the opportunity and advantage to be gained by opening up new lines of approach (to its goals) as well as perhaps creating such opportunities by upgrading their own competencies and/or by modifying the landscape so as to permit the use of previously inaccessible options and choices.

2. Over time, would the strategy equations of competitors in an industry begin to look and sound very similar as they moved from the start-up to the maturity phase of their own organisational as well as industry life cycles?

Tutor Note: *Over time, industry evolution may result in player convergence. As this progresses industry members begin to look and behave more alike even as the competitive pressure rises in step with the loss of clear differentiation. The struggle to differentiate becomes harder as strategies become recognised and routine and any innovations are easily and rapidly copied or imitated. Many areas of the retail sector exhibit these traits: retail banks are an example of this as are supermarket chains. Fast adoption of differentiations and rapid competitor price tracking are both characteristics of these sectors. In banking, it does not take long for mortgage rates to adjust as each competitor follows the other up and down the mortgage rate lending charts.*

Consciously or otherwise, organisations do tend to adopt the 'tried and true' and absorb the more effective strategies that arise out of market place competition. This has the potential to set up a conflict between how much each has in common with the other and how different they can make themselves appear to their respective customer groups. How do the individual perspectives of each of the industry players interact and combine to shape the overall 'topography' of their industrial landscape? Do the longer-term survivors in an industry begin to look increasingly alike because over time, they copy each other's successful strategies? Or does the reverse occur? Do they in fact survive because they emphasise the acquisition of differences that make them increasingly unique as the landscape evolves around them? Or in fact do both stratagems operate?

Environmental landscapes

Proposition: The collective effects of the two landscapes, societal and industrial, interacting with one another is greater than the simple sum of their parts.

Task: Consider this proposition in relation to the following question:

In what ways are a business organisation's definitions of its own 'ends' and 'means' jointly shaped by the nature and characteristics of the society to which it belongs?

Tutor Note: *The individual perspectives of each of the industry players is shaped by the interaction between the societal and industrial landscapes as well as by relationships between the societal component and the organisation itself. The student needs to ensure that the societal impacts are as studied and researched and computed into the determination of strategic choice as are the more direct effects of the industry itself. Most evidently it is the rules of play (encoded in commercial and industrial law) that has the most profound influence and which can shape most macro as well as micro economic*

decision making. This can extend to the management of the business environment so as to ensure socially valued and acceptable behaviour as well as commercial activities that grow wealth for individual profit as well as for the common wealth.

Contrasting Industry and Societal Landscapes

Proposition: It is the aggregate of environments, including those of its key supplier and customer groups, that collectively shapes any business organisation positioning within its own immediate landscapes as well as within the value chain as a whole.

Task: Consider this proposition in relation to the following question:

How far should an organisation press the pursuit of its own strategic knowledge and ends into the landscapes of its joint value added partners?

Tutor Note: *In business it is as important to have detailed knowledge of your friends as it is to have such knowledge of your competitor – internal, as well as external, to the value chains. Just because of the high levels of interdependence in the typical industry value chain it has become increasingly important that there is a fuller understanding of the forces that affect all participants, since these effects will ultimately flow through the chain and influence every player's business practices. This means that, to a greater or lesser extent, a business organisation also needs to know what its key customer and supplier groups already know about their own home industry landscapes. It is not just knowledge of the 'home industry' that counts today but also knowledge and understanding of the 'away' industries as well – both 'home and away' knowledge is necessary to effective and successful positioning within the chain.*

Societal Strategy drivers

Proposition: Modern technology is beyond the reach of all but a few private sector organisations. Research and development in the 21st century requires supplementary funding from the public purse.

Task: Consider this proposition in relation to the following question:

Are research and development funding decisions best driven by market forces or by social and economic policy decisions?

Tutor Note: *Proprietary knowledge is partially gained through the research and development efforts of individual organisations but much new innovation is increasingly the result of shared effort. Sharing such initiatives reduces the costs and risks to all players and creates possibilities for synergy. Market forces tend to drive funding into the most profitable and potentially financially rewarding avenues but these may not necessarily coincide with public priorities and the social policy strategies and goals of*

the public sector. A good example is the current race between private and public laboratories to unlock the codes in animal and botanical genes and chromosomes and from which to develop cures for the many pathological conditions that afflict the living world.

Environmental Turbulence

Proposition: At the extremes, both low and high, environmental complexity, stability, and certainty all offer opportunities as well as threats. A high level of complexity offers both confusion as well as rich variety of choice, while a low level of stability offers both insecurity of growth as well as rewards for risk taking. Moreover, a high level of certainty offers self-confidence and assurance alongside overconfidence and the risk of failure.

Task: Consider this proposition in relation to the following question:

How does an organisation determine its best point of balance in environmentally extreme conditions?

Tutor Note: *The point of balance has both active as well as passive connotations – constantly impacted on by change factors the organisation is tempted to contract and concentrate on sustaining the status quo. Constant effort and investment may be required to maintain it in place.*

If it is considered as a moving point, then balance is a continuous challenge facing the organisation at each step that it makes along the strategic paths. Balance is generally achieved and sustained by careful attention to the underlying competencies and their relevance and use when applied to the problem solving needs of the organisation. It could well be argued however that at the point of balance there is a nullity – little or no movement forward or back and that this is an equally undesirable state or existence.

Alternatively, it may also be the case that movement occurs when the balance shifts and the organisation is forced to move in order to make the necessary corrections. In this way the organisation would progressively adapt to the effects of change and they disturb each successive state of equilibrium.

The inside-outside boundary

Proposition: The boundary, or layer between the organisation and its environmental landscapes is the ‘skin’ of the organisation – defining and providing the organisation with a recognisable shape and footprint in the landscape as well as serving as the device by which mutually beneficial transfers (inputs, outputs, resources, information) can occur.

Task: Consider this proposition in relation to the following question:

What happens to the boundary layer when an organisation elects to outsource all but its core activities?

Tutor Note: *Students need to consider that as outsourcing proceeds the organisation begins to see the world through the eyes and ears of the contracting agency. Depending on the specific nature of the relationship they may, in the extreme, become an integral part of the boundary layer as their dealings substitute for those previously delivered by the organisation itself. Can there be such a thing as a 'skinless' organisation – a virtual organisation where the parts exist only in a loosely connected state and where the skin (the interface with the environment) is created by the sub contractors themselves?*

Paralysis by analysis

Proposition: Strategy should be modelled at the macro rather than the micro level – too much detail distracts the eye and prevents it from achieving focus. (The old saying 'you cannot see the wood for the trees' holds true.)

Task: Consider this proposition in relation to the following question:

When is enough information, enough?

Tutor Note: *The depth and detail involved in any given strategy document will reflect in part the amount and variety available as well as its relevance and applicability to the problem. It will also reflect to an extent the orientation of the user and the irreducible minimum required in order to make viable decisions and choices between alternatives. Enough information is enough when the time spent and resources invested outweigh the benefits. In some contexts, however, information is needed to meet accountability and audit requirements as well as to inform the stakeholders with the details they require to make their own judgements on organisational performance. Concerns can arise, however, when additional information adds little to the quality of an analysis and/or is collected to meet other needs and purposes outside the decision making framework itself.*

5.5 Block Five: Questions for Consideration

Organisational Analysis

Proposition 1: It is along the internal and external ‘boundaries’ of an organisation that the highest levels of strategically significant activity (‘change’) occurs – and where competition to survive is the greatest and where the battle for ownership of resources and rights to their use is most likely to be joined.

Task: Consider this proposition in relation to the following questions:

Consider for an organisation as a whole: what qualitative differences exist in the nature and character of internally induced as compared to externally induced change?

Tutor Note: *Change arising from within the organisation is likely to have attributes that set it apart from externally sourced change. For example, since it comes from within it will likely carry an awareness of the structure and culture of the organisation and the best route to the centres of influence and control. For these very same reasons internal conflicts can arise between competing elements of change where argument and debate flows along the power grid of the organisation. In these circumstances change can be destructive and negative. Change may also arise from readjustments to the core components of the organisation itself – through change in the architecture, or in the systems that shuttle resources from one process activity to the other, or in the core elements of culture. The internal landscape can be as complex and complicated as any external environment.*

Proposition 2: As organisations step up in size, there is an exponential rather than a simple linear increase in the levels of complexity for each step of the process.

