

**Achievement of Market-Friendly Initiatives and Results Program  
(AMIR 2.0 Program)**

**Funded By U.S. Agency for International Development**

**Strategic Planning, Management & Leadership**

Final Report

**Deliverable for PSPI Component, Task No. 555.1  
Contract No. 278-C-00-02-00201-00**

*September 2002*

*This report was prepared by Robert Manning in collaboration with Chemonics International Inc., prime contractor to the U.S. Agency for International Development for the AMIR Program in Jordan.*

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## **Executive Summary**

1. The Unit 'Strategic Planning, Management & Leadership' a component of the Jordan Customs Executive Management Program (JCEMP) was conducted in Amman from 12-22 August 2002. A written examination was conducted on 29 August 2002.
2. Nine (9) senior managers of Jordan Customs Amman attended the lecture/workshop sessions. Eight (8) of these senior managers successfully completed the written examination on 29 August 2002.
3. Attendance at lecture/workshop sessions and interest in the topics by attendees was high.
4. Three (3) written assignments and a research project remain to be completed by December 2002.
5. The delivery of further courses over the next twelve (12) months is essential to the creation of a trained 'critical mass' within Jordan Customs and so as to bring about the necessary change in thinking and management processes.
6. Recommendations:
  1. That:-
    - (a) further study courses in the Unit "Strategic Planning, Management and Leadership" be conducted in respect of Jordan Customs senior management and be programmed as follows:-
      - \* December 2002 - Course 2
      - \* April 2003 - Course 3
      - \* July 2003 - Course 4
    - (b) an objective selection process be put in place so as to ensure that the most appropriate management staff are given access to this unit
    - (c) selection of course participants be finalized and agreed at least thirty (30) days before the commencement of the course and so that Section/Department heads can agree on attendance and other study commitments.
  2. Course 1 participants be actively involved in the delivery of subsequent courses so as to consolidate their learnings so far and to form a foundation for the development of a more strategic approach by Jordan Customs in terms of planning and operations.
  3. The unit be offered to senior management of ASEZA. Consideration should be given to the conducting of these courses in Aqaba and placements should also be offered to Jordan Customs Aqaba personnel.
  4. Consideration be given to offering some placement on future courses (say from Course 3 or 4 onwards) to participants from neighboring Arab countries.

## **1. THE UNIT**

The unit entitled “Strategic Planning, Management and Leadership” was developed by The International Customs Center in association with Canberra University as part of the Jordan Customs Executive Management Program (JCEMP)

The JCEMP has been developed in order to provide managers with the skills and knowledge to enable them to address the more complex issues of today’s business environment. It is also designed to equip managers to be forward looking, to take into account global trends and to help position Jordan Customs for the future. This involves key areas of activity such as strategic thinking and planning, leadership, policy development, organisational development and human resource management.

The program has been designed to maximise the impact of new learning and new ideas on the operations of Jordan Customs. The mission of the program is to assist the organisation to become an effective learning organisation and in so doing become very effective in adapting to a dynamic future.

Attached to this report are copies of the following:-

1. Unit Outline, “Strategic Planning, Management and Leadership” - Annex 1
2. Course Study Notes, “Strategic Planning, Management and Leadership” – Annex 3. In addition to these Course Study Notes each participant has also been given a copy of the text “Strategic Management, Thinking, Analysis and Action”, by Graham Hubbard

## **2. COURSE TIMING/LOGISTICS**

The course was originally scheduled to be conducted in a meeting room at the Inter-Continental Hotel, Amman from Sunday 11 August to Thursday 22 August 2002 including the conducting of a written examination on 22 August.

Because of the unavailability of course participants on Sunday 11 August the start was put off until Monday 12 August.

The facilities provided at the Inter-Continental Hotel were satisfactory including meeting room, lecture aids, interpreting service (including amplification systems), car parking for participants and morning/afternoon teas and luncheon.

Liaison with and co-operation from the AMIR Office Amman was at all times satisfactory and in this regard special mention is made of Jamal Olaimat and Lina Arafat.

## **3. STUDY OFFER**

The course was offered to senior management of Jordan Customs and Aqaba Special Economic Zone Authority (ASEZA)

It was originally indicated that there were to be six (6) participants from ASEZA however they did not attend.

There were nine (9) full-time participants from Jordan Customs, Amman.

There was either a breakdown/deficiency in communication in regard to Jordan Customs, Aqaba and ASEZA attendance or alternatively travel and accommodation in Amman presented problems which were not able to be overcome. This matter is dealt with later in the report and in the “Recommendations”.

#### **4. COURSE ATTENDANCE AND INTEREST**

Course attendance was very satisfactory with only one participant demonstrating irregular attendance.

A schedule of course participants is attached as Annex 2.

Participants demonstrated keenness and enthusiasm in regard to all the topics offered and interaction with the Unit Facilitator and between participants was excellent.

I would assess that there was a very strong interest in the course material and a genuine desire to learn new management concepts and techniques.

#### **5. EXAMINATION/ASSESSMENT**

Assessment of learning outcomes by course participants is on the following basis:-

| <u>Assessment</u> | <u>Due Date</u> | <u>Weighting</u> |
|-------------------|-----------------|------------------|
| Examination       | 29 August       | 25%              |
| Assignment 1      | 1 October       | 15%              |
| Assignment 2      | 1 November      | 15%              |
| Assignment 3      | 1 December      | 15%              |
| Research Project  | December        | 30%              |

#### **6. COMMUNICATION AND GUIDANCE**

Arrangements have been made to maintain contact with participants during the “Assessment” period so as to offer assistance and to guide them. This contact will be by e-mail.

It is also important to maintain this contact so as to ensure that the initial enthusiasm and commitment demonstrated by participants is nurtured and developed.

It will also be important to maintaining ongoing learning and commitment that course participants engage in group discussion during the three(3) month assignment period.

The Study Course 1 participants will form a very important ‘beach head’ in terms of developing a ‘Strategic Planning, Management and Leadership’ culture within Jordan Customs.

#### **7. CONTEXTURAL UNDERSTANDING**

During the term of the consultancy an inspection was made of ASEZA and Jordan Customs facilities in Aqaba at the same time as attending the two (2) Risk Management Workshops which were conducted at Aqaba. This enabled the Unit Facilitator to meet with Jordan Customs and ASEZA personnel and also to develop a fuller understanding of their Aqaba operations.

## **8. AQABA SPECIAL ECONOMIC ZONE AUTHORITY**

Originally it had been indicated that there would be six (6) participants from ASEZA however for whatever reason, none of these participants originated. Consideration should be given to the conducting of a future course in Aqaba and which could be attended by both ASEZA and Jordan Customs Aqaba personnel - probably in 2003.

## **9. SUGGESTED 'WAY FORWARD'**

With the completion of Topics 1-9 the course participants have now been given or been introduced to the necessary theory and practice of management, leadership, teams, strategic management and change in contemporary organisations so as to enable them to proceed with Assignments 1,2 and 3 on the basis of a growing knowledge and understanding of this study unit.

The successful completion of these assignments as well as the Research Project will satisfy the course objectives as stated in the "Unit Outline".

There appears from group discussion during the lecture series, a need for the following:-

1. consolidation and reinforcement in respect of Study Course 1 participants
2. a continuing offering of the existing 'Strategic Planning, Management and Leadership' Unit to Jordan Customs senior management personnel
3. the involvement of Study Course 1 participants in subsequent courses

A program of this nature is essential to the creation of a trained 'critical mass' within the organisation and so as to bring about the necessary change in thinking and management processes. A further key observation is the need for a 'strategic selection process' in respect of future course participants in order to best match the future capabilities of Jordan Customs with the many significant change issues with which it is confronted.

## **10. RECOMMENDATIONS**

1. That:-

(a) further study courses in the Unit "Strategic Planning, Management and Leadership" be conducted in respect of Jordan Customs senior management and be programmed as follows:-

- \* December 2002 - Course 2
- \* April 2003 - Course 3
- \* July 2003 - Course 4

(b) an objective selection process be put in place so as to ensure that the most appropriate management staff are given access to this unit

(c) selection of course participants be finalised and agreed at least thirty (30) days before the commencement of the course and so that Section/Department heads can agree on attendance and other study commitments.

2. Course 1 participants be actively involved in the delivery of subsequent courses so as to consolidate their learnings so far and to form a foundation for the development of a more strategic approach by Jordan Customs in terms of planning and operations.

3. The unit be offered to senior management of ASEZA. Consideration should be given to the conducting of these courses in Aqaba and placements should also be offered to Jordan Customs Aqaba personnel.
4. Consideration be given to offering some placement on future courses (say from Course 3 or 4 onwards) to participants from neighbouring Arab countries.

**ANNEX 1**

*THE INTERNATIONAL CUSTOMS CENTRE*

Jordan Customs Executive Management  
Program

Unit Outline

Strategic Planning, Management  
and Leadership

Unit Number:  
Credit Point Value: 4cps  
Level: Graduate Certificate

Unit Convenor: John Knott  
Unit Facilitator: Bob Manning  
August 2002

## **Welcome to the Unit**

*Strategic Planning, Management and Leadership* is designed to give participants practical application to a range of theories and concepts. The unit introduces the arts of strategic planning, management and leadership through the experiential learning processes based on participative management situations and incorporates an action research project which participants will develop in their own workplace. While the action research project may at the outset seem daunting, the unit provides a sequence of analytical concepts and models which will assist participants to discern and reflect on the way an organisation conducts its business and will enable them to adapt strategic planning, management and leadership to their organisation.

Over recent years the responsibility for strategic thinking has been devolved to the point where management tries to involve all members of the organisation. Strategic thinking therefore becomes an exercise in collective leadership rather than being the isolated responsibility of the CEO or a specialist group in the organisation. This course of study will provide information on strategic leadership as part of its aim to improve individual strategic thinking and developing personal management capacities.

The unit will first review the evolution of management tenets and then introduce the concepts of strategy, leadership and teams. It will then build on these concepts with various analytical models and processes in strategic management.

To a large extent these are generic skills that can be applied across all the units in your post graduate study. Indeed, strategic management is a framework for the continuous improvement of all management functions.

## **Unit Description and Learning Objectives**

Strategic Planning, Management and Leadership reviews private and public sector models and processes and relates these issues to a range of practical settings. Some emphasis will be placed on the application of the unit to customs organisations noting that this unit is the core unit of the Graduate Certificate in Customs Studies. Participants will study the theory and practice of management, leadership, teams, strategic management and change in contemporary organisations. Academic material will be presented principally through the set text, the study guide and a number of references. The emphasis will be on participant self-learning and progressive self-assessment. Additional participation through group discussion online may be possible.

## **Unit Objectives:**

At the completion of this unit, participants will be able to:

- analyse the operational context for their organisation/directorate/section. and identify the drivers and the micro-management issues;
- adopt a strategic mindset and participate in the strategic planning of their organisation/directorate/section;
- implement the strategic plan, ensuring that staff understand the vision as well as the means of achieving the desired outcomes;
- provide the leadership necessary to guide staff in the application of the strategic plan;
- evaluate the outcomes of strategic planning, management and leadership and make the necessary corrections to ensure the best possible positioning of their organisation/directorate/section.

## **Contact procedures**

Any enquires you may have while studying this unit should be directed to the Unit Facilitator.

|                |  |
|----------------|--|
| Mr Bob Manning | <u>Email</u><br>manninkl6@ozemail.com.au |
| Mr John Knott  | <u>Email</u><br>john@knott.com.au        |

## **Unit Overview**

This unit consists of 10 key topic areas:

- Topic 1 - Development of Strategic Management
- Topic 2 - Strategy and Planning
- Topic 3 - Public Sector Planning and Management
- Topic 4 - Mission and External Scanning
- Topic 5 - Internal Scanning and Strategy Development
- Topic 6 - Leadership and Teams
- Topic 7 -Implementing Strategy
- Topic 8 - Change Management
- Topic 9 - Corporate Governance
- Topic 10 - Action Research Project

## **Study Resources**

### **Text.**

The texts for the unit are:

Hubbard, G. (2000) **Strategic Management** (2d Ed), Prentice Hall, Sydney. (ISBN 1740092643).

Vi1Joen, John and Dann, Susan. (2000) **Strategic Management** (3d Ed), Longman (ISBN 0 7339 0595 1).

### **Recommended Additional Resources**

The following list of additional references also relate to the unit material being studied and you may find them useful.

- Bryson, J.M. (1995) *Strategic Planning for Public and Non-profit Organisations*, San Francisco, Jossey-Bass
- Covey, S. (1990) *The Seven Habits of Highly Effective People*, People Business Library, Melbourne
- Harvard Business School (1998) *Harvard Business Review on Leadership* Harvard Business School Press, Boston Hubbard, G. (1996) *Practical Australian Strategy*, Prentice Hall, Melbourne
- Mant A (1997) *Intelligent Leadership* Allen & Unwin, Sydney. MinUberg, H. (1994) *The Rise and Fall of Strategic Management*, Prentice Hall Sydney
- Pugh D S (ed) (1997) *Organization Theory: Selected Readings (4th edition)* Penguin, London
- Porter, M. E. (1985) *Competitive Advantage: Creating and Sustaining Superior Performance*, Free Press
- Veechio, R. (1997) *Leadership: Understanding the Dynamics of Power and Influence in Organisations*, Notre Dame Press, Indiana

### **Assessment**

When you are required to submit assignment work for review and comment, you should retain a copy of the work you submit and the response you receive. You may also like to keep your responses to Self-Assessment Exercises and Points of Reflection. A brief description of each assessment type follows.

### **Self-Assessment Exercises**

Self-assessment exercises aid in the learning process and act as a form of revision. They are included at appropriate points in the study guide and demonstrate the application of the foregoing learning concepts in the form of a problem. This encourages you to solve the problem by

considering the material and drawing out the necessary information to formulate a solution. It acts as a summary and as a means of feedback to you on your progress. Self-assessment exercises are not assessable. They are provided so that you can monitor your own progress with the unit. However, they should be discussed with the Unit Facilitator or with others in the unit.

**Assessment Exercises**

Assessment exercises indicate to the Unit Facilitator that you are achieving the learning outcomes in the Outline. They are to be submitted by the dates specified, and you will receive feedback from your Facilitator. The outcomes are used to show your success at meeting the requirements of the Unit and will be recorded.

| <b>ASSESSMENT EXERCISE</b> | <b>DUE DATE:</b> | <b>WEIGHTING</b> |
|----------------------------|------------------|------------------|
| Assignment 1               | 1 October        | 15%              |
| Assignment 2               | 1 November       | 15%              |
| Assignment 3               | 1 December       | 15%              |
| Examination                | 29 August        | 25%              |
| Research Project           | December         | 30%              |

Each of the following Assessment Exercises is outlined in the Topic notes at the relevant point in the Unit. They are reproduced here for your convenience.

**Assessment Exercise 1**

Obtain the strategic/corporate plan of a medium sized public organization and provide an evaluation of the plan against the Bryson planning framework addressing both content and process issues.