Task: Consider this proposition in relation to the following questions:

Are there limits to growth beyond which the marginal returns from each additional increase in organisational size begin to diminish rapidly?

Tutor Note: *Limits to growth may be imposed from without or arise from within the organisation itself. External constraints are largely dictated by the size of market, the economic rate of return, the capacity the industry possesses for restructuring and recreating itself and other similar factors. Not unlike a mountain the bigger it grows the more it erodes under the influence of gravity and the weather. For an organisation this means that with every step up in scale comes the additional costs of upkeep and maintenance and in particular the difficulties in sustaining and enhancing levels of output and performance – mergers and acquisitions demonstrate the problems associated*

with sudden growth as the acquirer struggles to encompass the activities of its acquisition.

From the internal perspective the organisation may continue to grow until it reaches a natural limit where the costs of the growth required to achieve another level of scale outweigh the benefits. Scale may also carry complexity issues that make inter-organisational management difficult and problematic.

Value Chains

Proposition 1: Organisational analysis requires an **environmental context** to give full meaning to the results; in turn, landscape analysis requires its own points of **organisational reference** to give it strategic relevance – each form of analysis needs to incorporate the other in order to fully explain itself.

Task: Consider this proposition in relation to the following question:

How do output and outcome statements, when integrated with the organisational value chain, provide the necessary analytical linkage between the organisation and its environment?

Tutor Note: *The Output to Outcome linkage provides a connection, not unlike a hinge that connects the Outputs of the organisation to the Outcome expectations of all key stakeholder groups in the environmental landscape. This connectivity is crucial to modelling the process and flow of strategy throughout the strategy cycle. It also provides the device that connects each participant in the industry value chain and allows the total output to outcome relationship to be mapped throughout the total full of the chain. They also serve as a point of focus for strategic measurement as each organisation's Output to Outcome set can be linked to a relevant set of CSFs and their related KPIs. This analytical linkage is crucial to the assessment of the 'strategic health' of the organisation as it takes place on the interface where the strategic meets the operational. It also provides a point around which the measurement of Stakeholder expectations can occur.*

Proposition 2: No single industry landscape exists in isolation and it is the Industry Value Chains, created out of the linked interests of their participants, that joins one industry in association with another. This ties the varied industrial landscapes into an integrated set of working relationships and mutual benefits.

Task: Consider this proposition in relation to the following question:

Identify the internal and external conditions that can arise and weaken the strength and integrity of an industry value chain.

Tutor Note: *Industry value chains of the type presented in this course demonstrate very clearly that the real worth of an organisation lies as much in its own characteristics and attributes as in the quality and viability of its relationships with its partners in the value chain itself. To keep such chains intact and effective requires all members to make and*

deliver their contribution to joint value. Like all chains they are only as strong as their weakest link or links and it is the interests of all that the financial and strategic health of all participants becomes the concern of all. Benefits and rewards need to flow fairly and in proportion to direct contribution and effort.

5.6 Block Six: Questions for Consideration

Strategy Analysis and Choice

Proposition 1: Strategic pathway options and choices may emerge out of a variety of complex relationships that are embedded within the overall strategic planning cycle. It is not a static but a dynamic process and the strategic planner must balance the need to simplify and rationalise choices against the need to embrace the complexity that lies at the heart of the ‘strategy equation.’

Task: Consider this proposition in relation to the following question:

When articulating long-term strategies, how does the organisational strategist best balance the need for depth of analysis against the need for simplicity in definition?

Tutor Note: *It is often the case that the less said the better and this applies especially when crafting the core set of definitions which lie at the heart of the strategy equation. It is arguable that the best of Vision and Mission statements are the shortest and the simplest – partly because they are the easiest to remember but also because that have usually forced the writer to refine his or her thinking down to the basics. It helps also in that the keywords can be more easily identified and their intention and meaning traced through the rest of the planning document which serves to make it more easily read, understood, and actionable.*

5.7 Block Seven: Questions for Consideration

Life Cycles

Proposition: That the transition through the four stages of the life cycle (start-up, growth, maturity, decline) is not an inevitability and that the final shape of the cycle is in the hands of the organisation itself and reflects the decisions it makes about its long term strategic interests and positioning.

Task: Consider this proposition in relation to the following question

What determines how little or how much discretion an organisation has over its own future and what influence, if any, does the stage of organisational and industry life cycles have on this?

Tutor Note: *The student needs to appreciate that the capacity of an organisation to deal with environmental threats and opportunities is in part a learned or acquired skill developed across its whole-of-life cycle and that its ability to shape and determine its own future rests in part on how well these lessons are absorbed and applied. Progression through the organisational lifecycle should also reflect the gradual ascension of the learning curve as the organisation gains new knowledge and accumulates a reservoir of experience – all of which should contribute to improved strategic decision making. This all rests on the assumption, however, that the longer the organisation has been engaged in an activity the more efficient it should become. This should in turn give it a competitive advantage when its market position is contested by other players.*

Industry Analysis

Proposition: That the dynamic nature of contemporary patterns of industry growth and change requires ‘analytical models’ capable of reducing the levels of complexity whilst at the same time capturing the essence of what is strategically significant within the overall detail.

Task: Consider this proposition in relation to the following question:

Identify, assess, compare and contrast the strengths and weaknesses of the Life Cycle and the Competitive Forces approach to industry analysis.

Tutor Note: *The students need to feel confident in their understanding and use of the various models that are presented in this course and others which they will meet in the normal course of their employment. Part of this process involves critically evaluating the models themselves and being able to break down and reassemble the component parts in a different and possibly improved form. Examples of this are given in this course (e.g., the multiple life cycle model which uses the three separate life cycles in a combined fashion to integrate strategic choices across product, organisation, and industry. The reconfiguration of Porter’s Value Chain to create a model where the focus is on the allocation of resources and the measurement of value in output and outcome terms; the redesign of the Generic Strategy model where the parts are rearranged from a matrix form into a type of vector forces diagram. In all these instances the modifications were directed at improving or enhancing the original version.*

5.8 Block Eight: Questions for Consideration

Strategic Health

Proposition 1: That financial health measures for an organisation such as ratio analysis have little predictive value. They are good measures of the past but reveal little of the future.

Task: Consider this proposition in relation to the following questions:

1. What are the respective strengths and weaknesses of both financial and non-financial measures of strategic health and how can they best be combined?
2. What other perspectives exist that could be incorporated into the balanced scorecard to further enhance its utility and relevance?

Tutor Note: *One issue for the student is to recognise that financial statements are a type of language that uses precise terms and definitions to describe the economic performance and condition of the firm. It is a logical and internally consistent model that defines and analyses the data to provide measures of organisational performance.*

6 Activities Assignments Answer Key

6.1 Block One

6.1.1 Required Assignment: Defining Strategy (a)

Based on what you have read to this point, make a list of the factors that you believe define what is meant by strategy. Think in terms of some key perspectives such as the time horizon, organisational features, and environmental and situational factors. Hold on to this list and re-visit it after you have completed the next section of this Block. See Defining Strategy (b).

Sample Layout Only:

List of factors that define 'strategy':	
Factors	Details

Tutor Note:

Look for the keywords that describes the essence of ‘strategy’ and for a demonstrated understanding of their meaning. It is important that students gain a sense of the concepts and propositions that distinguish strategic management from management in general.

The student needs also to be able to couple and link these keywords into a definitional ‘model’ that interconnects and demonstrates their basic understanding. Like any model it needs to be able to be challenged as to its integrity and completeness. As well, the student should be able to use it to explain events and phenomena from a strategic perspective. They should be encouraged to develop their own description by drawing both from the existing definitions as well as from their own experience.

6.1.2 Required Assignment: Defining Strategy (b)

There are a number of factors that separate strategic management and decision making from other types of managerial activity. Revisit your earlier list in Defining Strategy (a) in the light of your additional reading and add/delete where appropriate. In your own words, set out your reasons for your choices.

Sample Layout Only:

Factors	Relevance to Strategic Management

6.1.3 Activity: Conditioning

Identify the criteria (financial and non-financial) you would use to assess the strategic health and fitness (the conditioning) of your organisation. Rank them according to their

importance to making effective decisions about your organisation's long-term future. Present reasons and arguments for your choice of ranking. Use the table below to set out your choices.