You will need to be selective and concise in your commentary. Provide a brief introduction before the evaluation and a short conclusion after the body which summarizes the main points and gives your overall opinion of the plan's worth.

Word length 1500-2000

**Assessment Exercise 2**

Given the trends in organizations towards downsizing, delayering, flattening of hierarchies, empowerment of staff, and self-managed teams, what are the implications for using transformational leadership over transactional leadership?

How much of this leadership is actually management?

Give examples of the success and failure of transformational leadership/management.

Word limit: 2000 words

**Assessment Exercise 3**

Using the 7 main reasons for resistance to change (Hubbard pp 275-8) discuss the various combinations you might use to overcome resistance to implement significant strategic change in

your organization including restructuring, major process reengineering and workplace contracts for staff.

Word limit 2000 words

### **Research Project**

(2000 words)

### **Examination:**

Open book 2 Hours

### **Unit Assessment**

It is policy that the following principles are to relate to assessment:

- the allocation of marks and the assignment of grades are matters for the exercise of academic judgement by teaching staff,
- the relationship between marks and grades is conditioned by the exercise of academic judgement; and
- the borders between grades are unit to academic judgement, and may vary from unit to unit and semester to semester.

Each graded assignment will be given a mark that can be compared to the following table of grades:

| <b>Designated Grade</b> | <b>Verbal Description</b>  |
|-------------------------|--|
| High Distinction        | Work of outstanding quality on the learning outcomes of the unit, which may be demonstrated in areas such as criticism, logical argument, interpretation of materials or use of methodology. This grade may also be given to recognise particular originality or creativity. |
| Distinction             | Work of superior quality on the learning outcomes of the unit, demonstrating a sound grasp of content, together with efficient organisation and selectivity.   |
| Credit                  | Work of good quality showing more than satisfactory achievement on the learning outcomes of the unit, or work of superior quality on a majority of the learning outcomes of the unit.  |
| Pass                    | Work showing a satisfactory achievement of the learning outcomes of the unit.  |
| Pass*                   | Work showing a satisfactory achievement and/or quality on the more important learning outcomes of the unit, with an unsatisfactory (but close to satisfactory) achievement on one  |

learning outcome of the unit, but insufficient to continue in higher units for which the unit is a prerequisite.

**Fail** Work showing an unsatisfactory achievement of one or more learning outcomes of the unit, and not qualifying for the grade of conceded pass.

### **Submitting Assessment Exercises**

To assist your Unit Facilitator in processing your assessment in a timely manner, please follow these procedures:

- Photocopy your material and keep a copy (in case it is misplaced).
- Firmly attach an Assessment Cover Sheet (see a copy at the end of this Outline) to the front of each Assessment you submit.
- Print your name and address details (for return of your assessment) in the space provided.
- Complete a statement of original authorship.
- Mail or email your assessment to your Unit Facilitator.

### **Assessment Policies**

#### **Student Responsibilities**

##### **Enrolment**

It is the participant's responsibility to ensure that they are enrolled correctly in each unit and that the units are correct for their course of study.

##### **Assessment**

If there is any doubt with regard to the requirements of any particular assignments or assessment procedure, the onus for clarifying the issue rests with the participant who should contact the lecturer about the matter. In the case of illness, misadventure or unavoidable commitments participants should contact the unit convenor as soon as possible.

##### **Workload**

It is expected that participants will complete the set workloads and submit assessment exercises by the required deadlines.

##### **IT Skills**

Participants are assumed to have basic word-processing and Internet skills.

##### **Cheating, Plagiarism And Similar Misconduct**

Participants are to note the following statement on cheating, plagiarism and similar misconduct. The advice is based on traditions of respect for knowledge, scholarship and scholars. It is also based on a conviction about the importance of educating participants to have similar values and to acquire skills that will enable them to understand this heritage and begin to contribute to it

- All scholarship is based on the work of others and that debt must be explicitly acknowledged in every instance by stating from where facts, concepts and arguments are derived. Acknowledgment is appropriate whether or not an author's actual words, figures or images are quoted or whether the ideas are incorporated in the participants' own work in a different form.
- The University will not tolerate appropriation of others' work without acknowledgment; it regards such appropriations as ethically unacceptable behaviour. The most important function of a University education is to equip participants to appreciate and practise scholarship. University degrees signify that participants have attained a level of appreciation and skill acceptable to the University. It is in this context that work submitted by participants must be their own. Work taken from others does not fulfil an educational function and it undermines the standards of the University. Therefore, the University cannot allow participants to submit the work of others as their own. (This consequently prohibits copying from others, and undertaking assessment tests on behalf of others.)

Some examples of unacceptable conduct are listed:

**Plagiarism:** The appropriation by reproducing, para-phrasing, summarising or otherwise presenting them in altered form, of another person's ideas or arguments without acknowledgment. This includes submitting work prepared by another author, including another student, as your own.

**Fake claims on work done:** Only sources actually consulted should be included in references. Where they have been found in other works, the actual source read should be cited not the original work.

*It is taken for granted that assignments give evidence of background reading, intelligent criticism, keen observation and the development of a line of argument to support any particular stance adopted. It is also assumed that each assignment is totally the work of the individual submitting it (unless explicitly stated otherwise) and that it is produced specifically for the unit in question.*

*The appropriation by reproducing, paraphrasing, summarising or otherwise presenting them in altered form, of another person's ideas or arguments without acknowledgement is plagiarism. Plagiarism includes submitting work prepared by another author, including another student, as one's own.*

**DETAILS OF COURSE PARTICIPANTS**

- |                           |   |
|---------------------------|---|
| 1. Jamal MADANAT          | Head of Value Section                   |
| 2. Mohammad AL-JALODI     | Head of Legislation Section             |
| 3. Mohammad Salameh AWWAD | Head of Organisation Section            |
| 4. Tayseer YOUNIS         | Head of Translation Section             |
| 5. Amin TARAWNEH          | Head of Studies & Research Section      |
| 6. Mohammad KHAWALDEH     | Assistant in Free Zone                  |
| 7. Jamal OLAIMAT          | Customs Specialist, AMIR Program        |
| 8. Abdullah JOUDEH        | Head of Tariff Section                  |
| 9. Akram BAQAIN           | Head of Food Stuffs & Chemicals Section |

**ANNEX III**

**Project 1 – Organisational Strengthening Project  
Jordan Customs Executive Management Program**

**Strategic Planning, Management and Leadership**

**Course Notes**

**Level: Graduate Certificate**

**Facilitator Bob Manning**

**August 2002**

**Welcome to the Subject**

*Strategic Planning, Management and Leadership* is designed to provide the learner with some practical application to a range of contemporary theories and concepts. The subject introduces the arts of strategic planning, strategic management and leadership through the experiential learning processes drawn from the practical experiences of the group. It also incorporates an action research project which participants will complete in their own workplace. While the action research project may seem daunting, the subject provides a sequence of analytical concepts and models which will assist participants to discern and reflect on the way their organisation conducts its business. Over recent years the responsibility for strategic thinking has been devolved to the point where management tries to involve all members of the organisation. Strategic thinking therefore becomes an exercise in collective leadership rather than being the isolated responsibility of the CEO or a specialist group in the organisation. This course of study will provide information on leadership as part of its aim to improve individual strategic thinking and developing personal management capacities.

The subject will first review the evolution of management tenets and then introduce the concepts of strategy, leadership and teams. It will then build on these concepts with various analytical models and processes in strategic management.

To a large extent these are generic skills that can be applied across all the units in your postgraduate study. Indeed, strategic management is a framework for the continuous improvement of all management functions.

**Unit Description and Learning Objectives**

*Strategic Planning, Management and Leadership* reviews private and public sector models and processes and relates the issues to a range of practical settings. Some emphasis will be placed on the application of the subject to Customs organisations noting that this subject is a core unit of the Graduate Certificate in Customs Studies. Participants will study the theory and practice of management, leadership, teams, strategic management and change in contemporary organisations. Academic material will be presented through these notes, through the set text and through the Internet using the internet.

At the completion of this unit, students should have acquired:

- An understanding of the broad conceptual framework for strategic management and leadership in contemporary organisations.
- An awareness of modern management techniques in the public and private sector.
- An understanding of the utility of contemporary models of strategic management processes and associated analytical techniques.
- Practice in applying knowledge and skill in solving management problems.

**Contact procedures**

Any enquires you may have while studying this subject should be directed to the Subject Facilitator.

Mr Bob Manning

Email [manning16@ozemail.com.au](mailto:manning16@ozemail.com.au)

## **Module Overview**

This module consists of 10 key topic areas which are:

Topic 1 – Development of Strategic Management

Topic 2 – Strategy and Planning

Topic 3 – Public Sector Planning and Management

Topic 4 – Mission and External Scanning

Topic 5 – Internal Scanning and Strategy Development

Topic 6 – Leadership and Teams

Topic 7 – Implementing Strategy

Topic 8 – Change Management

Topic 9 – Corporate Governance

Topic 10 – Action Research Project

## **Study Resources**

### **Internet**

Some study materials are available on the Internet. Details are provided.

### **Text**

The text for the subject is:

Hubbard, G. (2000) **Strategic Management** (2<sup>nd</sup> Ed), Prentice Hall, Sydney. (ISBN 1740092643).

### **Recommended Additional Resources**

The following list of additional references also relate to the subject material being studied and you may find them useful.

- Bryson, J.M. (1995) *Strategic Planning for Public and Non-profit Organisations*, San Francisco, Jossey-Bass
- Covey, S. (1990) *The Seven Habits of Highly Effective People*, People Business Library, Melbourne
- Harvard Business School (1998) *Harvard Business Review on Leadership* Harvard Business School Press, Boston
- Hubbard, G. (1996) *Practical Australian Strategy*, Prentice Hall, Melbourne

- Mant A (1997) *Intelligent Leadership* Allen & Unwin, Sydney.
- Mintzberg, H. (1994) *The Rise and Fall of Strategic Management*, Prentice Hall Sydney
- Pugh D S (ed) (1997) *Organization Theory: Selected Readings* (4<sup>th</sup> edition) Penguin, London.
- Porter, M.E. (1985) *Competitive Advantage: Creating and Sustaining Superior Performance*, Free Press
- Vecchio, R. (1997) *Leadership: Understanding the Dynamics of Power and Influence in Organisations*, Notre Dame Press, Indiana

## Assessment

When you are required to submit work for review and comment, you should retain a copy of the work you submit and the response you receive. You may also like to keep your responses to Self-Assessment Exercises and Points of Reflection. A brief description of each assessment type follows.

### Self-Assessment Exercises

Self-assessment exercises aid in the learning process and act as a form of revision. They are included at appropriate points in the course notes and are designed to give you practice in the application of the foregoing learning concepts in the form of a problem. This encourages you to solve the problem by considering the material and drawing out the necessary information to formulate a solution. It acts as a summary and as a means of feedback to you on your progress. Self-assessment exercises are not assessable. They are provided so that you can monitor your own progress with the subject. However, they should be discussed with the Subject Facilitator or with other participants.

### Assessment Exercises

The completion of assessment exercises indicate to the Subject Facilitator that you are achieving the learning outcomes. They are to be submitted according to the agreed schedule.

| Assessment Exercise         | Due Date | Weighting |
|-----------------------------|----------|-----------|
| Exercise 1                  |          | 15%       |
| Exercise 2                  |          | 15%       |
| Exercise 3                  |          | 15%       |
| Examination                 |          | 20%       |
| Exercise 4 Research Project |          | 35%       |
| Total                       |          | 100%      |

Each of the following Assessment Exercises is outlined in the Topic notes at the relevant point in the Subject. They are reproduced here for your convenience.

### **Assessment Exercise 1**

Obtain the strategic/corporate plan of a medium sized public organization and provide an evaluation of the plan against the Bryson planning framework addressing both content and process issues.

You will need to be selective and concise in your commentary. Provide a brief introduction before the evaluation and a short conclusion after the body which summarizes the main points and gives your overall opinion of the plan's worth.

Word length 1000 to 1500

### **Assessment Exercise 2**

Given the trends in organizations towards downsizing, delaying, flattening of hierarchies, empowerment of staff, and self-managed teams, what are the implications for using transformational leadership over transactional leadership?

How much of this leadership is actually management?

Give examples of the success and failure of transformational leadership/management.

Word limit: 1000 words

### **Assessment Exercise 3**

Using the 7 main reasons for resistance to change (Hubbard pp 275-8) discuss the various combinations you might use to overcome resistance to implement significant strategic change in your organization including restructuring, major process reengineering and workplace contracts for staff.

Word limit 1000 to 1500 words

### **Assessment Exercise 4**

Research Project (1500 words)

### **Subject Assessment**

It is policy that the following principles are to relate to assessment:

- the allocation of marks and the assignment of grades are matters for the exercise of academic judgement by teaching staff;
- the relationship between marks and grades is conditioned by the exercise of academic judgement; and
- the borders between grades are subject to academic judgement, and may vary from unit to unit and semester to semester.

Each graded assignment will be given a mark that can be compared to the following table of grades:

| <b>Designated Grade</b> | <b>Verbal Description</b>  |
|-------------------------|--|
| High Distinction        | Work of outstanding quality on the learning outcomes of the subject, which may be demonstrated in areas such as criticism, logical argument, interpretation of materials or use of methodology. This grade may also be given to recognise particular originality or creativity.                                |
| Distinction             | Work of superior quality on the learning outcomes of the subject, demonstrating a sound grasp of content, together with efficient organisation and selectivity.  |
| Credit                  | Work of good quality showing more than satisfactory achievement on the learning outcomes of the subject, or work of superior quality on a majority of the learning outcomes of the subject.  |
| Pass                    | Work showing a satisfactory achievement of the learning outcomes of the subject.   |
| Pass*                   | Work showing a satisfactory achievement and/or quality on the more important learning outcomes of the subject, with an unsatisfactory (but close to satisfactory) achievement on one learning outcome of the subject, but insufficient to continue in higher subjects for which the subject is a prerequisite. |
| Fail                    | Work showing an unsatisfactory achievement of one or more learning outcomes of the subject, and not qualifying for the grade of conceded pass.   |

### **Submitting Assessment Exercises**

To assist your Subject Facilitator in processing your assessment in a timely manner, please follow these procedures:

- Photocopy your material and keep a copy (in case it is misplaced).
- Firmly attach an Assessment Cover Sheet (see a copy at the end of this Outline) to the front of each Assessment you submit.
- Print your name and address details (for return of your assessment) in the space provided.
- Complete a statement of original authorship.
- Mail or fax your assessment to your Subject Facilitator.

## **Assessment Policies**

### **Student Responsibilities**

#### **Enrolment**

It is the student's responsibility to ensure that they are enrolled correctly in each subject and that the subjects are correct for their course of study.

#### **Assessment**

If there is any doubt with regard to the requirements of any particular assignments or assessment procedure, the onus for clarifying the issue rests with the student who should contact the lecturer about the matter. In the case of illness, misadventure or unavoidable commitments students should contact the unit convenor as soon as possible.

#### **Workload**

It is expected that students will complete the set workloads and submit assessment exercises by the required deadlines.

#### **IT Skills**

Students are assumed to have basic word-processing and Internet skills.

#### **Cheating, Plagiarism And Similar Misconduct**

Students are to note the following comments on cheating, plagiarism and similar misconduct.

(a) All scholarship is based on the work of others and that debt must be explicitly acknowledged in every instance by stating from where facts, concepts and arguments are derived. Acknowledgment is appropriate whether or not an author's actual words, figures or images are quoted or whether the ideas are incorporated in the students' own work in a different form.

(b) Work submitted by students must be their own. Work taken from others does not fulfil an educational function and it undermines the standards of the course. Therefore, we cannot allow students to submit the work of others as their own. (This consequently prohibits copying from others, and undertaking assessment tests on behalf of others.)

(c) Some examples of unacceptable conduct are listed:

**Plagiarism:** The appropriation by reproducing, para phrasing, summarising or otherwise presenting them in altered form, of another person's ideas or arguments without acknowledgment. This includes submitting work prepared by another author, including another student, as your own.

**Fake claims on work done:** Only sources actually consulted should be included in references. Where they have been found in other works, the actual source read should be cited not the original work.

(d) Individual work and plagiarism

It is taken for granted that assignments give evidence of background reading, intelligent criticism, keen observation and the development of a line of argument to support any particular stance

adopted. It is also assumed that each assignment is totally the work of the individual submitting it (unless explicitly stated otherwise) and that it is produced specifically for assignment exercise in question.

The appropriation by reproducing, paraphrasing, summarising or otherwise presenting them in altered form, of another person's ideas or arguments without acknowledgment is plagiarism. Plagiarism includes submitting work prepared by another author, including another student, as one's own.

**Jordan Customs Executive Management Program  
Assignment Cover Sheet**

**Subject: Strategic Planning, Management and Leadership**

**Participant to complete:**

**Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Assessment Exercise  
Number:** \_\_\_\_\_

**Submitted to (name of  
facilitator):** \_\_\_\_\_

**Total Number of pages  
used (including this  
cover sheet):** \_\_\_\_\_

For submitted assessment exercises, please complete the following Statement of Original Authorship.

|   |
|---|
| <p><b><u>Statement of Original Authorship</u></b></p> <p>I ..... state that this assignment to the best of my knowledge contains no material which has been written by another person, except where due reference is made.</p> <p>Signed: ..... Date: .....</p> |
|---|

## Topic 1

### Development of Strategic Management

#### Introduction

This topic is designed to give you an overview of management theory and the work of the more renowned theorists. We provide it for those who may not have studied management in the past and to provide some background for examining contemporary strategic management as an academic discipline.

Overviews of strategic management and strategic leadership are also included in this first session.

#### The Rise of Management

The idea of the manager as a specialist professional emerged from the industrial revolution. People were impressed by the extent to which processes were made more systematic, how labour's efforts could be more specialised and how technology had been able to boost production and wealth almost exponentially. In addition, science became the driver of improvement. People were impressed with themselves as inventive creators of technical progress –the more scientific the better.

Consequently, early approaches to elevate management as a profession were based on scientific rationales and treated management as an experiment. Through experimentation with different management techniques managers could find the one best way in which to manufacture or process anything.

Of course everyone knows about so-called management panaceas and the rush to get the latest and best method to improve the organisation. A lot of time, effort and money have been lost in chasing these fads and it is good to retain a healthy scepticism about these wonder cures for manager's ills. For a more detailed review which challenges the 'faddism' which has marked modern management in the past century; see: *The Witch Doctors* by Micklethwait and Wooldridge (1997).

#### Fredrick Taylor and Scientific Management

The modern era approach to a more systematic way of viewing and implementing more efficient work which results in greater productivity is attributed to Fredrick Taylor who is best known for developing the idea of *scientific management*: he developed four principles for this concept and used case studies to show how they could be used to develop greater organisational productivity, particularly in factories.

The four principles were to:

- Develop a science for each element of an individual's work, which replaces the old rule of thumb method.
- Scientifically select and then train, teach and develop the worker (previously workers selected their own work and trained themselves as best they could).
- Heartily cooperate with workers to ensure that all work is done in accordance with the principles of the science that has been developed.

- Divide work and responsibility almost equally between management and workers. Management takes over all work for which it is better fitted than workers.

Taylor's stop-watch and clipboard approach did not endear him to the workers, who were concerned that higher productivity would threaten their jobs. The introduction of Taylorism in other factories in the early part of the 20th century was often accompanied by industrial unrest, culminating in US defence industries actually banning the use of stopwatches in their factories! Taylor fared little better with management despite the productivity improvements, being summarily dismissed from Bethlehem Steel with a one line sacking: "I beg to advise you that your services are not required from May 1, 1901". Some might say a very efficiently worded dismissal.

While scientific management no longer dominates the theory of management, many legacies remain in modern management practices such as time-and-motion studies, activity based costing, and ergonomic studies for best production layout and workflow.

#### *Further Reading*

Taylor, F. W. (1947) *Scientific Management*, Harper and Row

#### Henri Fayol, Max Weber and Administrative Management

Henri Fayol developed a set of principles for management which formed the basis for what has become known as administrative theory - *the one best way to manage*. While Taylor focused on the management of 'shop floor' activities, Fayol, Gulick and Urwick and Barnard concentrated on what managers actually did. Fayol's principles were derived from his many years as a manager of a prosperous French company.

Fayol's principles are still relevant today as they include:

- Division and specialisation of work
- Authority
- Unity of command and direction
- Subordination of individual interest to group interest
- Order
- Scalar chain (rather like a chain of command) along which communication levels
- Initiative
- Esprit d'corps

Understandably, Fayol's ideas were adopted quickly by the French army.

Max Weber described the one best organisational form as *bureaucracy* and his principles will be developed further in a later topic.

#### *Further Reading*

Fayol, H. (1949) *General and Industrial Management*, Pitman translated by Constance Storrs  
Weber, M (1947) *The Theory of Social and Economic Organisation*, Free Press

#### Elton Mayo and Human Relations

Elton Mayo was a founder of the Human Relations School, a body of theorists who saw relationships between workers as a key source of productivity. Other luminaries such as Abraham Maslow, Dale Carnegie and Douglas McGregor extended the notions that human beings are inherently gifted with motivations that needed only the right sort of environment to flourish.

This school also opened the way for the study of social production of working environments such as the production of group norms and ultimately culture. Mayo was an Australian professor at Harvard, whose research at Western Electrics Co at Hawthorne in Chicago stimulated further thought about the part played in productivity by good management of human relations issues (see the following).

### **The Hawthorne Experiments 1927-1932**

In 1924, productivity at Western Electrics was low, labour unrest was growing and management was concerned enough to call in consultants. Elton Mayo and his consultants attributed low output to defective, unsatisfactory and inadequate lighting. They decided to investigate whether productivity was affected by illumination and made a number of experiments using Taylorist approaches. Two groups, a control group (with constant illumination) and the experimental group. One experiment included deliberately reducing the level of illumination for the experimental group to that of about the level of moonlight; surprisingly there was an **increase** in productivity. Other experiments included studying the output of five women assembling a telephone part, working under varying conditions; initiating a program to interview 20,000 workers; studying the impact of group norms on production and the role of informal leaders in setting these norms.

Mayo's work led to the following conclusions:

1. work is group activity;
2. informal primary groups exist;
3. group norms exist;
4. groups exert strong influence over individuals;
5. management recognises the need for group cooperation because of productivity gains; and
6. managers need counselling skills as well as planning and control skills;

Acceptance of human relations theory largely depends on an acceptance of its positive assumptions about people (see McGregor's Theory X and Theory Y).

One of the most controversial assertions from this movement is the notion that "a happy worker is a productive worker."

#### *Further Reading*

Mayo, E (1949) *The Social Problems of an Industrial Civilisation*, Routledge and Keagan Paul

#### Charles Handy

Charles Handy made a major contribution to consideration of organisational form and culture when he suggested that there were four Gods of Management:

- *Zeus* symbolised an autocratic organisation where decisions are taken at the top by a strong leader and perhaps small elite.
- *Apollo* represented a role culture, where every one has a place and is in their place, just like a bureaucracy.
- *Athena*, goddess of knowledge, symbolised an organisation that was characterised by a problem-solving culture, with the accent on identifying problems and then moving to solution - the structure is not fixed and depends on the specific needs of the problem.

- *Dionysus* symbolised an organisation of independent professionals who operate without strong directing authority.

The importance of these categories is that Handy is able to show how organisations can combine different features of all four types in meeting changing environmental demands. Handy has also written extensively on modern management.

*Further Reading*

Handy, C. (1978) *The Gods of Management*, Pan Books

Handy, C. (1995) Trust and the Virtual Organisation, in Harvard Business Review, May pp40-50

Peter Senge

More recent research in management has been focusing on the problem of how organisations can cope, survive and prosper in an increasingly turbulent environment. Over the last couple of decades a significant amount of literature has been produced on strategic management and change management. Peter Senge coined the term *learning organisation*, to describe an organisation that had developed a body of people with the capacity to keep the organisation in tune with, and responsive to, its environment. Senge proposed *five disciplines*:

- *Personal mastery* ie mastery over the self, understanding the self and what you wish to achieve.
- Reviewing *mental models*, including entrenched mindsets or personal theories of the world and work.
- Building a *shared vision* for the organisation and the world that it wishes to create.
- A commitment to *team learning*.
- *Systems thinking*, which involves thinking about organisations as whole systems rather than making immediate interventions at what seem to be problem points.

The fifth discipline is based on systems theory and is intended to unite the other disciplines through its holistic approach. For example, poor quality could be fixed by having quality inspectors brought in. However, a better long-term solution would be to find the cause of the poor quality rather than add more processes and hence more cost.

Many modern corporations have adopted Senge's ideas by focussing on overall processes and the role of learning as a major means of strategic success.

*Further Reading*

Senge, P. (1992) *The Fifth Discipline: the art and practice of the learning organisation*, Century Business

Chaos Theory and Management

One of the more interesting developments in management is the adaptation of complex, adaptive systems theory (chaos theory) to the idea of strategy in organizations. The traditional concentration on issues of fitting with the environment, stability and capabilities is seen as resulting in short term competitive advantage.

One observer sees the problem as:

‘Chaos theory and the sciences of complexity view the natural realm as filled with dynamism, instability, nonlinearity and change. In this world, prediction is impossible and control is an itinerant goal, at best. Complex systems are typified by the dynamic, chaotic and unpredictable elements of nonlinear relationships. Chaos theorists view the Newtonian project as relevant only to simple mechanical systems. For chaos theorists, the failure of the Newtonian project as a model for management is that it places a simple deterministic view of mechanics on the complex and indeterminate realm of human and social systems behaviour. (Keil, 1997: 1)

These theorists see strategy in terms of improvisation, coadaptation, regeneration, experimentation and time pacing. Perhaps these processes were at the heart of the dot com frenzy of 1999 which seemed to epitomise the implementation of these ideas. Just how much they owe their success or failure to these notions is yet to be revealed.

*Further reading:*

Keil, L.D. ‘Embedding Chaotic Logic into Public Administration Thought: Requisites for the New Paradigm, **Public Administration and Management** Vol 2 Number 4, 1997  
([http://www.pamij.com/97\\_2\\_4.html](http://www.pamij.com/97_2_4.html))

Hubbard, G. (2000) *Strategic Management*, Prentice Hall, French’s Forrest.

### Issues in Contemporary Management

Despite all the advice, research, actual advances and the many new practical tools available, managers are facing a formidable array of challenges in an increasingly globalized society and business world. Among these challenges are:

- **Downsizing.** Organizations are reducing the size of their workforces or even entire divisions or businesses from the corporation to become purposely smaller and reduce overheads. These reductions have occurred in both the private and public sectors.
- **Diversity.** Workforce composition is a major factor and managing diversity of age, gender, ethnicity and physical abilities and disabilities requires careful and well-planned consideration.
- **Managing Change.** Change pressures have become more rapid and constant for the manager who needs to look at immediate as well as long-term impacts of both internal and external changes.
- **New Technology.** The increasing use of technology and especially information technology for communications has changed workplaces dramatically over recent times. Managers will need to consider issues such as protecting staff privacy, improving the quality of decisions and optimising investment in new forms of technology as they emerge.
- **Organizing.** Managers are experimenting with new structures to obtain greater flexibility and to respond more quickly to changes in their environment. This has led to flatter structures with fewer levels of management, wider spans of control, fewer rules and regulations and greater use of teams or even ‘virtual’ teams.

- **Globalization.** Managing on a global basis can present problems with legal arrangements, availability of natural resources, infrastructure as well as accommodating different national and cultural beliefs and expectations. These issues affect the nature of supervision, decision making styles and organizational configurations and processes.
- **Ethics and Social Responsibility.** An unfortunately high number of cases in the not so distant past, both the private and public sectors, have shown that managers have not acted ethically in their business dealings eg HIH, OneTel and Enron. Moreover, the public now expects corporations to meet community service obligations as part of their public duty in areas such as pollution and promoting a clean, green environment and safe products.
- **Quality.** Quality is important as is being used as a basis for competition; increasing quality leads to better products which are made more efficiently; and, enhancing quality lowers costs.
- **Service Economy.** Finally, there has been a noticeable shift towards a service economy from a manufacturing base. Service technology uses both tangible resources (eg machinery) and intangible resources (insurance, internet banking). Managing the transition may involve many traditional techniques but some fundamental changes may also be necessary.

It is up to the contemporary manager to stay abreast of these developments in their field by reading or other research. An astute manager will learn to sift the wheat from the chaff and take an open-minded but critical view of new ideas and issues.

#### *Further Reading*

Davidson, P. and R Griffin (2000) *Management – Australia in a Global Context*, John Wiley and Sons, Brisbane.

### Strategic Management

With these management ideas in the background it is time to look at the main area for this subject. Strategic management is the term that encapsulates contemporary approaches for holistic, farsighted managers who are constantly aware of the survival of their organisation and looking for ways to improve and expand their activities.

**Strategic Management** is about analyzing and practising strategy. One definition is:

The process of identifying, choosing and implementing activities that will enhance the long-term performance of an organisation by setting direction and by creating ongoing compatibility between the internal skills and resources of the organisation, and the changing external environment within which it operates (Viljoen and Dann, 2000: 5).