Sample Layout Only:

Ranked Criteria	Reasons for criteria choice and ranking
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Tutor Note:

The student will need to appreciate that 'conditioning' may lie in both individual sets of abilities and capacities as well as in combinations of these. That it is not only the ability to generate cash income that gives an organisation the ability to make choices but also the competencies that permit them to make choices about how and when to invest such revenue flows. Criteria could thus include 'adequate cash flows' to match and fund a strategic shift in focus, a customer data base that provides current and relevant information about evolving customer tastes and preferences, etc.

6.1.4 Activity: Organisational Fit and Stretch

Identify the main organisational and environmental components that need to match so that the organisation is best configured to meet the demands of its industry environment. Show in detail how these matches contribute to the strategic positioning of the organisation in its landscape.

Sample Layout Only:

Organisational Component	Environmental Requirement	Degree of Match or Mismatch
Structure: Heavily centralised and controlled by corporate HQ	Structure: Decentralised and localised required to meet very varied local conditions	Structure: Poor match which is causing low morale and excessive turnover
Culture	Culture	Culture
Processes	Process	Process
Resources	Resources	Resources

Tutor Note:

It is suggested that the student use the following headings: Structure, Culture, Processes, and Resources to break down and analyse the question. These four components can be used to develop a very full description of how an organisation is constructed and how it behaves as a functioning entity.

For example, what is its structure and does it match and exceed or fall short of current industry requirements and practices? – such as too many or too few manufacturing sites to suit industry distribution chains, wasted and non-productive capital assets that do not align with supplier and customer requirements, and customers wanting JIT relationships that cannot be met with current technology and logistics? It might be that the culture of the organisation has failed to keep pace with that of the industry to which it belongs – very often organisational culture becomes tightly aligned with a particular technology. As the technology evolves and reshapes an industry (as with car assembly from sequential to cluster based [work groups] manufacturing) so too must the business culture within each organisation evolve to match this change. The whole trend towards the automation and robotisation of manufacturing has had a profound effect on the work culture and practices of those companies that adopted these changes. Students need to identify and trace these types of relationships and the interactions that occur between the landscapes and the organisation as the organisation and its industry seeks to accommodate and react to one another.

6.1.5 Activity: Adaptability and Flexibility

Identify and describe the characteristics of adaptability (ability to respond to environmental change) and flexibility (ability to rearrange its component parts including attitudes) in your organisation, in terms of its activities (what it does) and processes (how it does them).

Use the following chart to complete this activity.

Sample Layout Only:

Organisational Component: activities and processes	Adaptability characteristics	Flexibility characteristics
Recruitment of specialist engineers	Able to adjust their skill mix to meet technology innovation	Inflexible terms and conditions of employment – strongly unionised

Tutor Note:

The student will need to think about how adaptability and flexibility interact with one another. For example, can an organisation be adaptable to environmental changes if it remains largely inflexible in terms of a corresponding organisational change? Remember, structure and culture can both inhibit, and well as enhance flexibility and you will need to think through situations that may not be clear. In your analysis you may find that your organisation needs to balance, or trade off the advantages and disadvantages of one extreme or the other. Processes may remain inflexible because of the scale of the capital investment required to reposition within the market; inflexibility may be sources in rigid definitions of ‘what the customer wants’ that are held as part of an aging management out of touch with evolving needs. Inflexibility may come from being locked into long term resource contracts that tie the organisation into relations that decline in value but to which the organisation is legally committed. Adaptability depends in part on the flexibility of the organisation to respond to change – the student should look for the key industry drivers that challenge the organisation’s capacity to adapt and then to what extent flexibility constitutes a part of this.

6.1.6 Activity: Evolutionary Processes

Identify the stage(s) of evolutionary growth reached by your industry, your organisation, and its range of products and/or services. Comment on and justify, with reasons, your choices of positioning. Use the following Table for this purpose.

Sample Layout Only:

Life cycle Type	Life cycle Stage			
	Start-up	Growth	Maturity	Decline
Product/Service life cycle				
Organisational life cycle				
Industry life cycle				

Tutor Note:

The student would gain most benefit from this exercise by having to take into account the three life cycles with which a strategist needs to deal.

For example, the bicycle industry was revolutionised by a number of interacting developments that coincided to revitalise and reinvent the industry from the 1960s onwards. In particular the development of new alloys and engineering innovations brought the simple two-wheeler back from the brink and when combined with a growth in leisure and outdoor recreation pursuits recreated a mature and declining industry. The clocks of new products were set to Start-up, the industry was also reset to start-up/growth and the existing manufacturers were challenged to reconfigure their organisations to meet a vastly more diverse and active consumer base. Those companies that were unable to readjust or could not meet the pressure from new entrants disappeared as new brands replace the old – BMX, trail bikes, mountain bikes, etc.

6.1.7 Activity: Woods and Trees

Consider a unit or component of an organisation of your choice, and seek to identify and describe the conditions and processes that work (positively or otherwise) to capture the contribution of that unit to the overall strategic positioning of the organisation. For example, in a hotel these separate units or components could break down into Restaurant and Bars, Housekeeping, Reception, Back Office; for a hospital it could be Accident and Emergency, Theatre, Pharmacy, or Laboratory.

Sample Layout Only:

Organisational Unit	Contribution to overall strategic positioning
Housekeeping	The health and hygiene of guests
	The privacy and intimacy components of service
Reception	They represent the face of the organisation They manage the logistics of visitor arrival and departure (both can be stressful)

Tutor Note:

The student needs to be aware that organisational myopia can occur in a number of different ways and for a variety of reasons. Typically it means that the ‘local’ view dominates over the ‘organisation as a whole’ view and that decisions get made based on provincial needs and wants rather than taking the interests across the organisation into account. Local could mean different towns and cities or regions within one country area. It could also be taken to apply to nation states when compared with international and global-wide business organisations. In fact, all viewpoints, local, national, and global, have a role in strategic planning and in keeping the organisation grounded and relevant to all its various customer and stakeholder needs.

It will help the student to keep the idea of the Strategy Elephant poem in their minds – that the way they ‘see’ the organisation as a whole is driven and shaped by their positioning within it. Thus the process workers’ view extends outwards and upwards from a very tight positional focus on their immediate task to a somewhat vague understanding of how they fit into the overall strategic scheme of things. The marketer ‘sees’ the organisation through the eye of the customer, and the accountant through those of the shareholder. As such each has a contribution to make to the overall strategic positioning of the organisation within the industry landscape.

6.1.8 Activity: Resources

For your organisation identify (using the table below) how the three organisational characteristics (Structure, Culture, and Process) influence the resource allocation and usage strategies that it pursues across each of the main resource areas/groupings – add or change these to suit your circumstances.

Sample Layout Only: for a geographically diverse manufacturing enterprise

Organisational components	Resource Areas			
	Human	Financial	Technical	Informational
Structure	Competing skill groups between factories.	Duplication of manufacturing departments – costly overheads	Different IT platforms corresponding to the different structural units	
Culture	Industrial conflict in some sites and not in others		Data processing cultures with different sets of strategic focus	
Process		Costs associated with duplication of machinery and skilled (costly) labour	Competition for maintenance and plant upgrades	IT not adequate to integrate systems across the existing number of sites and variety of internal user groups

Tutor Note:

The student needs to develop a picture of the ways in which an organisation's resource mix allocation both reflect and in turn shape the organisational characteristics with which the allocation process interacts. Most especially its links to structural considerations, their cultural implications and the way in which the organisation carries out its activities. For example: For a geographically diverse organisation with many dispersed manufacturing units maintaining production across such diversity can lead to resource wastage through duplication of effort – the strategic solution may be to rationalise production to one site only.

As well, varying industrial relations cultures may emerge within the different units, reflecting local and regional labour conditions and attitudes – some work sites with positive, and some with negative influences on the effective and efficient use of resources.

Technology issues arise with the need to maintain and upgrade a variety of plant and equipment and at the same time make best use of available resources – financial and well as human resource.

6.2 Block Two

6.2.1 Activity: Planning Horizons

Select an organisation of your choice and identify what it considers to be its short, medium, and long-term planning horizons. Determine their reasons for making their choices and what their expectations for the future are – will they contract, expand, or collapse and merge together? And, what are the forces and conditions that may provoke such a change?

Use this survey sheet template to conduct your information-gathering interview with your chosen organisation and to record your answers. Circle the point on the (month-by-month) timeline below that best represents their Short (S), Mid-term (M) and Long-term (L) planning horizons. Circle one number only for each of three timelines provided.