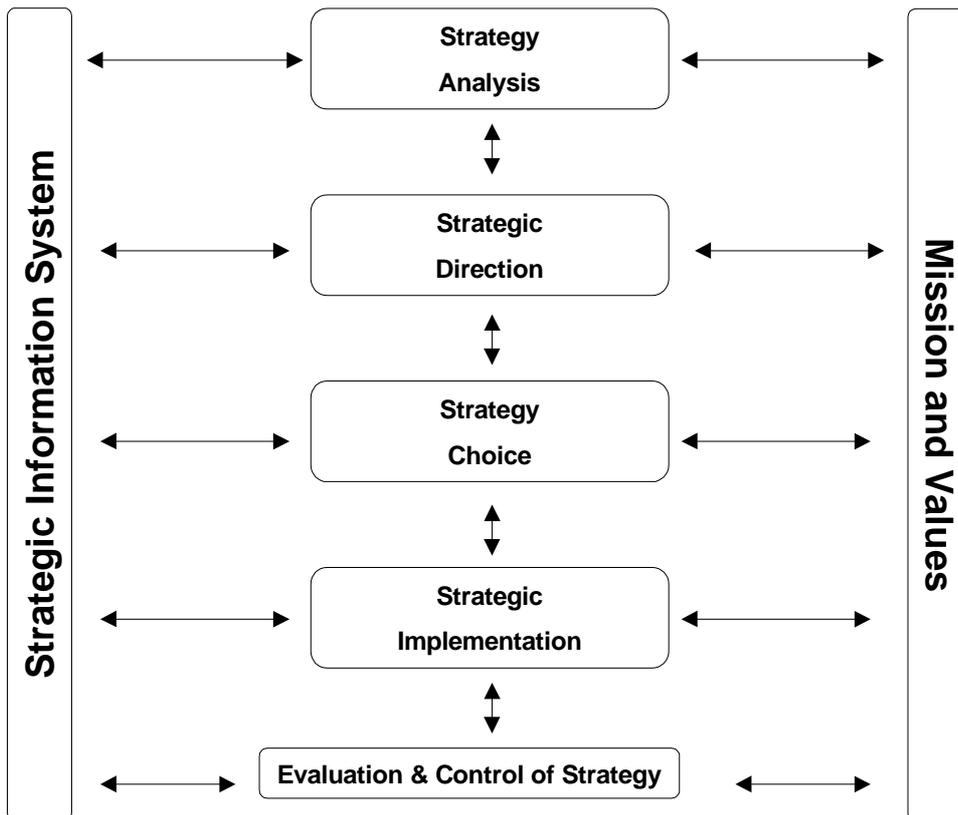
This process builds a vision of the future and a clear mission for staff: it also matches internal strengths and weaknesses against opportunities and threats of the external environment. Managers and staff devise and put plans into action to meet specific goals and use relevant feedback to evaluate and adjust performance against planned outcomes. The strategic management framework relies on:

- a well defined mission, .
- an agreed set of corporate values, and

- an information system which supports a cycle of analysing current strategy, determining directions, evaluating choices and implementing preferred strategies.

The ultimate measures of success of strategic management in organisations are survival, growth, improvements in stakeholder satisfaction, corporate vitality, profitability and competitive positioning (Wilson, 1994).

One representation of strategic management process and interactions are shown in the following diagram by Viljoen and Dann (2000).



At this stage it is useful to consider the usefulness of strategic management in terms of its drawbacks and benefits. Later sections will delve into the forms and processes of this concept but for now we can consider the following general aspects:

### Disadvantages of Strategic Management

While Strategic Management might aim to improve organisational performance and to add operational value, in practice the model has some disadvantages as follows:

- Considerable time and effort may be required to establish planning structures and schedules and to achieve universal acceptance of a demanding discipline.
- Once plans are agreed, they may be taken as gospel by some staff and used to avoid the continuous, dynamic review of environmental conditions.
- There are risks in attempting to forecast for the long term, as there may be large margins of error.
- There is also a danger that planning can become an end in itself.

## **Advantages of Strategic Management**

On the other hand, as long as managers recognise and address these pitfalls, the organisation can benefit from the implementation of strategic management practices as:

- All members of the organisation can obtain a better understanding of their role, goals and direction.
- Managers will be able to focus on the more strategically important and relevant issues.
- There will be an increased awareness and acceptance among staff of rapidly changing business environments.
- Planners will be encouraged to analyse and forecast for both short term and long term environments.
- The organisation should make better decisions to match expected and actual environmental conditions.
- Executives should be better informed and able to distribute resources more efficiently while making sure that any plans for improvement are consistent with agreed corporate strategy and objectives.
- Greater attention to planning can lead to improved and more consistent performance.
- Interactions with other staff groups during planning tend to break down functional barriers, foster understanding of the organisation as a whole and facilitate the implementation of strategic decisions by reducing resistance to change. (Pearce and Robinson, 1994:11).

While the drawbacks must be taken into account by executives and planners, strategic management provides a sound basis for planning and making decisions. The establishment of clear organisational strategic goals and associated outputs enables more directed resource management and performance monitoring.

The core process of strategic management is planning and this area will be covered in some detail in the next topic.

## **Strategic Leadership**

The other mainstream topic in this course is leadership and more particularly strategic leadership. We will look at leadership theory and practice in more detail later but it is worthwhile seeing this concept as a parallel development and integral component of strategic management.

The Australian Army defines leadership as:

the art of influencing and directing people willingly to achieve the team or organisational goal. (Army, 1999)

This definition is complementary to that of Hill and Jones (2001:15) who see *strategic* leadership as the:

ability to articulate a strategic vision for the company or a part of the company and to motivate others to buy into that vision.

An incredible amount has been written about leadership in trying to extract the essence that distinguishes a good leader from a not so good leader. Also, you may have noticed that up to now we have been talking about managers rather than leaders. The distinction has been debated long

and hard but most pundits agree that a leader has the vision and the strategic foresight which the manager develops and puts into practice.

We will return to the discussion on leadership throughout the unit.

### Conclusion

This introduction has looked at only a few of the great management thinkers; together they should give you a sense that management is not just an activity, but a well-developed discipline. As such it adds a multitude of perspectives to approach the fundamental problem of how to generate greater productivity, without depreciating or even exhausting scarce organisational resources. The old notion of *working smarter not harder* is at the heart of management and particularly strategic management and leadership theory.

We have also introduced the frameworks of strategic management and its major processes and seen the link with strategic leadership.

#### **Point of Reflection**

Can you identify any of the earlier theoretical management attitudes covered in this section in your workplace?

Do they contribute or detract from a productive workplace and pleasant working conditions for staff?

Have you worked in a chaotic environment? How was it managed?

Can you identify a leader and a manager in your current workplace?

References:

- Australian Army (1999) **Command, Leadership and Management Handbook**, Army Command and Staff College, Queenscliff.
- Davidson, P. and R Griffin (2000) **Management – Australia in a Global Context**, John Wiley and Sons, Brisbane.
- Fayol, H. (1949) **General and Industrial Management** , Pitman translated by Constance Storrs
- Handy, C. (1978) **The Gods of Management** , Pan Books
- Handy, C. (1995)**Trust and the Virtual Organisation**, in Harvard Business Review, May pp40-50
- Hill, C. and G. Jones (2001) **Strategic Management** (5<sup>th</sup> Ed), Houghton Mifflin, Boston
- Hubbard, G. (2000) **Strategic Management**, Prentice Hall, French's Forrest.
- Keil, L.D. 'Embedding Chaotic Logic into Public Administration Thought: Requisites for the New Paradigm, **Public Administration and Management** Vol 2 Number 4, 1997  
([http://www.pamij.com/97\\_2\\_4.html](http://www.pamij.com/97_2_4.html) )
- Mayo, E (1949) **The Social Problems of an Industrial Civilisation**, Routledge and Keagan Paul
- Micklethwait, J. and A. Wooldridge (1997) **The Witch Doctors**, Mandarin, London.
- Pearce, J. and R. Robinson (1994) **Formulation, Implementation and Control of Competitive Strategy** (5<sup>th</sup> Ed) Irwin, Sydney.
- Senge, P. (1992) **The Fifth Discipline: the art and practice of the learning organisation**, Century Business
- Taylor, F. W. (1947) **Scientific Management**, Harper and Row
- Viljoen, J. and S. Dann (2000) **Strategic Management** (3rd Ed), Longman Business and Professional, Melbourne
- Weber, M (1947) **The Theory of Social and Economic Organisation**, Free Press

## **Topic 2**

### **Concepts of Strategy and Planning**

This topic introduces concepts and applications of strategy that apply in modern organisations and how those organisations manage their current and future operations.

#### Learning Outcomes

At the end of this topic you will be able to:

- Describe the concepts and features of strategy, strategic thinking and strategic management and planning.
- Discuss the advantages and disadvantages of planning systems.

#### Resources

*Reading 1:*

Chapters 1 (pp 3-16) and Chapter 7 (pp 152-162) of Hubbard, G. (2000) **Strategic Management**, Prentice Hall, French's Forrest..

*Reading 2:*

Mintzberg, H. (1994) The Fall and Rise of Strategic Planning, **Harvard Business Review**, Jan-Feb, pp 107-114.

#### Introduction

A strategic leader establishes the organisational climate within which strategies will be developed and implemented. A leader can wait for events to unfold or take a strategic, proactive approach and prepare for future events. Many processes and guidelines have been developed over the years to assist the leader to examine an organisation's capabilities and to try to align the operations of the organisation to its future external environment in order to meet a specified mission. This requires an understanding of strategy and strategic management so lets start with what strategy means.

#### Strategy Concepts

*To conquer the enemy without resorting to war is the most desirable. The highest form of generalship is to conquer the enemy by strategy.*

Sun Tzu, The Art of War

*Strategy is the art of making use of time and space. I am less chary of the latter than the former; space we can recover, time never.* Napoleon

As these quotes show, organizing troops and conducting campaigns to win wars has occupied the minds of mankind for many centuries and generals have written extensively on winning and losing strategies. Strategy has been described, among other things, as generalship (from the Greek word *strategos*), a management concept and as patterns of ways and means of doing things. Hubbard gives a good summary of the main areas in strategy development including current theories (pp 2-12) and presents Mintzberg's ideas on the various applications of the term as a plan, ploy, pattern, position or perspective.

Hax and Majluf (1996:2-10) share some of Mintzberg's terminology and see strategy diversely as a:

- coherent, unifying and integrative pattern of decisions;
- means of establishing the organisational purpose in terms of its long term objectives action programs and resource allocation priorities;
- definition of the competitive domain of the firm;
- response to external opportunities and threats, and internal strengths and weaknesses, to achieve competitive advantage;
- channel to differentiate managerial tasks at the corporate, business and functional levels; and
- definition of the economic and non-economic contribution the firm intends to make to its stakeholders.

Andrews (1987) notes that strategy is formed after sifting and analyzing information that is relevant and appropriate to the firm's circumstances. The overall strategy of an organisation is like a pattern of decisions as it incorporates existing and planned policies and plans, business intentions and expected outcomes for stakeholders. (Andrews, 1987)

For this course, *strategy is a plan of action for achieving planned objectives.*

### **Strategy in Business**

In the commercial world, Michael Porter (1985) introduced the concept of generic competitive strategies, namely cost leadership, differentiation and focus.

- *Cost leadership* means producing outputs cheaper than competitors.
- A *differentiation strategy* creates products or services that differ markedly and are highly distinguishable from other items on the market.
- A *focus strategy* means concentrating on a particular niche and building specialist skills and an accompanying reputation for the product line.

However, Porter was very clear about the difference between operational effectiveness and strategy. He noted that their agendas were different with an operational agenda being the place for constant change, flexibility and relentless efforts to achieve best practice. On the other hand, strategy was about defining a unique position, making clear tradeoffs and achieving a close as possible fit with the external environment. He believed that the strategic agenda demands discipline and continuity. (Porter, 1996)

These business strategies, terminology and practices are becoming more relevant to public managers in an era of economic rationalism and performance management.

The following box shows the criteria for gathering information about strategy development in organizations being considered for the prestigious Baldrige Award.

**Strategy development**

Describe your organization's strategy development process to strengthen organizational performance and competitive position.

**Strategy development process**

- 1) What is your strategic planning process? Include key steps and key participants in the process.
- (2) How do you consider the following key factors in your process? Include how relevant data and information are gathered and analyzed:
  - customer and market needs/expectations, including new product/service opportunities;
  - your competitive environment and capabilities including use of new technology;
  - financial, societal, and other potential risks;
  - your human resource capabilities and needs;
  - your operational capabilities and needs, including resource availability;
  - your supplier and/or partner capabilities and needs.

Baldrige Award 1999 - Criteria for Performance Excellence

### Strategy and Decision Making

The formulation of strategy is an exercise in problem solving and involves identifying options to meet an objective or to resolve an issue, comparing the advantages and disadvantages of each option and then selecting the most suitable solution.

Making decisions about the survival and growth of the organisation is fraught with uncertainty and will take up much of a manager's time and energy. Decision-makers will need to balance optimization against satisfaction, consider using a prescriptive rather than a flexible approach (rationalism vs incrementalism), filter out fact from judgement, and consider problems associated with timing and contingencies.

Chapter 7 of the Hubbard text covers the rational approach to decision-making (how decisions *should* be made) and offers a series of checklist steps (see page 152) for managers to come to an internally consistent and logical decision. Note however the limitations of following this approach too closely due to limited or bounded rationality, existing organizational rules, decisions by teams, conflicting groups of deciding individuals in a team, ambiguity and interpretation. A more practical model for decision-making is shown at p 160.

### Strategy at different organisational levels

Effective strategies at each level must align with the corporate philosophy and will be assessed carefully by political stakeholders. Above all, strategies must be practical and workable. The initiatives for change that stem from these strategies are usually grouped and assigned to executive level managers who are then responsible for implementing broad action plans.

Another complicating factor is that strategy can be formulated at three different levels:

- corporate level
- business unit level
- functional or operational level.

At the highest level, corporate strategy is concerned with the type(s) of activity of the entire organisation, that is 'What business are we in?' and developing and coordinating the portfolio of interests. So corporate strategy is about defining corporate responsibilities such as creating value (see Hubbard pp 61-64), setting overall goals and integrating operations of the various components of the corporation. It also looks at strategic HRM issues and sharing or allocating finances and assets across business units. Finally it sets management standards and practices and determines structural and procedural questions about centralizing or decentralizing operations.

At the business or competitive level, strategy relates to organisational operations or competition within each activity. Formations at this level are sometimes referred to as a *strategic business unit* which could be a company division or a particular product line that has a distinctive and independent nature from other business units in the corporation. At this level, strategy is about developing and sustaining a competitive advantage for the products and services. The main issues include finding the best way to position the business against rivals, anticipating changes in demand and technologies and adjusting the strategy accordingly, and if possible influencing the type and scope of competition.

Finally, functional or operational strategy looks at the implementation of strategic decisions. (Hubbard, 2000: 15-16) The functional level covers operating divisions and departments. Strategy at the functional level looks at business processes and the impact and efficiency of the supply and value chains. Strategies are developed for managing and resourcing activities such as marketing, finance, operations, HR and R&D. Functional units provide input and operational feedback into business and corporate level strategy. They also translate higher-level strategies into discrete action and project plans with clear timelines and deliverables.

### Emergent vs Intended Strategy

It is all very well to decide on a course of action but according to Henry Mintzberg (1994) many intended strategies are generally replaced in practice so that 'realized' strategy is a combination of the remnants of intended strategy and 'emergent' strategy.

This modification takes place because of organisational culture, the application of corporate memory by the old hands, miscommunication and other forms of filtering or influences that affect the implementation of plans. The overall result may be good or bad depending on the viewpoint of the stakeholder. Consequently a strategic planner needs to be aware of the role and intent of various interest groups and take heed of Hubbard's advice (p 70):

Planned strategy needs to be flexible and opportunistic within a defined set of areas, but not so totally flexible and opportunistic that it simply goes with the flow. Strategy is about saying 'no' to those opportunities that are outside the direction and defined area of activity of the organisation. Strategy is not about saying 'yes' to every opportunity that occurs.

### Strategic Thinking

Strategic thinking binds together the many processes a strategic leader uses in setting, managing and reviewing strategy in an organisation. It is seen as a synthesizing process which employs

intuition and creativity to gain an integrated perspective of the enterprise (Mintzberg, 1994). Porter also contends that strategic thinking is essential in linking relationships such as product quality and the impact of quality improvement on competition, nurturing corporate culture which is itself aligned to a competitive approach, and understanding that entrepreneurship unguided by a strategic perspective is more likely to fail than succeed.

Liedtka (1998) has constructed a model of the elements of strategic thinking (systems perspective, intent focus, intelligent opportunism, hypothesis drivers and thinking over time) which may be used to build a repertoire of strategy concepts and techniques. In turn, Wilson (1994) sees strategic thinking as a means of transforming strategic planning ('strategy by form filling') into a useful management discipline by recognizing that dynamic ideas may be more important than data, implementing a single management system, translating strategy into action, and engendering an entrepreneurial approach to risk and uncertainty.

Strategic thinking is more important than strategic planning according to Viljoen and Dann (2000:74). They propose three methods for developing strategic thinking in an organization:

- *Creating the vision* by encouraging staff to see the 'big picture' and appreciating their particular job in the context of the overall goals for the organization.
- *Training and development activities* especially for new staff who need to understand what the organization does and why it does it. A suggested 'mission bashing' exercise could mean taking the mission statement and criticizing, analyzing, shredding and rebuilding it until everyone understands why it says what it says.
- *Promoting strategic awareness* by having staff and managers think about relevant strategic issues in the external environment to assist the adaptiveness process. Managers in particular need to understand the resources and skills in their control and how best they can be used.

### **Point of Reflection**

Can you identify strategic thinkers in your workplace, in business, in sporting organisations?

Have you noticed the difference in performance between organisations that fostered strategic thinking and those that didn't?

Would you consider yourself to be a strategic thinker? Why?

### **Planning**

Planning is about organising for the future. You plan almost automatically to meet the activities of daily life - leaving home to get to work on time, meeting friends, going to the movies or picking up children from school. Life events such as raising families, completing education and building careers need more extensive planning. Similarly, organisations need to plan to survive and grow as well as managing their day-to-day functions efficiently. This leads to strategic or long term, broad based planning within a strategic management framework.

## Strategic Planning

Strategic Planning uses the concepts of strategy we covered earlier to build a plan of action. Planning concepts and applications for organisations have evolved over the last century with both descriptive and prescriptive schools emerging. Fulop and Linstead (1999: 369) have summarized these advances into the three main schools shown in the following table:

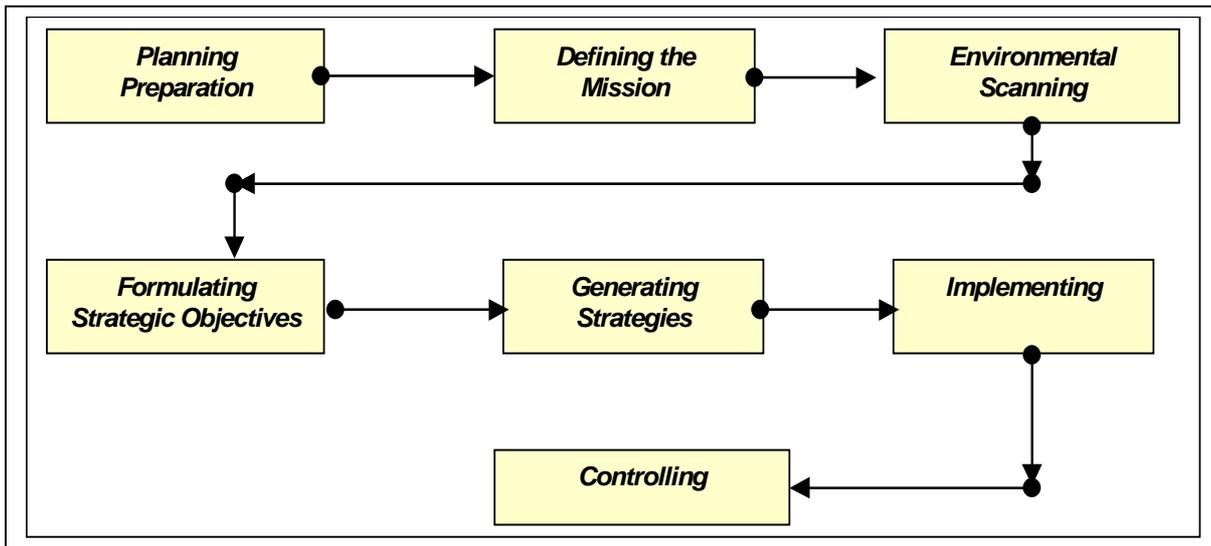
| <b>Rationalist Model</b>  | <b>Reconfigurationist Model</b>  | <b>Postmodernist Model</b>   |
|---|--|--|
| Mission and vision: a unitarist view of the organisation                                  | Multiple stakeholders: a pluralist view of the organisation as consisting of different stakeholders with different interests. Objectives determined by mutual partisan adjustment (negotiation). | Objectives are written into the narratives of strategy. The players are encouraged/coerced to adopt suitable roles. Vision moves into three, four and five dimensions. |
| Legitimate authority: managers have the power to command the activities of the enterprise | Multiple sources of power are distributed throughout organisations; the power of managers is limited.  | Power-knowledge relations are supported by the strategic narrative.  |
| Comprehensive rational analysis   | Bounded rationality  | Bounded emotionality; intuition; creativity  |
| Evaluation of all possible alternatives   | Limited, successive comparisons  | Textual criticism; how the story is unfolding; subtexts and contexts   |
| Explicit strategies and detailed plans  | Strategies emerge over time, developing incrementally, grass roots strategies  | The story is told, retold and modified, contested and added to   |
| Objectivity   | Subjectivity and selectivity: different actors pay attention to different aspects of the organisation and its environment leading to different interpretations of the situation                  | Intersubjectivity and intertextuality. There is more than one story and they simultaneously compete and coexist.   |

It is important to note that a *strategic plan* covers the complete organizational entity, gives direction and cohesion to its activities, relates to organisational values and priorities, is usually limited in time and generally includes a mission statement, goals and strategies (MAB, 1993). A strategic plan also establishes the corporate identity and functions of a public organisation. The planning process is very useful itself as it helps staff to engage in formalising goals and creates a sense of direction for staff.

Planning assumes, to some degree, that future performance can be extrapolated from past and present performance. This means that planners must take account of the organisation's stability as well as the turbulence of its environment. In fact, the ideal planner is an integrated decision maker, technician and future thinker with well-developed political skills who is able to anticipate the future and use a systematic approach to produce an extensive and viable plan for the agency. Bryson (1995) covers these areas in more detail.

### The Strategic Planning Process

Strategic planning is highly rational and structured. As such, it involves a disciplined and well-organised effort to develop comprehensive corporate strategies. While there are many private, public and non-profit planning models, the processes involved are similar and reasonably straightforward depending on the complexity of the organisation, its environment and its operations. A simplified planning framework is shown in the following diagram.



The main strategic planning processes include:

**Planning Preparation** Senior managers must make a conscious decision to undertake and support strategic planning. This metaplanning or ‘planning to plan’ agreement should clarify the purpose, scope, form, methods, planning team responsibilities, timing, resources and reporting requirements of the planning process. A member of the executive should oversee the development of the plan to provide high level authority and work closely with the planning leader and team.

**Defining the Mission** A mission sets out the organisation’s reason for existence – this defines the purpose and value and corporate direction.

**Environmental Scanning** Environmental Scanning or Strategic Analysis examines internal and external influences and determines stakeholder needs and expectations. This audit or SWOT analysis reveals internal strengths and weaknesses, and external opportunities and threats.

**Formulating Strategic Objectives** Planners distil broad statements of purpose from the SWOT analysis and extract specific corporate thrusts or goals (Key Result Areas) for set periods into the future. The goals address basic policy issues such as its mission, products, services, customer mix and revenue.

**Generating Strategies** Once the objectives are defined, the next step is to select a preferred set of strategies.

**Implementing** Implementation means developing appropriate systems, structures and tactics for putting strategies into practice. The organisation’s plan must be executed at corporate, business and

functional levels of the organisation and be accepted by each workgroup and individual member if it is to be effective.

**Controlling** The progress of the plan in practice should be monitored closely and regularly to ascertain that specified tactics are being followed and that planned milestones are being met.

### Strategic Planning in the Public Sector

Before leaving planning, we should note that strategic planning has been adopted by public and non-profit organizations to try to improve their operations and meet their organizational objectives. The next topic deals with public sector planning in detail but it is useful to give a short introduction here.

The strategic plan for public organisations has some additional elements as it needs to incorporate government direction and objectives as the basis for developing program and organisational structures. Public plans provide the basis for external accountability by providing precise statements of policy, objectives, and strategies for meeting those objectives. A more recent driver for public bodies is the introduction of output budgeting which emphasizes the detailed costing of outputs and outcomes derived from strategic planning frameworks.

Public managers use the same basic management ideas and many of the same processes as their private sector counterparts to plan, deliver and evaluate services to the public more effectively. Regardless, effective managers need an external perspective and a keen awareness of their operational environment to encompass corporate goals and objectives into a workable model, recognizing that strategic management and planning do not implement themselves (Hughes, 1994). The major difference between the two sectors is that public managers must be fully aware of, and react quickly to, political control and changing policy agendas. This preparedness for the short and long term means agencies should be better positioned to respond to media and political criticism, and to adapt more readily to changing policies by emphasizing stable, longer term organisational goals and staff programs.

### Summary

This session has introduced you to the concepts of strategy and planning. The main points you need to note are that:

- Strategic management and planning require staff input and support to be successful.
- Planning is the backbone of strategic management and needs to provide clear and achievable objectives and strategies to guide the work of staff.
- Any generic planning process has to be applied with care and be tailored to fit the circumstances of a particular organisation.

The approach covered in this topic might be considered to contain the classical concepts, which are widely understood. Because of the topic's focus on teaching, we have emphasised the technical processes, but remember there are alternative perspectives and robust debate about strategy and planning. Indeed, Richardo Semler advocates that strategy rests not in planning, but in day-to-day strategic thinking and good management principles, which leverage greater productivity. He is 'de-emphasising' corporate planning. This devils advocate approach is useful, as a way of testing and

challenging established organisational mindsets. Against this you might like to consider the more conservative philosophy of the Aston Group, who say:

*"It may not be impossible to run effective organisation of 5000 employees non-bureaucratically, but it would be so difficult that no one tries."*

**Points for Reflection**

Who is responsible for the planning processes in your organisation?

Is there a formal planning process and how often does it occur?

What are the main objectives and strategies pursued by your organisation?

How many layers of planning would best suit your organisation?

Does your organisational plan contain planned performance measures that could be used to compare actual performance?

After answering these questions you will see that leadership is an integral part of the planning process and its outcomes. In fact it will be impossible to implement strategic plans without good leaders and managers in the organization.

We have included the following self assessment exercise so that you can crystallize your ideas about the role of strategic managers

**Self Assessment**

**Strategic Managers Quiz** (Modified from Davidson and Griffin, 2000:289)

Strategic leaders are essential, as they are ultimately responsible for the effective operation of all of the functions that contribute to the success of the organisation. The following quiz should assist you in comprehending the role of strategic managers.

Use the assessment scale to agree or disagree with the following statements about strategic managers:

- Strongly agree = 4
- Roughly agree = 3
- Roughly disagree = 2
- Strongly disagree = 1

## Strategic Managers:

|   |  |
|---|--|
| 1. Tend to be well informed about the wide range of decisions being made in the organisation.                       |  |
| 2. Frequently push programs in a piecemeal fashion.   |  |
| 3. Are good personal time managers.   |  |
| 4. Are not personally involved in all decisions.  |  |
| 5. Prefer to build consensus for ideas rather than use their authority to get things done.                          |  |
| 6. Are skilful organisational politicians.  |  |
| 7. Know when to delegate and to whom.   |  |
| 8. Are considered expert at being imprecise.  |  |
| 9. Seem to convey a sense of direction without actually committing themselves publicly to precise objectives.       |  |
| 10. Develop sources of information aside from the formal channels to find out what is going on in the organisation. |  |

See the end of this topic for an interpretation of your scores.

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### The Strategic Manager Quiz

All of the statements are true, so your score should be close to 40. The closer your score is to 40, the more you understand strategic management and the more ready you are to perform as a strategic manager. You should note items for which you scored 1 or 2 as areas for improving your knowledge.

## **Topic 3**

### **Public Sector Planning and Management**

This topic reviews changes to public sector management and examines public planning frameworks that incorporate government policy guidelines and the move to incorporate private sector notions of planning, management and leadership.

#### **Learning Outcomes**

At the end of this topic you will be able to:

- Describe the particular requirements of public sector planning.
- Relate basic planning processes to public sector applications and management cycles.
- Evaluate published public sector corporate plans for completeness and impact.

#### **Introduction**

Public sector organizations around the world are constructing corporate plans to outline their corporate charter, major aims and objectives and implementation programs. The overall aim of these changes is to integrate the goals of the organization within a more coherent, cohesive and manageable framework. As a result, public managers are having to reassess their traditional operations and procedures and take a longer term, broader view to anticipate and, if possible, shape changes in their environment. .

Public sector reform has focussed on what is almost a mantra - improving productivity, responsiveness and accountability through increased organisational efficiency and effectiveness. Governments have encouraged their agencies to become more business-like and to adopt the management structures, processes and techniques of the private sector to facilitate the delivery of political imperatives and policies, and hence improve services to their citizens. One indication of this change is that public or civil service organisations have begun to publish organisational plans containing, among other things, their corporate charter, major aims and objectives and implementation programs. While public servants are well known for their survival instincts, the new approach now requires them formally to maintain the current and future viability of their organization as well as integrating their clearly stated goals within a coherent and manageable framework. This you will recognise from the last couple of topics as a strategic planning and management approach, drawn from the private sector, to become the preferred framework to meet the Government's policy and operational requirements.

As we have seen, *Strategic Management* is about defining, selecting and performing activities that improve the longer-term performance of an organisation. This continuous process helps to build a vision of the future and to identify a clear mission for agency staff: it does this by matching internal strengths and weaknesses against opportunities and threats of the external environment in which the organisation operates. This general strategic management model relies on:

- a well defined mission,
- an agreed set of corporate values, and
- an information system which supports a cycle of analysing current strategy, determining directions, evaluating choices and implementing preferred strategies (Viljoen, 1994).