Sample Layout Only:

Planning Horizons Survey	
Timelines (Measured in number of months)	Short Term (Circle ONE number only) 0_1_2_3_4_5_6_7_8_9_10_11_12_13_14_15_16_17_18_19_20+
	Mid Term (Circle ONE number only) 0_1_2_3_4_5_6_7_8_9_10_11_12_13_14_15_16_17_18_19_20+
	Long Term (Circle ONE number only) 0_1_2_3_4_5_6_7_8_9_10_11_12_13_14_15_16_17_18_19_20+
What are the reasons for their choice?	Reasons:
What are their future expectations?	Expectations:
What are the forces at work that shape their expectations?	Shaping Forces:

Tutor Note:

The student needs to develop a sense and understanding of the highly variable nature of the element of ‘time’ in the strategy equation. As rates of change and turbulence have risen in recent decades there has been a corresponding contraction and compaction of the time horizons for organisations as well as for industries – the long term has become more like the mid term and the mid term more like the short term. The perception and measurement of these time horizons is shaped in part by their objective reality as well as by the subjective perspective of the observer and participant. The cycles of product development and renewal by which the strategist measure the passage of time both feels and have contracted. Their importance however as a part of the strategic planning process remains and it is to those time horizons that the forecasts of future growth and development are still directed. The Goals are now typically closer in time and the strategic pathways more open to appraisal and review.

For students the crucial dimension to this exercise is that they gain an understanding of how and in what ways their own perceptions of time are shaped and driven.

6.2.2 Activity: Goal Measurement

Consider the proposition that ‘Goals that are not measured are not managed.’ Select a set of goals from an organisation of your choice and determine the measures that are taken in order to determine their successful achievement.

Sample Layout Only:

Goals	Measures

Tutor Note:

Goal definitions are the ‘outcome’ statements for the organisation. Appropriate measures are necessary to assess the extent to which they have been realized. Measures therefore need to be developed to correctly match the goal and generate the information that best achieves this result. Students need to understand that getting this correct match is not always straightforward and easy. They need to recognize that each goal may have a set of measures and that these measures may equally apply to a range of different goals. Care

must be taken to ensure that organisational Goals (the Outcomes the organisation is seeking) line up with the Outcomes sought by other stakeholders and that the measures used to assess their achievement are reliable and feasible and that they create an integrated picture across the organisation as a whole.

6.2.3 Activity: Strategy Roles and Job Positioning

Select an organisation of your choice and identify the strategic relevance of a selected range of job positions and their associated roles. Examine in detail the roles and responsibilities of each position and seek to establish their relevance to the overall strategic management of the organisation. (Examples would include factory workers engaged in meeting quality control standards for a manufactured good; service workers seeking to meet Over the Counter (OTC) customer expectations, etc.)

Sample Layout Only:

Job Positions	Roles and responsibilities carried out	Strategic relevance to the organisation
Warehouse Clerk	Recording and despatch of inwards and outwards goods	Accurate and reliable track of inventory turnover and the facilitation of enhanced JIT relationships
Receptionist	Channelling communications into and out of the organisation	Representing the face of the organisation in external relationships with clients

Tutor Note:

The student needs to be able to take any position in the organisation and draw a link between the tasks and duties assigned and their strategic relevance – whether small or large – to its overall competitive positioning in the market. This ability is most important since a large part of constructing such a strategy lies in the details and in the operational particulars out of which it is built. The poem by Ben Franklin (For want of a nail the shoe was lost ... etc.) is as relevant today as it was yesterday and will be tomorrow. The best strategy can be defeated through a failure on the part of management to address the details; and the responsibility for much of the detailing lies in the hands of the individual

members of staff whose daily task it is to make their contribution in an intelligently self-reliant manner day after day after day. From this perspective strategy is rooted deeply within the tissues of an organisation and being able to see these patterns makes it possible to draw them together into an integrated whole. The best of food in a restaurant will fail to satisfy if the smile is missing from the service. The most pleasant greeting in the world will disappoint if the food lacks quality. The Chef and the waiter both contribute part of the package.

6.3 Block Three

6.3.1 Activity: Strategy Equation

Set out the ‘Strategy Equation’ for an organisation of your choice. Read through the statements and definitions that are used and identify the keywords around which the definitions themselves are constructed. Make a list of the implications that the key defining words may have for the organisation in the management of its future.

Procedure: Use the Strategy Map Template provided at end of this Block (two versions available) to set out the components of the equation. Before commencing the ‘mapping’ and your analysis, study the examples (‘Mapping the Strategy Equation’) provided below for your information. Feel free to modify the layout of these ‘maps’ to suit your own circumstances.

Tutor Note:

This exercise is designed to encourage the student to draw together the component parts of the strategy equation so that they are physically and visually displayed together. The benefit of this is that the strategist (student) is encouraged to identify and pursue relationships within and between the data sets. The choice of which data sets should be used is left up to the plan writer. However the templates provided with this course suggest that the most important of these involve aligning Ends with Means and both of these with the CSFs and KPIs that bear most directly on the successful attainment of the equation – in particular the Vision and Mission statements for the organisation.

This exercise and the completed templates also serves to encourage student confidence in moving blocks of data around and creating relationships that have strategic meaning for their organisation. It also brings together those elements of the strategic plan that the writer wants the user to address. The template also serves to draw the reader’s eye to the strategic plan highlights and uses the ‘picture’ provided to lead the reader on a journey through the document.

6.4 Block Four

6.4.1 Activity: Industrial Landscape

Select a number of different industrial landscapes and identify the similarities and differences between them, for example, by the type and number of competitors; industry structure such as size; number, and variety of product/market niches; entry and exit barriers; distribution and supply chains; extent of horizontal and vertical integration, etc.

Sample Layout Only:

Industry Type	Characteristics	
	Similarities	Differences

Tutor Note:

Industry environmental landscapes exhibit a great degree of variety and diversity as well as generically common attributes. It helps the student to recognise that although their industry may be ‘unique’ in its processes and systems and the culture that it propagates that at a deeper level many of the choices that it makes and the situations and choices that it faces are very similar. This has relevance both to an understanding of how to function strategically in very different industries (say marine shipping and fast foods) but also to the development of the skills and abilities necessary to be able to look past such differences to the underlying commonalities. Are the profit drivers the same; are the people the same; are the product development cycles the same or different? The whole argument about related and unrelated diversification turns in part on the argument of how best to apply current knowledge and abilities to grow the organisation within the same or across different industry groups.

6.4.2 Activity: Spheres of Influence

Select a number of different business organisations and identify the key societal and industry influences that shape their respective strategic positioning within these landscapes. For example, indicate the type and number of competitors, industry structure such as size, number and variety of product/market niches, entry and exit barriers, distribution and supply chains, extent of horizontal and vertical integration, etc. as shown in the example below. Note that in this example, the ‘High cost of energy inputs’ is

derived in part from the ‘unreliable electric power deliveries’ directed over the national grid?

Sample Layout Only:

Business Organisation	Environmental Influences	
	Industry	Societal
Steel manufacturer	<ul style="list-style-type: none">• Small number of large competitors• <i>High cost of energy inputs</i>	<ul style="list-style-type: none">• Tariff barriers aimed at imports of generating equipment and fuel oils• Poor road and rail infrastructure for trans-shipment of finished goods• <i>Unreliable electric power deliveries</i>

Tutor Note:

Organisational analysis has little or no meaning without a knowledge of the context within which the organisation sits. These contextual environments need to be mapped with some accuracy as the context provides many of the drivers and much of the understanding of what is strategically possible and what is inaccessible or out of bounds.

Students can approach this analysis from at least two broad directions. Either, for each type of industry, list all relevant variables or, for each type of variable, trace the form it takes industry by industry. In the example, energy resources has been considered as one of the key factors that has a major influence on the form and structure of the steel smelting and forming industry. The student could also look at the pattern of effects that different energy requirements impose on other and additional industry types such as dairy food processing, pulp and paper manufacturing, electrical energy generation, etc.

6.5 Block Five

There are no Activities associated with Block 5.

6.6 Block Six

6.6.1 Activity: Strategy analysis and choice

Examine the Strategic Options for a selected organisation – these may already exist and/or be developed as part of a strategic planning and analysis process. Identify the

extent to which they meet the following Suitability, Feasibility, and Acceptability criteria. (Adapted from Johnson and Scholes, *Exploring Corporate Strategy*).