As part of the strategic management concept, public managers have to develop action to meet specific goals and then measure results to evaluate and adjust performance against planned outcomes. This process is obviously enhanced if staff can identify and implement any changes that improve organisational performance (NPR, 1997).

Public planners employ strategic management to plan, deliver and evaluate services to the public more effectively. To do this, each organisation needs to establish a vision for the future and work from that vision to set longer term goals and objectives; most importantly, it will need to assign *sufficient* resources to meet its assigned roles and to remain healthy, productive and, increasingly, competitive. At the same time, public bodies, and their political masters, must recognise that they have to meet immediate and short-term objectives of interpreting and implementing Government policies as well as fighting management bushfires. This preparedness for both near and far terms means agencies should be better positioned to respond to media and political criticism, and to adapt more readily to changing policies by emphasising the stability of longer term organisational goals and staff programs.

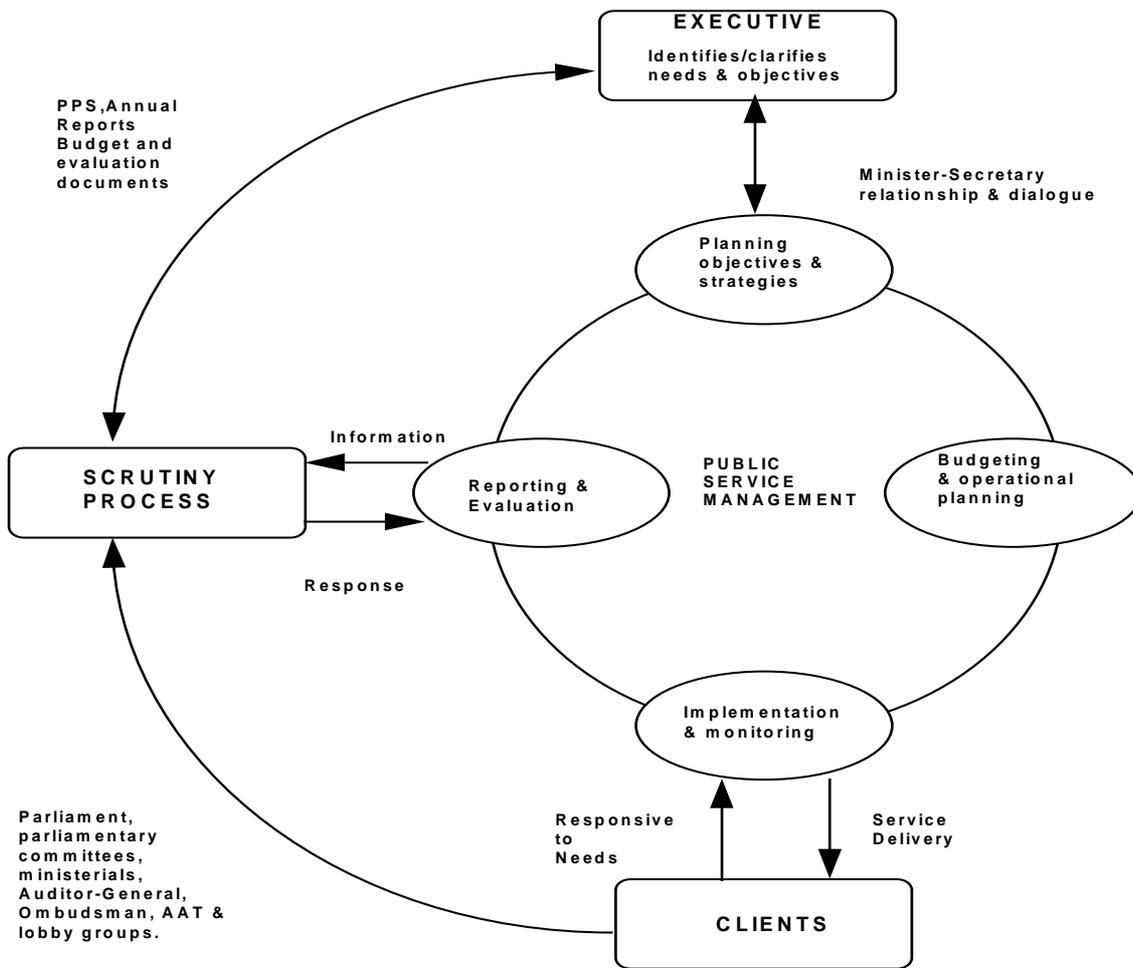
The ultimate measures of success of strategic management in public sector, as well as private, organisations are survival, growth, improvements in stakeholder satisfaction, corporate vitality, profitability and competitive positioning (Wilson, 1994).

### The Public Management Cycle

Before looking at the way public planners use these relatively new management tools, it is useful to review the operational environment of the public sector.

Now, public managers use the same basic management ideas and many of the same processes as their private sector counterparts. Regardless, effective managers need an external perspective and a keen awareness of their operational environment to transform corporate goals and objectives into a workable model, recognising that strategic management and planning do not implement themselves (Hughes, 1994). The major difference between the two sectors is that public managers must be fully aware of, and react quickly to, political influence, control and changing policy agendas.

The management of government programs and program budgets comprises a cycle of four main interlinking elements: *planning, budgeting, implementing and evaluating*. The current corporate and program management cycle for the Australian Public Service (APS) has evolved over the last 20 years and reflects the efforts of various reform programs. It incorporates 'a range of ideas in management theory (including management by objectives and strategic management) coupled with program managers' actual experience' (MAB, 1993b: 8). Planning features prominently in two of the four major components of the inner, public service management cycle as shown in the following diagram of the Commonwealth Public Service which is typical of public sector operations based on the Westminster model.



**Government Corporate/Program Management Cycle**

The various phases are covered in more detail as follows:

***Phase One - Planning Objectives and Strategies***

The initial phase of the Commonwealth's program management and budgeting cycle requires planners to identify or clarify agency needs and then link these objectives and associated strategies to agency operations. The CEO/Secretary's understanding of the Minister's program is vital in setting the working programs of the agency.

***Phase Two - Budgeting and Operational Planning***

At the budgeting and operational planning stage, the agency bids for and subsequently allocates resources (effectively revenue) according to agreed formulae to those activities considered to be crucial to successfully implement strategies and to meet policy outcomes. This phase is confined to agency planning through its program plans - however, priority fluctuations and organizational exigencies mean that there are continuous reviews and repeated iterations and comparisons with the first planning stage.

***Phase 3 - Implementation and Monitoring***

Planning and budgeting are meaningless unless the individual programs and policies are put into practice. In many cases this means providing services and products directly to the public with the accompanying and inevitable difficulties of trying to meet the high expectations of customers. The recording, collection and correlation of processes, procedures and operational transactions provide valuable feedback to line and strategic managers on the organization's efforts in achieving program goals to required levels.

#### ***Phase 4 - Reporting and Evaluation***

Performance reports are prepared continuously for the CEO/Secretary and Minister and are the basis of day to day management decision making. A more consolidated and global approach is taken for reports compiled for annual accountability to parliament and the public. Budget related reports, such as Annual Reports, indicate how departments have exercised their responsibilities and authority in spending Government money. Programs are evaluated, internally and externally, to assess their value as public policy solutions and against particular success indicators.

Public sector planning differentiates clearly between the global and operational/budgetary planning levels. While the division is often blurred in practice and the frequency of planning may vary, the approach is consistent with advanced private sector planning processes which recognize hierarchical levels of planning (corporate, business, functional) as well as the procedural or cyclic transition from strategy formulation to strategic programming and operational budgeting (Hax and Majluf, 1991: 18).

As with all planning or management systems there are disadvantages and advantages.

#### **Disadvantages of Public Sector Strategic Planning**

The strategic management approach is built about strategic planning which has particular drawbacks in a public sector context. Galloway (1990:21) has highlighted several shortcomings:

- \* All strategic plans require frequent review to maintain their relevance in a changing environment.
- \* Frequently, strategic planning is not integrated into management systems and the plan becomes nothing more than window dressing.
- \* It is extremely difficult to keep abreast of a complex environment that is undergoing rapid change.
- \* Strategic planning is not a cure for a sudden crisis although it can be utilized to minimize the effects of future problems.
- \* The introduction of a strategic management approach may represent a major organizational change program - a tendency to move too wide too quickly can be a major pitfall.
- \* If too much formality is injected into the system it may restrain creativity and reduce flexibility.

## **Advantages of Public Sector Strategic Planning**

But, using the base established by the so-called 'managerialist' reforms in the public sector, strategic management incorporating strategic planning appears to be a workable solution for public managers. Moreover, it may counter the current imbalance of short versus long term planning and replace the emphasis on short-term expediency with a more balanced view of public sector alternatives. Indeed, the major benefits of public strategic management as listed by Galloway (1990: 20) would include the following:

- \* Management is proactive rather than reactive.
- \* Clear objectives and a sense of mission for organizations are established through strategic planning.
- \* A long-term technology base can be developed that is appropriate to an organization's future direction.
- \* Internal and external communications can be improved by highlighting the types of information needed as well as the information sources.
- \* The level of corporate discussion can be extended beyond immediate budget pressures and organizational constraints so that emphasis can be given to an organization's long-term effectiveness.
- \* A rational framework can be established for the allocation of resources and an orderly system for the re-allocation of resources from current to new programs.
- \* Planners and managers can provide a widely validated basis for making long-range decisions and evaluating performance.
- \* The processes offer an organization-wide framework for decision-making that avoids ad hoc decisions on matters of long-term consequence.

### **Point of Reflection**

Do you think public sector departments have benefited from strategic planning? Give an example.

Who are the stakeholders that public managers must recognise and satisfy? – make a list.

Are private sector practices relevant in the public sector?

## **Public Sector Planning Models**

Now that we have an overall view of the public sector and how strategic management can assist public managers it is time to review two models that can be used to effect in outlining planning considerations and processes.

The two models are the:

- *Bryson Strategic Planning Model* (see Bryson, J.M., (1995) *Strategic Planning for Public and Non-Profit Organizations*, (revised Ed) Jossey-Bass Publishers, San Francisco), and
- *1998 Department of Finance and Administration Planning Model* (see DoFA (1998) 'Specifying Outcomes and Outputs', Accrual Budgeting Project, Department of Finance and Administration, Canberra.

### Bryson's Model

John Bryson's model for public sector planning was developed from a review of the impact and practical application of established strategic planning processes designed for private sector use. His main conclusions from this survey are that:

- Corporate strategic planning is not a single concept, procedure or tool.
- Strategic planning for the public sector must encompass policy and direction setting through to monitoring of results.
- Any generic planning process has to be applied with care and be tailored to fit the particular circumstances of the organization.
- Strategic planning is an essential element in the intellectual and skills repertoire of any serious planner.
- A planner must be a hybrid of technician and politician.

The Bryson planning model has 10 strategic planning steps:

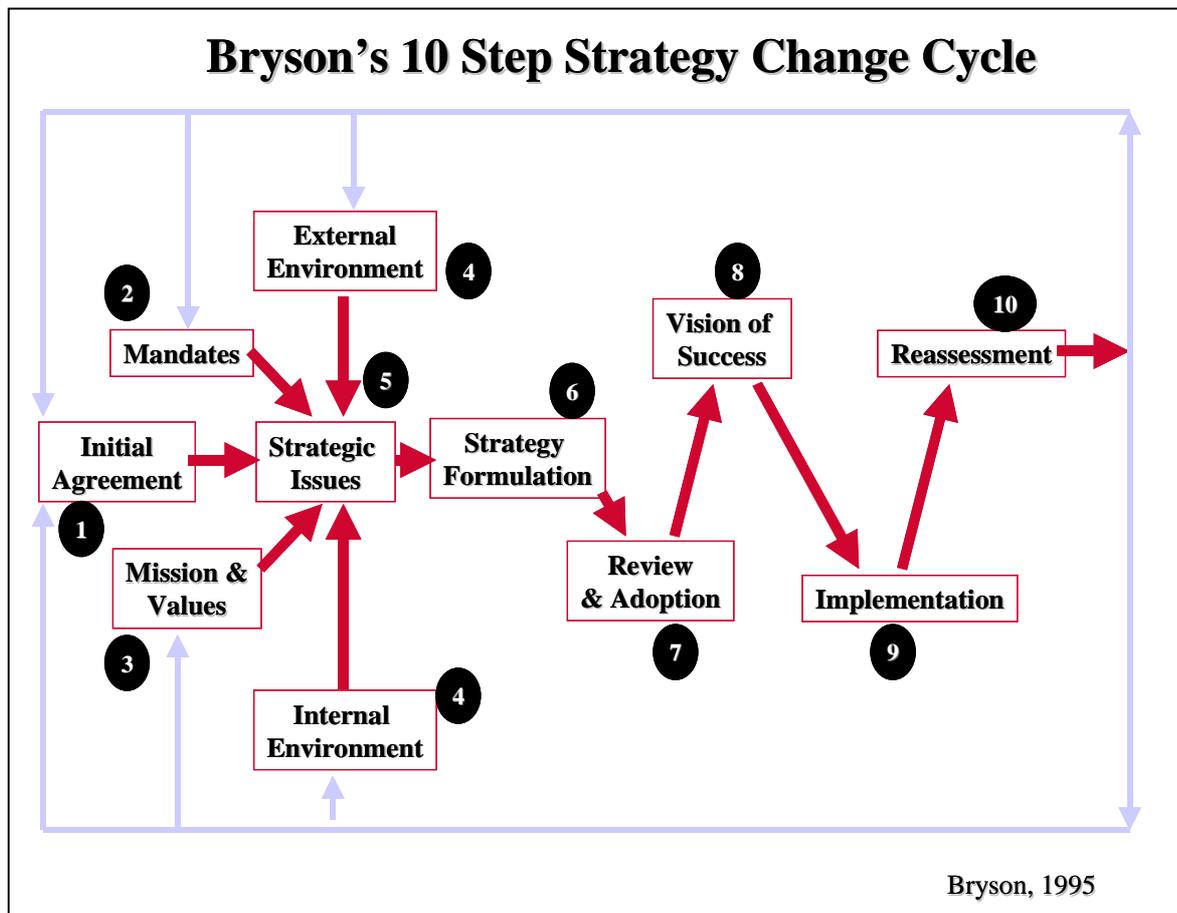
1. *Initiating and agreeing on a strategic planning process.* Executive support and commitment is vital to the success of planning and the meta-planning stage requires an agreement with key leaders about the overall strategic planning effort and key planning steps. The agreement should cover the purpose, preferred steps, form and timing of reports, the roles and functions and membership of any groups or committees overseeing the effort, the roles and functions and membership of the strategic planning team, and the commitment of resources to complete the process.
2. *Identifying organizational mandates.* Planners must understand what the organization is supposed to be doing. This may involve clarifying any constraints in the operating domain by reviewing such areas as relevant legislation, ordinances, charters, articles and contracts.
3. *Clarifying organizational mission and values.* The organization's mission and mandates provide the reasons and justification for its existence. A clear statement of intent can reduce and eliminate internal conflict and improve productivity towards an agreed future. A mission provides a source of inspiration to key stakeholders who claim the organization's attention, resources or outputs and whose satisfaction determines the success of the organization's efforts. The organization must complete a thorough analysis to identify stakeholders, their influence and importance, their stake and the criteria used by them to judge organizational performance. Strategic planners should then be able to develop a mission statement based on the identity, purpose, the required response to stakeholders, overall philosophy and core values, and ethical standards.

4. *Assessing the external and internal environments: opportunities and threats, strengths and weaknesses.* The next process is to review the political, economic, social technological, educational and physical environmental forces and trends that affect the organization. The external environment contains stakeholders such as clients, customers, competitors and collaborators, and planners need to acknowledge that the organization's effectiveness will be judged against stakeholders' criteria and not those of the organization. The organization might construct scenarios to explore alternative futures as part of this environmental scanning. Internal scanning should review available resources and present strategies and performance as well as any processes for separate units or functions. The internal scrutiny should also identify distinctive or core competencies such as inherent abilities, effective actions or resources which enable the organization to perform at optimum levels.
5. *Identifying the strategic issues facing an organization.* The strategic issues are the fundamental policy questions affecting the organization's mandates, mission and values, product or service level and mix, clients, users or payers, cost, financing or management. An organization that fails to react to a strategic issue is likely to suffer from unattended threats or missed opportunities. This step highlights the iterative nature of strategic planning as information created or discussed earlier returns as a strategic issue and may conflict with subsequent developments or conclusions. The conflict may involve ends, means, philosophy, location, timing or impact. Strategic issues may need an immediate response, continuous monitoring or action in the future. Strategic issues can be identified in several ways: *directly* after reviewing mandates, mission and SWOTs where goals are not clear; *indirectly*, by brainstorming several options and merging them into potential issue categories; using a *goals approach* where there are clear goals in a hierarchical authority structure; or, through a *vision of success* approach where the organization develops a best or ideal picture of itself succeeding in the future.
6. *Formulating strategies and plans to manage the issues.* In this context, strategy is a 'pattern of purposed, policies, programs, actions, decisions or resource allocation that define what an organization is, what it does and why it does it' (Bryson, 1995: 32). An effective strategy must be technically workable, politically acceptable, match corporate philosophy and core values, be ethical, moral and legal and deal with deal with the strategic issue it was supposed to address. Strategy is developed in five steps by:
  - Identifying practical alternatives and visions for resolving strategic issues.
  - Listing the barriers to achieving the alternatives or visions.
  - Developing proposals to overcome the barriers.
  - Determining actions to implement the proposals over the next 2-3 years.
  - Finalizing a detailed work program for the next 6-12 months to implement the actions.
7. *Reviewing and adopting the strategies and plan.* The next step is to gain approval for the strategies and then implement them. The plan sponsor or champion will have a pivotal role in securing approval at the various decision-making levels in the firm.
8. *Establishing an effective organizational vision.* The organization develops its positive image as it implements its strategies successfully and achieves its full potential, that is, its vision of success. A typical vision description includes the mission, basic strategies, performance criteria, decision rules and ethical standards expected of all staff; this statement should be circulated widely throughout the organization.

9. *Developing an effective implementation process.* The changes intended by the strategies emerging from the planning process need to be put into practice by a direct or staged program. This may require action plans which contain implementation roles and responsibilities, specific objectives and schedules, resource needs, communication plans, review and correction procedures and accountability requirements. A smooth acceptance of new priorities and strategies is essential for successful implementation.
10. *Reassessing strategies and strategic planning processes.* Strategies and the planning process itself should be reviewed after implementation as the basis for the next planning round. Planners should concentrate on successful strategies and on options to continue, replace or end them. The planning process should be reviewed critically and any changes recommended improving consequent planning.

Bryson notes that although the process may be presented in a linear, sequential fashion, it is iterative in practice and groups will inevitably rethink connections before formulating effective strategies. He urges strategic planners to accept the vagaries of the current situation as the start point and not to undertake strategic planning unless there is a compelling reason. He stresses the sponsorship issue and the need for a high level, process champion who believes in the benefits that will derive from tailored strategic planning. It is also important to secure the participation of key staff and to consider the possibility that outside consultation and facilitation may assist the entire planning process.

A diagram of the Bryson model of strategy change follows.



1998  
 Department of Finance and Administration (DoFA) Planning Model  
 The DoFA model provides a more formal

set of guidelines for government departments and agencies to complete strategic planning. This is

the basis for an integrated management system to help public planners develop, support and implement corporate strategy. Business planning techniques are then used to develop strategies in an outcomes and outputs framework including performance standards. DoFA endorses APS planning as being necessary to:

- Identify strategies to achieve planned outcomes.
- Link outputs to outcomes.
- Ensure that strategic priorities drive the budget.
- Build a capacity to understand complex problems and deal with long term issues.
- Reach across agency boundaries to achieve goals.
- Develop responsiveness to stakeholders, including customers and staff.
- Maintain flexibility in a changing environment (DoFA, 1998: 57-58).

The DoFA model is founded on the idea that agencies are able to link performance with strategic goals by following five planning basic steps:

- Defining agency business through a clear statement of mission, corporate level goals, business values and key planning assumptions.
- Analyzing the agency's business by conducting a SWOT of organizational and competitive environments.
- Identifying planned outcomes and priorities.
- Developing implementation strategies and specifying the associated outputs required noting the allocation of resources and the impact on the organization's culture.
- Developing a performance information framework to monitor the successful impact of strategies in action (DoFA, 1998a: 58).

The DoFA model is consistent with previous comments by the Management Advisory Board (MAB) on the need for a system which integrates agency planning, budgeting and management and incorporates strategic and business planning, individual performance plans, monthly reports and half yearly reviews (DoFA, 1998a; MAB, 1997).

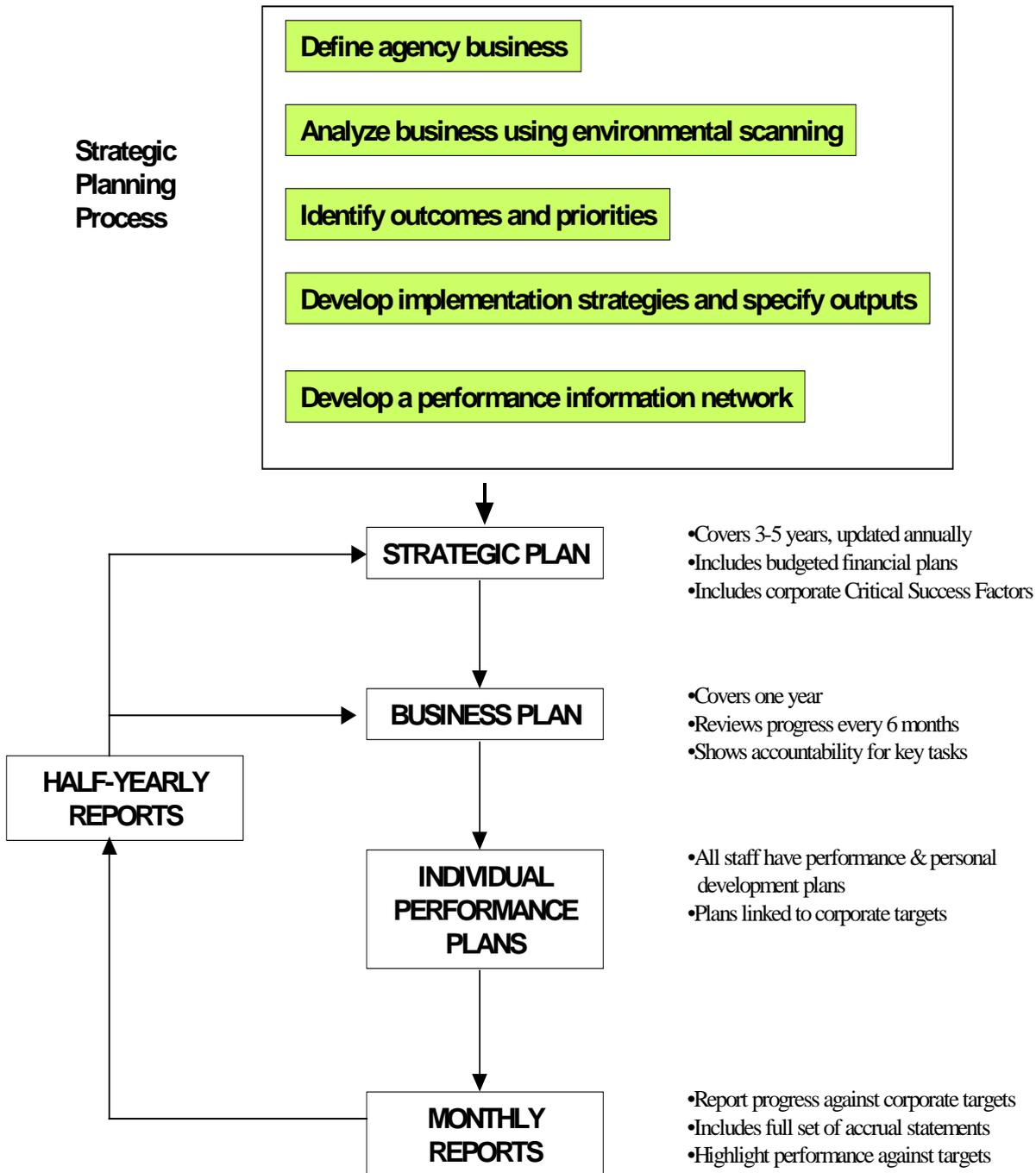
The leadership responsibilities implicit in this model rest with members of the executive, line managers and finance staff as follows:

- *Agency Executives* are required to establish and explain the operation of the system to all staff. They need to set strategic priorities and encourage staff to participate in planning and budgeting. Also, executives will be expected to determine critical result areas and key performance indicators, perhaps looking at the use of the Balanced Scorecard approach. Finally, senior managers need to consider appropriate costing systems, such as activity based costing, for the agency.
- *Line Managers* have to support and develop the agency's planning framework as well as converting strategic priorities into operational strategies and action plans. The business unit's budget will need to cover the existing year and project two years ahead in conjunction

with operational performance indicators. The managers will have to manage operations against planned performance and determine outputs and activities.

- Finance Staff will assist with strategic planning by providing budgeted balance sheets, operating statements and cash flow statements including the outyear projections. These staff will need to manage corporate financial systems including FMIS and ensure monthly reporting assists managerial decision making. (MAB, 1997)

The combined DoFA/MAB model is integral to the Public Management Cycle elements of planning, budgeting, reporting and evaluation. The schema is shown in the following diagram.



**Integrated Planning, Budgeting and Management (DoFA, 1998a; MAB, 1997)**

**Points of Reflection**

How different are these two models in effect?

Does the DoFA Strategic Plan on their website ([www.dofa.gov.au](http://www.dofa.gov.au)) follow their own planning guidelines?

Do you agree with Bryson’s advice on getting started with planning? What else should planners consider?

**Summary**

This topic has looked at planning in the public sector. There are obvious comparisons with models we have seen in the private sector but other considerations are necessary in the public sector because of the political dimension and the need to be accountable to taxpayers who are paying the bills.

**Assessment Exercise 1**

Obtain the strategic/corporate plan of a medium sized public organization and provide an evaluation of the plan against the Bryson planning framework addressing both content and process issues.

You will need to be selective and concise in your commentary. Provide a brief introduction before the evaluation and a short conclusion after the body which summarizes the main points and gives your overall opinion of the plan’s worth.

Word length 1500-2000

**Public Planning Glossary**

APS planning and performance terminology are defined by the Management Advisory Board (MAB,1993) as follows:

| <b>TERM</b> | <b>DEFINITION</b>   |
|-------------|---|
| Mission     | Mission is a broad, higher level statement of fundamental purposes for an organization.   |
| Goals       | Goals translate broad purposes into action and relate to the values and practices which the organization fosters to achieve its program objectives and mission. |
| Strategies  | Strategies are the broad approaches to achieve an objective.  |

|                       |   |
|-----------------------|---|
| Outcomes              | Outcomes are results achieved following action taken by a program.  |
| Outputs               | Outputs are products and services which are produced and delivered by program activities to achieve outcomes. (eg policy advice, administration and processing, tangible goods, payments made, clients assisted)                            |
| Performance           | Performance means achievement against objectives, plans or intentions.  |
| Efficiency            | Efficiency is the maximization of outputs for a given level of resources or minimization of resources for given level of output.  |
| Effectiveness         | Effectiveness is the extent to which program outcomes match stated objectives.  |
| Programs              | Programs are groupings of strategies or activities which contribute to achieving an objective.  |
| Objectives            | Objectives are concise statements of the achievement aims of a program, sub-program or other element of the program structure.  |
| Corporate plan        | A corporate plan covers an organizational entity, gives direction and cohesion to its activities, relates to organizational values and priorities, is usually limited in time and often includes a mission statement, goals and strategies. |
| Strategic plan        | A strategic plan is similar to a corporate plan but is not limited by organizational boundaries, has longer time frames.  |
| Operational/work plan | A plan which details strategies, activities, tasks and resources to be used to achieve objectives over a specific period.   |
| Business plan         | A plan similar to the operational plan but concentrating on the financial targets.  |
| Action plan           | An action plan expands upon the operational plan tasks and activities with sequences to be performed, specific timeframes, resources to be used and priorities to apply.  |

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## Topic 4

### Corporate Mission and External Scanning

This topic examines the *raison d'être* for the organization – why it exists and what it is trying to achieve. This statement of mission is followed by an examination of the environment in which the organization operates to assess the opportunities and threats that may loom in the future.

#### Learning Outcomes

By the end of this topic you will be able to:

- Explain the nature and purpose of an organizational mission.
- Identify and analyze the key components of the external environment.
- Describe the use of scenario analysis in external scanning of the environment.

#### Resources

Chapters 3 (pp 65-68) and Chapter 2 of Hubbard, G. (2000) **Strategic Management**, Prentice Hall, French's Forrest.

### Introduction

Everyone in an organization from the CEO to the most junior worker should know its fundamental purpose and their role in achieving that aim. The mission, or statement of purpose, provides the context and framework for developing specific objectives and strategies.

#### The Vision

A vision is a statement of long-term intent or achievement. Visions have been employed by charismatic leaders to energise followers. However, they can be employed by all kinds of leaders to motivate and focus decision making across the organisation. The construction of a vision has become a standardised part of the description of strategic planning in most texts. Here are a few examples of successful vision statements.

*“A computer on every desk and in every home”*

Bill Gates

*“I have a dream: that one day my four little children will one day live in a nation where they will not be judged by the colour of their skin, but by the content of their character – I have a dream”*

Martin Luther King Jnr

*“Good policy, delivered well”*

Department of Finance and Administration

The vision paints a picture of what success looks like. It suggests a quantum of success either implicitly or explicitly. However, there is a danger in developing a vision which is unrealistic in terms of the organisation's capacities. Basic expectation theory notes that a goal will be de-

motivating if that goal is perceived to be of little value by members of the organisation or alternatively to be unachievable given their capacities.