Suitability: this refers to the strategic positioning of the organisation in its industry and societal landscapes. How well does the proposed strategy fit the patterns in the SWOT?

Feasibility: this refers to the organisation's ability, in a resource and capability sense, to implement the particular strategy. The 'key' analysis provides the necessary insights to assess this dimension.

Acceptability: this refers to how well the strategy delivers to the stakeholders aligned with the Outputs and Outcomes equation at the end of the organisation's Resource Value Chain. It is clearly driven by the extent to which the strategic option meets their separate expectations.

Consider each strategy in turn, consider each Criteria in turn, and then determine an overall assessment.

Sample Layout Only:

Strategy Assessment				
Strategic Option	Assessment Criteria			Overall Rating 1-10
	Suitability	Feasibility	Acceptability	
To gain and retain ISO accreditation	Allows for differentiation among competitors – first on the block. Meets government contract regulations.	Will require additional technology infrastructure. Resource constraints exist and additional funding required through borrowings.	Meets the improved performance criteria of the lending institution. Will generate new and additional earnings.	7

Source: Adapted from Gerry Johnson and Kevan Scholes, *Exploring Corporate Strategy* (6th Edn) 2002 Financial Times Prentice Hall.

Tutor Note:

The strategic planner needs a way of selecting between options and alternatives. There are a multitude of individual measures and calculations that can be undertaken with the intention of assisting such choices – BCG matrix, Directional Policy Matrix, Scenario Analysis, Cash Flow Forecasts, etc. All of these can be gathered into an umbrella analysis which allows the managers to weigh and assess the relative advantages of one course of action against another.

The net result is a type of multidimensional scaling of choices and a means of achieving the best possible fit between the options available and the actions and results required. This type of exercise helps the student to appreciate that making such choices usually involves trading off costs and benefits across a number of different and individual elements.

6.7 Block Seven

6.7.1 Activity: Industry Forces

Select an industry and identify the pattern of forces (competitive and cooperative) at work and the underlying characteristics that shape this pattern. For example, the type and number of competitors, industry structure such as size, number, and variety of product/market niches, entry and exit barriers, supply and distribution chains, extent of horizontal and vertical integration, etc. as shown in the example below. You may choose to use some or all of the information that you would have collected when preparing your answer to Activities in previous Blocks.

Sample Layout Only:

Industry Description:		
	Patterns of Competition & Co-operation	Underlying Characteristics
Aerated Drinks and Sodas		
Small number of large competitors (National) and a very large number of small competitors (local to area)	Intense levels of competition with a constant flow of new entrants and exits	Many different flavours and varieties, with considerable overlap and constantly evolving 'brands'
Dominant national brands that have absorbed many existing and start-up operations	Distribution and supply channels largely shaped by the national brands	Sub-Contract delivery systems with intense competition for small margins

Tutor Note:

The focus in this analysis is on the direction and intensity of competition and co-operation that characterise an industry. By taking a market place perspective the analyst is able to dynamically model the industry so that the form and actions of all significant factors can be calculated. It should help the student to recognise that both patterns commonly exist together and that the subject industry will be conditioned by the barriers that act to shape the levels and intensity of such competition/co-operation.

Competition between existing industry members and co-operation to restrict competition is looked at carefully by government regulatory agencies and stock markets to ensure that as much as possible competition is free to operate. Many countries resort to a range of devices to protect and moderate direct competition – the USA on farm products in particular; the European countries to protect subsidised agricultural production; the Korean and the Japanese and other state influenced economies to restrict entry into protected markets or parts of the internal distribution systems.

6.8 Block Eight

6.8.1 Activity: Critical Success Factors – Strategy Measurement

Determine the Critical Success Factors for an organisation. Identify those areas, activities and their measures, whose successes are critical to the strategic future of the organisation. Remember that you may apply the same measure to more than one CSF. For each CSF identify those factors that influence their attainment. Please use the chart below as a guide to complete the activity.

Sample Layout Only:

<hr/> : Name of Organisation		
Identification and Measurement of CSFs/KPIs		
CS Factors	Prime Measure (KPIs)	Influencing Factors +/-

Tutor Note:

Critical Success Factors can be identified and classified in a variety of ways: by functional area, by Goal(s), by Outputs and Outcomes. They may be permanent or exist only for the duration of a particular strategy. Whichever way they are categorised the CSF should represent the things an organisation needs to get right on a consistent basis in order to achieve its strategic ends.

SC3 Strategic Management

Final Exam Test Bank

A selection of questions from this 'Test Bank' will appear in Part B of your Final Examination for SC3, Strategic Management. Many of the questions may seem similar, you will notice that the angle of the question requires that your answer demonstrate a specific knowledge of the concept. An effective study plan for the Exam would include a careful read-through of all questions, written preparation of your answers to as many of the questions as you can, and a thorough review of both questions and answers before Exam time. The aim is to become familiar with all the questions, and to practise writing answers to them in a limited time frame.

Strategy Overview

1. Define what is meant by the term strategic management. Explain and justify your choice of component elements.
2. Identify and explain the factors that you believe best defines what is meant by strategic management.
3. Explain what is meant by the expression that strategic planning does not deal with futures decisions but with the futurity of present decisions.
4. Explain what is meant by the statement that strategic planning has to do with:
 - the reconciliation and synthesis of personal and institutional pathways – for both the individual and the organisation
 - coping with change and developing a capacity to deal successfully with uncertainty and complexity
 - evolutionary patterns of creation and extinction including: Organisation/environment relationships (e.g., adaptation) and Organisation to organisation relationships (e.g., competition and co-operation)
 - 'on' or 'over-the-horizon' space/time positioning of an organisation within the context of its environmental landscapes – industry and societal.

Critically evaluate any ONE of these options and illustrate your understanding using examples.

Tutor Prompt: *(Each of these may be set out as a separate question by itself, giving a possible 4 questions overall.)*

Strategic Planning

5. Identify the assumptions that underpin a formal planning system.
6. Outline the strengths and weaknesses of formal planning systems.
7. Define and illustrate what is meant by the strategic 'conditioning' of an organisation.
8. Define and illustrate what is meant by the strategic 'positioning' of an organisation.
9. Define and distinguish between what is meant by 'Fit' and 'Stretch' in the context of the relationship between an organisation and its environment. Illustrate your answer.
10. Explain and illustrate the meaning of 'Fit' in the context of environmental analysis.
11. Explain the meaning of 'STRETCH' in the context of environmental analysis.
12. Explain and illustrate the [Inside to Outside] and the [Outside to Inside] ways of looking at the organisation to environmental relationships in terms of FIT or STRETCH.
13. Differentiate between the concepts of organisational 'Fit' and 'Stretch' and the relevance this has for the theory and practice of contemporary strategic analysis.
14. Define and distinguish between what is meant by the strategic 'adaptability' and 'flexibility' of an organisation; illustrate your answer.
15. To be effective strategists, managers of organisations must be able to 'see' or 'picture' themselves, their organisation, and its environment in certain ways. In particular, they need to be:
 - able to see and work with the parts as well as the whole of an organisation
 - aware of, and responsive to, situational or contingency factors and flexible in the use and interpretation of rule-governed behaviour
 - sensitive to the flow and evolution of events and phenomena, as well as the influence of time and change on the behaviour and culture of organisations
 - comfortable in multi-tasking environments and be able to handle multiple and parallel demands on their time, attention, and energies
 - able to strike a workable balance between the use of intuition and logic in managing and planning
16. Identify the distinct contributions that both qualitative as well as the quantitative forms of analysis makes to the process of strategic decision making.

17. Identify and comment on ONE of the key approaches to strategy as identified by Mintzberg.

School	View of Process
Design	Conceptual
Planning	Formal
Positioning	Analytical
Cognitive	Mental
Entrepreneurial	Visionary
Learning	Emergent
Political	Power
Cultural	Ideological
Environmental	Passive
Configurational	Episodic

Tutor Prompt: *(Each of these may be set out by itself as a separate question to give a possible 10 questions overall.)*

18. Critically evaluate the proposition that ‘A manager’s strategic perspective is shaped by his or her positioning within the structure of the organisation.’
19. Critically evaluate the proposition that ‘what and how you see strategically is shaped by where you are positioned within an organisation.’
20. Organisations approach the question of ‘What is our Business’ in at least nine different ways. In terms of:
- the products or services being offered
 - their dominant characteristic or principal ingredient in their products
 - the technology that spawns the product
 - the broad customer groups being served
 - a specific product/service aimed at a specific buyer segment
 - the customer needs and wants being met
 - the scope of activities within an industry
 - the creation of a diversified enterprise which engages in a group of related businesses
 - creating a multi-industry portfolio of unrelated businesses.

Define and illustrate the meaning of any ONE of these.

Tutor Prompt: *(Each of these ways of looking at a business may be set out by itself as a separate question to give a possible 9 questions overall.)*

21. There are at least seven key characteristics that assist in defining what constitutes strategic decision making:

1. The **SCOPE** of an organisation's activities
2. The **MATCHING** of the activities of an organisation to its environment
3. The **MATCHING** of the activities of an organisation to its resource capability
4. The **ALLOCATION and REALLOCATION** of major resources in an organisation
5. The **VALUES, EXPECTATIONS and GOALS** of those influencing organisational directions
6. The **DIRECTION** an organisation will move in the long term
7. The **IMPLICATIONS for CHANGE** throughout the organisation.

Choose any ONE of these and in your own words explain their meaning and relevance to an understanding of the strategy process.

Tutor Prompt: *(Each of these may be set out by itself as a separate question to give a possible 7 questions overall.)*

22. Identify the key characteristics of both a mechanistic and an organic organisation and explain how these two conditions affect its strategic positioning and perspectives.

23. What is Strategic Drift? Explain and illustrate.

Boundaries

24. There are many strategically important 'relationship boundaries' that exist between the different zones and areas of activity encountered by an organisation.

Select ONE from the following list and in your own words explain its meaning and relevance to an understanding of the strategy process.

- Where the organisation interacts with its industry environment
- Where the major echelons or coalitions of interest, authority, and power within the organisation meet and interact (old culture meets new culture!)
- Where functionally different lines meet and merge (finance meets human resources)

- Where scale effects, such as scale and complexity, lead to organisational departmentalisation (SBUs).

Tutor Prompt: *(Each of these relationships may be set out by itself as a separate question to give a possible 5 questions overall.)*

The SMPC Cycle

25. Identify and describe the three starting or entry points into the Strategic Management & Planning Cycle (SMPC). Indicate the benefits or otherwise that comes from choosing one entry point in preference to another.
26. Explain the purpose and use of 'Gap Analysis' as part of the strategic management and planning processes of an organisation.

Planning Horizons

27. What is the long term planning horizon of an organisation and what forces and conditions exist that shapes and determine its length (as measured in time) into the future?
28. When shifting from a short to a long term planning perspective, an organisation needs to accommodate one or more of the following conditions. Organisations are required:
 - to become more systematic in their planning behaviour
 - to become more proactive and less reactive in their planning culture and style
 - to build more team decision making into the planning process
 - to gather and make more use of data in their decision making.

Select ONE of these from the list and indicate how best the organisation can achieve such an end.

Tutor Prompt: *(Each of these may be set out by itself as a separate question to give a possible 4 questions overall.)*

Landscapes & Strategy Equations

29. Outline the key ingredients in the Landscape model of strategy. Explain how the elements in the landscape fit together.

30. Outline the key ingredients of the 'Strategic Equation.' Explain how the elements in the equation fit together.
31. Identify, describe, and illustrate the ways in which industry landscapes evolve.
32. Define and explain the differences between an organisation's Mission and Vision and the purposes they serve in defining its strategic positioning within the industry landscape.
33. Define and explain the differences between an organisation's Goals and Objectives and the different purposes they serve in specifying its strategic positioning within the industry landscape.
34. Identify and explain the role that 'Policies' play as part of the 'Strategy Equation.'
35. Policy serves the strategic management function in at least four different ways:
 - By acting as a lever for introducing and institutionalising strategy-supportive practices
 - By setting limits on independent action, and setting boundaries on the kinds and directions of action
 - By aligning actions and behaviour with strategy throughout the organisation
 - By shaping the character of the internal work climate and by translate the corporate philosophy into action.

Select ONE of these from the list and indicate how best the organisation can achieve such a result.

Tutor Prompt: *(Each of these may be set out by itself as a separate question to give a possible 4 questions overall.)*

36. Identify and explain the role that 'Values' plays as part of the 'Strategy Equation.'
37. Define and illustrate the meaning of the term 'Goal Stretch' and its relevance to the strategic positioning of an organisation within its external environment.
38. Identify and explain the links between the 'Strategy Equation' and the 'Strategy Landscape.'
39. Define and illustrate the meaning of the term 'Societal Environment' and its relevance to the strategic positioning of an organisation.
40. Define and illustrate the meaning of the term 'Industry Environment' and its relevance to the strategic positioning of an organisation.

41. The societal and industry landscape interact to create the external environment of the organisation. Identify and illustrate the ways in which this interaction can occur and the impact of this on the Structure, Culture, and Processes of an organisation.
42. Define and comment on the idea of 'emergent' strategies.
43. The strategic activity of an organisation is influenced in large part by the external environment in which it operates and the nature of the interface between them.
 - Identify and explain the key concepts that are involved in shaping the nature of this relationship (e.g., boundary permeability, scanning, fit)
 - Comment on the importance of environmental analysis to the strategy formulation process.

Organisations

44. Explain the composition and underlying rationale of the 'Key Analysis' tool and indicate its use in organisational analysis.
45. The Strategic Business Unit (SBU) provides a focal administrative unit around which a corporation can order and manage its strategic options.
 - Identify and comment on the key characteristics of an SBU
 - Identify the way in which SBUs develop as organisations grow in scale and complexity – from simple functional types through to more complex organisational forms
 - Outline the consequential effects that the different stages of the product/market life cycle has on the way to structure and operate an SBU: e.g., Initiation, Rapid Growth, Shakeout, etc.
46. Resource allocation involves the competition by organisational constituents for access to, and use of the range of resources that an organisation has available for strategic deployment. Identify the concepts that are relevant to an understanding of the resource allocation process in an organisation.
47. Explain the 'Centre-Periphery' effect and its relevance to organisational structure and design.

Life Cycles

48. Explain the product, organisation and industry life cycles, and the ways in which they inter-relate to shape the strategic positioning of the firm.

49. Briefly explain the construction and use of MULTIPLE LIFE CYCLE ANALYSIS as a tool for mapping an evolutionary approach to strategic organisational activity, and the part it can play in the overall strategic planning cycle.
50. Shakeout and consolidation can arise and affect industries and their members at key stages in their growth cycle. Define and discuss these concepts.
51. Identify and describe how organisational structures evolve and change as organisations grow in size and/or age across their own and their industries' 'life-cycles.'
52. Explain how changes in the following elements affects the nature of the change processes at work on an organisation:
 - the number (frequency) of the change cycles per period
 - the regularity (uniformity or otherwise) of the change cycles
 - the amplitude (height and depth) of the changes cycles.
53. Explain the relationship between the organisation and industry life cycles and the Vision and Mission statements of the organisation; indicate the ways in which they inter-relate to shape the strategic positioning of the organisation within its industry landscape.

Value & Resource Chains

54. What is your understanding of the concept of the 'Value Chain.' Relate the value chain to the Outputs:Outcomes model.
55. Identify, define, and illustrate the constituent elements of both an Organisation as well as an Industry Value Chain. Show how they integrate to define, produce, and deliver customer values.
56. Briefly explain the construction and use of PROCESS:RESOURCE matrix (a reconfigured Value Chain) as a tool for mapping strategic organisational activity, and the part it can play in the overall strategic planning cycle.
57. Briefly explain the use of PROCESS:RESOURCE matrix (a reconfigured Value Chain) as a tool for mapping the strengths and weaknesses of an organisation.
58. Explain the use of PROCESS:RESOURCE matrix (a reconfigured Value Chain) as a tool for mapping the Critical Success Factors of an organisation.
59. Explain use of PROCESS:RESOURCE matrix (a reconfigured Value Chain) as a tool for mapping the Core Competencies of an organisation.

SWOT

- 60. Explain the construction and use, and the strengths and weaknesses of SWOT analysis.
- 61. Explain and illustrate the (Inside to Outside) and the (Outside to Inside) ways of looking at organisation to environmental relationships approach to SWOT analysis.
- 62. Explain and illustrate the (Inside to Outside] and the (Outside to Inside) ways of looking at organisation approach to and use of SWOT analysis.
- 63. Explain the value and use of SWOT analysis as a tool for defining and creating the data base for organisational decision making.

Generic Strategy

- 64. Explain the 'Generic Strategy' approach to strategic analysis, choice, and implementation.
- 65. What are 'generic' strategies and what value do they have in assisting the strategic decision maker to make good strategic choices about future ends and the means to achieve those ends?
- 66. Explain what Porter means by the term 'Generic' strategy and critically assess its role and value in the strategic planning process.

Outputs & Outcomes

- 67. Distinguish between Outputs and Outcomes from an organisational perspective. Explain how they can be combined to provide the strategic link between the Organisation and its various Stakeholder groups.
- 68. Analyse and comment on the observation that in strategic planning, it is important to distinguish between the financial health and the strategic health of an organisation.
- 69. Distinguish between Outputs and Outcomes from an organisational perspective. Explain how they can be combined to provide the strategic link between the Organisational and Industry Value Chains.
- 70. Briefly explain the construction and use of OUTPUT:OUTCOME analysis as a tool for defining and creating the linkage between the PROCESS:RESOURCE activities of an organisation (its Value Chain activities), and its own organisational GOALS.
- 71. Briefly explain the construction and use of OUTPUT:OUTCOME analysis as a tool for defining and creating the linkage between the PROCESS:RESOURCE

activities of an organisation (its Value Chain activities) and its Stakeholder Groups.

Industry Analysis

72. Explain and illustrate TWO of the Barriers to entry with respect to a specific industry of your choice.
73. Explain and critically evaluate Porter's 'Competitive Forces Model' of Industry Analysis.
74. Comment on the strengths and weaknesses of the Porter model of competitive strategy and its appropriateness for planning strategy in an industry of your choice.

Strategy Implementation and Assessment

75. Explain and critically evaluate the 'Balanced Scorecard' approach to the assessment and measurement of the strategic performance of an organisation.
76. Explain what is meant by 'Core Competency(ies)' and their importance to the strategic planning process.
77. What is meant by 'Critical Success Factors' and what is their importance to the strategic planning process? Illustrate your answer.
78. Explain what is meant by 'Key Performance Indicators' and their importance to the strategic planning process.

You have reached the end of the SC3 Test Bank.

SC3 Strategic Management

Answer Key for Final Examination

PART A: Multiple Choice Questions (2 marks each; 20%)

1. b
2. b
3. c
4. a and c
5. b
6. d
7. b and d
8. b
9. c
10. e

PART B: Five Questions (8 marks each; 40%)

1. Define and explain the difference between Mission, Goals, Objectives and the ways in which each fits into and form a part of the Strategy Equation.

ANSWER KEY:

- Mission refers to the business landscape in which the organisation's Goals are located; the Objectives mark out the strategies required to achieve those Goals.
- Mission and Goals form part of the 'Ends' component of the Strategy Equation; Objectives form part of the 'Means.'
- Goals serve to link together the Means and Ends – they act as a 'hinge' linking ends and means together.
- As changes occur in the industry landscape the Mission and Goals need to be reassessed in order to ensure that they still serve their function.
- As goals change so also will the Objectives need to be examined to ensure they still describe an appropriate pathway to the Goals.

2. Organisations approach the question of 'What is our Business' in a number of different ways. Define and illustrate the meaning of **TWO** of these selected from the following list:

- The products or services being offered.
- The technology that spawns the product.
- The customer needs and wants being met.
- The dominant characteristics or principal ingredient in their products.

ANSWER KEY:

- The student needs to convey their understanding that there are a number of different bases from which an Organisation's definition of their Business and hence their Mission can emerge.
- Several of these bases may operate simultaneously for any given organisation.
- An Organisation may start from one base and evolve away towards another.
- Competitors in the same industry landscape may be competing from different 'bases' and differentiating themselves in the eyes of their customers (e.g., for shoe manufacturers it may be 'fashion and style' for one company, and 'technology' for another).

3. Explain the construction and use and the strengths and weaknesses of SWOT analysis.

ANSWER KEY:

- The student will need to identify the relational dimension to the model – this should then lead them on to a discussion of the connectivity that SWOT provides for linking the organisation to its environment; (Inside to Outside to Inside).
- The connection between Strengths and Weaknesses and the need to drill down below the level of superficiality.
- The use of the SWOT as a device to connect elements of the analysis as well as to inform or elaborate any one particular analysis – using the SWOT as part of the Value Chain or organisational Key Analysis.

4. Explain and illustrate what is meant by ‘Core Competencies’ and their importance to the strategic planning process.

ANSWER KEY:

- The student needs to identify that core competencies lie at the heart of what allows one organisation to develop and sustain a competitive advantage over another.
- That it is a set of skills or abilities that can be narrowly defined or broadly distributed throughout the organisation.
- That they may lie in an area outside their traditional industry skill set – for a manufacturing company it may lie in their distribution networks, for an R&D company in their tendering skills and not only in the science skills.
- They are hard for the competitor to duplicate or replicate.
- They need to be identified and protected against the eroding effects of evolutionary and revolutionary change.
- That they may also outlive their time and hold back a company that fails to rearrange their core skill sets to keep pace with external changes.

5. Explain and illustrate what is meant by ‘generic strategies.’

ANSWER KEY:

- Generic strategies represent the fundamental options or choices of strategic action available across all industry types.
- The concept derives from the work of Michael Porter.

- They consist of two different routes to competitiveness – cost based and differentiation based.
 - They may apply to either a narrow or broad product or service focus.
 - They lead other ‘functionally’ oriented strategies.
6. Explain and illustrate the product, organisation, and industry life cycles, and the ways in which they interrelate to shape the strategic positioning of the firm.

ANSWER KEY:

- Life cycle analysis as a tool for identifying and making strategic choices and can be applied to Products, Organisations, and Industries.
 - That the product life cycle is focused on the creation and delivery of outputs to create outcomes or customer benefits – it is the preserve of the Marketing function.
 - The Organisational LC is largely concerned with the effects of evolutionary change on the organisations structure, culture, and processes – it is the focus of the behaviourist.
 - The Industry LC is concerned with the growth and change of industries – it draws the attention of the Economist.
 - That the different life cycles interact and strategic choices about ‘ends’ and ‘means’ need to take this into account.
 - The student should illustrate the ways that different ‘settings’ on different lifecycles can cause conflicts and dilemmas for strategic management and planning.
7. What is meant by the term ‘Critical Success Factors’ and what is their importance to the strategic planning process? Illustrate your answer.

ANSWER KEY:

The student should provides a definition that indicates that these are the actions, activities, areas of performance that the organisation needs to get right in order to stay on the selected strategic pathways and attain the chosen goals; they should also

- Show a linkage between Goals and CSFs.
- Show a linkage between Vision and CSFs.
- Show that each CSF will have a set of associated KPIs and are therefore part of the metrics and performance measurement component of the Strategic Planning Cycle.

8. Explain and illustrate the meaning of 'fit' in the context of environmental analysis.

ANSWER KEY

- Fit is used to describe the situation where an organisations main focus is on finding the right industry niche and environment that best matches their existing competencies.
- They may use the analogy of the Key and Lock to explain this.
- Such an orientation is part of having an Inside to Outside view of strategy.
- The focus is on making best use of the existing strengths of an organisation.
- The argument is made that this is the old paradigm and that in contrast the modern business environment requires a stretch perspective rather than fit; here the focus is on capturing the opportunities that the industry landscape has to offer and adjusting the organisation in order to achieve this result.
- The student should be able to demonstrate that neither perspective is exclusive of the other and that both may work simultaneously or successively as the circumstances require and dictate.

9. Define and comment on the idea of emergent strategy. Illustrate your explanation.

ANSWER KEY:

- The student needs to develop the idea that strategy choice may and should evolve as part of a continuous process and not just consist of 'one point in time only' statements that are expected to stay constant and unchanging.
- An organisation needs to be aware and prepared to permit such a process to operate, and adaptability and flexibility is an important part of this.
- That the more iterative the process the smoother is the transition between different manifestations of any given strategy.
- The process should be deliberate and not accidental in order to gain the most benefit.

10. Identify the main components of the Key Analysis approach to the Organisational Equation.

ANSWER KEY:

- The Key approach consists of four elements – structure, culture, process, and resources ... each needs to be defined.

- The four elements are combined in a triangulation of relationships which identifies the interactivity of the parts and their mutual influence on each other.
- An illustration showing this interaction would assist the explanation.
- The model serves to illustrate the impact of changes in one component on the balance of forces and especially on the nature and condition of the process flows for the organisation.
- Linking the approach to an environmental form of analysis would help to put this model of an organisation into its industry context (e.g., SWOT).

PART C: Two Questions (20 marks each; 40%)

1. Identify and describe the main environmental forces that currently define and shape an industry landscape of your choice. In particular, take note of the conditions driving the processes of industry convergence and divergence. Illustrate where appropriate.

ANSWER KEY:

The student would be expected to identify the type of forces as set out in Block 4. These would include industry specific as well as broad societal influences. They should indicate the effects of such forces and the possible consequences and results.

2. Describe the main components of the organisational Value Chain and the use of the model to identify and define strategic options and choices. Illustrate its value for this purpose within a business context and industry of your choice.

ANSWER KEY:

The student should explain the horizontal and vertical components of the matrix and how they create a linkage of value across each step in the chain. Also how (through the Output and Outcome device) they tie the organisation into the industry value chain of which they are a part. The matrix also provides the opportunity to map onto it such important strategy analysis and assessment components as SWOT, CSF, Core Competency, etc.

3. Critically evaluate the use of Porter's 'Competitive Forces' model of industry analysis for an industry of your choice.

ANSWER KEY:

The student should discuss the insights offered by the model and in particular the opportunity it provides to match and interlink organisational with marketplace information – a significant advance on previous forms of industry analysis. Also, the

assumptions that underlie it – that a competitive force focus ignores the co-operative alternative, and that the nature of competitive pressure is the same whether it is coming from within the Value Chain itself (Suppliers and Customers) or from the marketplace (Direct Competitors). These are all issues for debate and the student should give some illustration to explain their understanding of the various dimensions to this.

4. The definition and measurement of organisational Outcomes as well as Outputs has become increasingly important to good strategic planning practice. Define, contrast, and illustrate the role each plays (separately and together) in the overall strategic planning process.

ANSWER KEY:

The Output to Outcome relationship provides an important end-cap to the Value or process Chains. Outputs focus on aspect of production and supply, Outcomes focus on the end benefit and the result sought by both the producing organisation as well as the other stakeholder groups – especially the customer(s). It provides the link between the organisational and the industry value chains and definable results that are amenable to measurement and evaluation.

5. Outline the key ingredients in the Landscape model of strategy. Explain how the elements in the landscape fit together for an industry of your choice.

ANSWER KEY:

The student needs to identify the different but related landscapes that provide a context for the organisation (Organisational, Industry, Societal). The landscape model helps to demonstrate the inter-connectedness between the Goals and the Strategies necessary to their attainment. It also demonstrates the effects of changes in the environment on these definitions and in particular on the resource implications for shifting from one strategy to another.

SC3 FINAL EXAMINATION

Name of Student _____

Student Number _____

Date of Exam _____

INSTRUCTIONS: This examination consists of three Parts.

Time allowed: **THREE (3)** hours

PART A is to be answered on the Examination paper itself.

PARTS B and C should be answered in the Exam Booklet provided. Print your name clearly and provide your normal signature and student number above and on the cover of the Exam Booklets used.

PART A

TEN (10) multiple choice questions to be attempted.

These are worth **TWO (2)** marks each.

20 marks

PART B

FIVE (5) questions to be attempted.

These are worth **EIGHT MARKS (8)** marks each.

40 marks

PART C

TWO (2) questions to be attempted.

These are worth **TWENTY (20)** marks each.

40 marks

TOTAL MARKS:

100

PART A: Multiple Choice Questions (20%)

Attempt all TEN (10) questions. All questions are worth 2 marks each.

1. Which of the following statements are true?
 - a. Generic strategies are strategies adopted and used only by mature organisations.
 - b. Generic strategies are strategies which focus on the strategic choices common to all organisations.
 - c. Generic strategies are blueprint strategies used as a part of life cycle analysis.
 - d. None of the above.

2. Which of the following statements are true?
 - a. Goals define the pathways to an organisation's objectives.
 - b. Objectives mark out the pathways to an organisation's goals.
 - c. Neither (a) nor (b).
 - d. Both (a) and (b).

3. The Strategy Equation consists of:
 - a. Means, Ends, and their related KPIs.
 - b. Means, Ends, and their related CSFs.
 - c. Means, Ends, and Rules.
 - d. All of the above.
 - e. None of the above.

4. Which of the following statements are true:
- a. The Mission defines an organisation's business and industry of operation.
 - b. The Vision defines an organisation's business and industry of operation.
 - c. The Vision defines the type of organisation a business wishes to be.
 - d. The Mission defines the type of organisation a business wishes to be.
 - e. All of the above.
 - f. None of the above.
5. The Strategic Fit of an organisation refers to:
- a. The ability of an organisation to undertake a strategic journey.
 - b. The search by an organisation for an environment to match its existing abilities.
 - c. A cultural condition or state of being.
 - d. The measure of the strategic health of an organisation.
 - e. None of the above.
 - f. All of the above.
6. The concept of Organisational Stretch refers to:
- a. The ability of an organisation to stretch its resources to cover emergencies.
 - b. The distance between one goal and the next.
 - c. The marketing reach of the organisation.
 - d. The ability of an organisation to adapt to the changing demands of its environment.
 - e. None of the above.

7. Values refers to:
- a. The net economic worth of an organisation.
 - b. An organisational code of behaviour.
 - c. The cultural attitudes of the organisation towards its employees.
 - d. The beliefs an organisation holds about itself.
 - e. None of the above.
8. Core Competency refers to:
- a. The ability of an organisation to undertake a particular strategy.
 - b. The skill or ability on which an organisation depends for its competitive advantage.
 - c. The intelligence quotient (I.Q.) of an organisation.
 - d. The resource mix that is required to operate the corporate services of an organisation.
 - e. None of the above.
9. KPI stands for:
- a. Key Practice Indicators.
 - b. Key Performance Index.
 - c. Key Performance Indicators.
 - d. Key Practice Index.
 - e. None of the above.
10. Which of the following statements are true?
- a. Outputs refers to the goods and services created by the Organisation.
 - b. Outcomes refers to the goods and services required by the Stakeholder.
 - c. Outcomes are the results expected from the Outputs.
 - d. Both (a) and (b) above.
 - e. Neither (a) or (b) above.

PART B: Five Questions (40%)

Attempt any **FIVE (5)** questions from the following ten. All questions are worth **8 marks each**.

1. Define and explain the difference between Mission, Goals, Objectives and the ways in which each fits into and forms a part of the Strategy Equation.
2. Organisations approach the question of 'What is our Business' in a number of different ways. Define and illustrate the meaning of **TWO** of these selected from the following list:
 - The products or services being offered.
 - The technology that spawns the product.
 - The customer needs and wants being met.
 - The dominant characteristics or principal ingredient in their products.
3. Explain the construction and use, and the strengths and weaknesses of SWOT analysis.
4. Explain and illustrate what is meant by 'Core Competencies' and their importance to the strategic planning process.
5. Explain and illustrate what is meant by 'generic strategies.'
6. Explain and illustrate the product, organisation, and industry life cycles, and the ways in which they interrelate to shape the strategic positioning of the firm.
7. What is meant by the term 'Critical Success Factors' and what is their importance to the strategic planning process? Illustrate your answer.
8. Explain and illustrate the meaning of 'Fit' in the context of environmental analysis.
9. Define and comment on the idea of emergent strategy. Illustrate your explanation.
10. Identify the main components of the Key Analysis approach to the Organisational Equation.

PART C: Two Questions (40%)

Attempt any **TWO (2)** questions from the following five. All questions are worth **20 marks each**.

1. Identify and describe the main environmental forces that currently define and shape the business landscapes of your country. In particular, take note of the conditions driving the processes of industry convergence and divergence. Illustrate where appropriate.
2. Describe the main components of the organisational Value Chain and the use of the model to identify and define strategic options and choices. Illustrate its value for this purpose within a business context and industry of your choice.
3. Critically evaluate the use of Porter's 'Competitive Forces' model of industry analysis for an industry of your choice.
4. The definition and measurement of organisational Outcomes as well as Outputs has become increasingly important to good strategic planning practice. Define, contrast, and illustrate the role each plays (separately and together) in the overall strategic planning process.
5. Outline the key ingredients in the Landscape model of strategy. Explain how the elements in the landscape fit together for an industry of your choice.