### Mission

A mission describes the organization in terms of its business to answer the questions: 'What business are we in?' and 'What do we intend to do to succeed?'

### Defining the Mission

A *mission* should encapsulate the vision of its desired future as well as its purpose, priorities and direction. The mission statement is a public declaration and reflects commitments to stakeholders and organisational values. Strategic leaders and planners in regional and local government must recognise that public organisations in these fields have a wide range of stakeholders who have claims on their attention, resources or outputs (Bryson, 1995).

The development of a mission statement is no guarantee that the activities, behaviours and processes specified in that statement will in fact be implemented in the organisation. A mission statement 'works' when the employees within the organisation possess a sense of mission which is congruent with the ideals of the statement. There are two prerequisites for this to occur.

First, employees must be in general agreement with the purpose, strategy, public image, stakeholder promises and standards and behaviours of the organisation; and, second there must be some degree of congruence between the values of the individual and the values and beliefs of the organisation. When this occurs, not only will there be rational agreement with the purpose and approach of the organisation, but also emotional involvement on the part of employees which motivates them and makes work seem more worthwhile.

This argument clearly demonstrates why the development of 'a sense of mission' is very different from the development of a 'mission statement'. The former may take many years to accomplish and is associated with strong leadership and effective strategic management. The latter can, at its worst, simply involve a few people for a few hours.

In developing a sense of mission, planners and managers should be aware of the following factors:

- **Do not expect short term results.** Creating a sense of mission in an organisation can take many years. Organisations in crisis often create a sense of mission in a shorter time period out of necessity.
- **Create and portray consensus within top management.** Unless the senior managers in an organisation hold the same sense of mission and unless they are consistent in carrying this to the rest of the organisation, a sense of mission may never be fully achieved.
- **Actions speak louder than words.** Employees in an organisation are very quick to identify double standards. It is important than managers practise the values contained in their speeches.
- **Top managers must move around the organisation carrying the message.** Employees find it very difficult to identify with a message contained on a piece of paper. Face-to-face communication by senior managers with groups of employees is far more effective than a stream of memos. It also helps if the same managers are seen for a continued period of time - the senior management team should remain largely unchanged if possible (in the case of a turnaround strategy this means after the offending managers have been removed or negated).

- **Keep the message simple.** It is important that senior managers identify the core issues around which they wish to build a sense of mission. Over a period of time, elaboration on these issues can become the focus of attention but, until such time, a simple and clear focus is necessary. (Viljoen and Dann, 2000: 130- 155)

### Components of a Mission

A mission statement can be inspirational or an objective outline of guidelines but it must be concise, relevant and comprehensive. Ideally, the statement should be written after a strategic analysis of its internal and external environment. It should not be a statement that simply mentions values, products and services and customers. Viljoen and Dann suggest that a complete mission statement contains six main elements:

- Fundamental purpose – the business of the organization and its reason for existence. The main areas affecting this purpose are the needs of customers, the customer groups or segments and the technology used to achieve the purpose.
- Strategic distinctiveness – how the organization differentiates itself from others of its type.
- Stakeholder promises – the commitment of the organization to all interested parties.
- Organizational values and beliefs – guidelines on how things are to be done in the organization.
- Standards and behaviors – the major policies and procedures used to implement the strategy and reinforce the values and beliefs.
- Public image – how the organization wishes to be seen by external constituents.

### Point of Reflection

The mission statement for Johnson and Johnson is: *'We believe our first responsibility is to the doctors, nurses and patients, to mothers and all others who use our products and services.'*

How does this statement compare against Viljoen and Dann's criteria?

### Vision/Mission Relationship

As noted earlier, a vision can be used to motivate and focus decision making across the organization. A vision presents the highest aspirations and ideals of the CEO or the organization. Some of the most effective visions extol the body to excel or lead in some activity that bonds staff with a common purpose. The vision of the organization should be both realistic and credible and, when integrated with the mission statement and values, it provides the framework for the entire planning process

Examples of mission and vision statements are shown in the following box. Additional examples are found in Hubbard pp 66-67.

## Visions and Missions

*To assist Australians to remember, interpret and understand the Australian experience of war and its enduring impact on Australian society.*

Australian War Memorial Corporate Plan 1996-1999

*Our Vision is to ensure Glenorchy is the best place in Tasmania to live, work and play; both now and in the future. We want Glenorchy to be a City where we all care for each other and act together to improve our lifestyle and environment through a strong sense of community.*

Glenorchy City Community Plan, April 2000

*Vision: The ALGA will be universally recognised as the national voice of Australian Local Government.*

*Mission: ALGA will be the national advocate of Local Government, initiate policy development and co-ordination and carry out required liaison activities.*

Australian Local Government Association Corporate Plan, 2000

*We are committed to improve health care throughout the world.*

Baxter Travenol, 2000

### Points of Reflection

What is the difference between a mission statement, a sense of mission and vision?  
Which is more important? Why?

Does your organization have a mission and a vision? How was it developed? How widely is it known and accepted in your area? Would you put your vision on a T-shirt?

### External Environment

The assessment of the environment provides an organization with critical information for thinking about, deciding and preparing its course of action for the future. This review looks at those elements or forces that can have a significant impact on survival, growth or basic operations.

The environment is multilayered as shown in the diagram on Hubbard p 26 and can affect the organization in different ways at different levels. Identifying the scope and nature of the impact of the environment is termed environmental or external scanning.

**External Scanning** reviews the organization's historical and current macroenvironment (political, economic, social, technological, ecological), the 'industry' grouping in which it operates, and its customers and its competitors. The scan should reveal current and likely opportunities for the agencies. Similarly, it should identify areas which would threaten operations, targets or even the agency's survival. The scan may disclose strategic issues which need to be considered when

forming organisational strategies, particularly if planners construct scenarios to explore alternative futures.

Topics for external scanning can include:

- The impact of economic growth, GNP, inflation rates, prime interest rates, unemployment trends, population growth, disposable income and growth in critical industrial sectors including housing, defence, health and welfare.
- Projections of global trends in primary markets.
- The speed of emerging technological influences and trends which may affect the operations and viability of the organisation.
- The makeup and trends of professional and technical skills of staff.
- Social and legal environmental factors such as political influences and policies, statutes and regulations, community concerns, union influences, EEO issues and public pressure groups. (Hax and Majluf, 1996)

In business, the macro environmental scan is followed closely by an analysis of the industry to answer four main questions (Hubbard p 32):

- What are the forces within the industry which are determining the profitability?
- Based on these forces, what is the current profitability of the industry in absolute and relative terms?
- How are the forces changing and expected to change over time?
- How will those changes affect future profitability?

These questions are usually considered using the Porter Five Forces model (see Fig 2.6, Hubbard p 33). A similar analysis can be conducted for the public sector as shown in Fig 2.12, Hubbard p 49.

### Scenario Analysis

Some planning questions about the external environment that should be considered include:

- What threats, problems or risks will the organization face in the next several years, say 2-5 years? How can it minimize these threats?
- What opportunities will the organization have in the next 2-5 years? How can it take maximum advantage of these opportunities?

One way to consider these questions is to conduct a scenario analysis.

Scenario Planning or Analysis is a disciplined method for deriving a range of possible futures as the basis for generating and evaluating strategic options for the organization.

The modern version of scenarios in forecasting was pioneered by Kahn (1967) as a well-researched, hypothetical but plausible sequence of events to focus attention on causal processes and decision points. A reader should be able to quickly understand the situations, conditions and strategies that prevail.

The premise for scenario planning is that organizations that apply their collective imagination to see a wide range of possibilities for the future will be much better placed to take advantage of opportunities that arise (Nair and Sarin, 1979; Schoemaker, 1995).

Schoemaker (1995: 186-188) suggests that scenario planning simplifies a wide range of data into a limited number of possible states. In effect, each scenario is a composition of the ways in which various elements could interact under certain parameters. These relationships between elements can be formalized and enable organizations to develop quantitative models.

Moreover, scenario analysis aims to overcome the extremes of decision-making (ie over and under prediction of change) by recognising that some areas of knowledge are more certain than others. For example, demographic shifts and substitution effects of new technologies are more tenable than future interest rates, election outcomes or innovation rates. In these cases planners should simplify possible outcomes into useable categories such as high, medium or low. The aim is to see the future broadly in a strategic framework of fundamental trends and uncertainties.

Wheelen and Hunger (2000: 75) have adapted Michael Porter's process for preparing an industry scenario and suggest the following eight steps to build 'a forecasted description of a particular industry's likely future' as follows:

- Examine possible shifts in the societal variables globally.
- Identify uncertainties in each of the six forces of the task environment (for example, potential entrants, competitors, likely substitutes, buyers, suppliers and other key stakeholders).
- Make a range of plausible assumptions about future trends.
- Combine assumptions about individual trends into internally consistent scenarios.
- Analyze the industry situation that would prevail under each scenario.
- Determine the sources of competitive behaviour under each scenario.
- Predict competitors' behaviour under each scenario.
- Select the scenarios that are either most likely to occur or most likely to have a strong impact on the future of the company. Use these scenarios in strategy formulation.

### **Point of Reflection**

Look up [www.shell.com](http://www.shell.com) and review the application of scenario planning for this multinational company.

Could this methodology be used in public sector planning? What modifications would be necessary?

See further examples of scenarios in Illustration Capsule 2.4, Hubbard p 53.

### **Advantages and Disadvantages of Scenario Planning**

If planners intend to use scenario planning they need to be aware of the benefits and pitfalls:

#### ***Advantages***

- Generally logical and plausible.
- Very easy form of communication.
- Sensitizes people to dangers of a negative forecast.
- Forces the analyst to deal with details and dynamics otherwise avoided.
- Illuminates the interaction of psychological, social, political and other environments.
- Stimulates readers to think of other possibilities and contingencies.

### ***Disadvantages***

- Credibility of scenario is contingent upon forecaster and scenario writer.
- Command low respect as forecasts regarding accuracy, completeness or validity.
- May be divorced from reality or misleading and therefore dangerous. (Carr, 1976)

### **Using Scenarios**

Scenario planning can be used in most stages of the overall planning process, including environmental scanning, identifying strategic issues, objectives and priorities and in preparing implementation plans and evaluation systems. Organizational functions can be subjected to scenario planning to anticipate future changes but the application to strategic planning and to environmental scanning in particular is considered to be most useful. Schoemaker (1995:188) lists the following organizational circumstances as fertile areas for the application of scenario planning:

- Uncertainty is high relative to managers' abilities to predict or adjust.
- Too many costly surprises have occurred in the past.
- The company does not perceive or generate new opportunities.
- The quality of strategic thinking is low ie too routinized or bureaucratic.
- The industry has experienced significant change or is about to.
- The company wants a common language and framework, without stifling diversity.
- There are strong differences of opinion, with multiple opinions having merit.
- Your competitors are using scenario planning.

Note that many of the issues relate to commercial enterprises and that public and local government planners and managers will need to tailor this planning technique to local circumstances.

#### **External Scanning for Public Planning - Consulting the Community**

Local government requires considerable knowledge of its area of responsibility and the likely environment it will encounter in the future. Planning for the community should include the opinions and aspirations of that community, usually through a program of consultation. Local government managers may be tempted to continue with the known and comfortable but this complacency will work against the notion of customer service and cause a great deal of problems.

Local issues will predominate but it will fall to the Council coordinators to ensure that priorities and resources are in keeping with the agreed strategic vision and mission of the area. These issues are generally able to be grouped into manageable chunks or themes such as social structures and services, land use and transport, infrastructure (eg utilities), environment and resources, and economy and governance. For example, the Gold Coast City Council in Queensland held an initial round of public meetings before starting detailed research to help set the direction of overall planning for its Living City program; the resulting themes included:

- Environmental impact of development
- Maintenance of local character and local residential amenity
- Reduction of traffic congestion
- Management of urban growth
- Provision of infrastructure (especially roads) and services on an equitable basis
- Protection of nature conservation values
- Protection of water quality (Papageorgiou, 2000)

The initial consultation was followed by a second round resulting in a large number of written submissions. Other forms of consultation included the user of a newsletter to those who attended the meetings as well as other stakeholders, requests to State Agencies for comment on draft plans, presentations to community associations and industry groups, meetings with Council staff and Councillors, release of a preliminary Draft Planning Scheme for comment, and public exhibition of the exposure draft. (For further information see <http://www.goldcoast.qld.gov.au/planningscheme.html>)

### Conclusion

No doubt visions and missions have proved popular because of the capacity that they have to motivate and direct, but do not forget that a poorly framed vision or mission can demotivate, frustrate and promote a non productive allocation of resources.

Another trap for new players is that the initiating nature of visions and missions can influence us to see them as a first step. One of the strengths of the Viljoen and Bryson approaches is that they actually put the environment first, and tend to revisit the vision and mission and revise at every stage in the process.

In addition, there are alignment models, which stress that the relationship between organisational units and the changing environment may be constantly changing and may require a coordination of capability with environmental changes rather than monumental directional statements. Again in this topic we have made it our mission to teach you the classical and therefore most widely understood way of thinking about strategy, but once you have mastered the basics there is a rich array of variations to consider as you develop yourself from here.

Maybe, we need to develop non-linear models to cope with the chaotic nature of modern industrial environments. What, for example, would a post modern look at the organisation suggest about visions? Visions tend to assume an organisation, which is unified, unitary and has a single focus - is this possible or even desirable in all cases? If the organisational culture is in fact fragmented, could a vision have a marginalising effect on some members?

### Self Assessment

Try the following True/False quiz on this topic (before you peek at the answers!!).

#### True/False Questions on the External Environment

1. The macro environment includes physical, regulatory, sociocultural and economic components. **T/F**
2. The regulatory environment rarely surprises on organisations. **T/F**
3. Customer need refers to what the customer is prepared to pay in monetary terms. **T/F**
4. Organisations now use technology to its best effect or they are outperformed. **T/F**
5. Strategic flexibility is essential for successful organisations. **T/F**
6. Developing a customer orientation is irrelevant to public sector organisations. **T/F**
7. What is of interest to the organisation will be of interest to the customer. **T/F**
8. Discovering the unmet needs of customers requires an intimate knowledge of the market. **T/F**

**See answers at the end of this topic**

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Answers: True False Questions on the External Environment

|    |   |    |   |    |   |    |   |    |   |
|----|---|----|---|----|---|----|---|----|---|
| 1. | T | 2. | F | 3. | F | 4. | T | 5. | T |
| 6. | f | 7. | F | 8. | T |    |   |    |   |

## **Topic 5**

### **Internal Scanning and Strategy Development**

This topic introduces an analytical framework for looking at organisational capability and the many factors of the internal environment which has become a classic in strategic thinking. The model is known as the SWOT analysis and its elements will be explained in this topic.

#### Learning Outcomes

By the end of this section you will be able to:

- Explain the process of conducting an internal scan.
- Identify and analyze the key components of the internal environment.

#### Resources

Most of the materials required for this topic are contained within the topic.

See also Chapter 4 of Hubbard, G. (2000) **Strategic Management**, Prentice Hall, French's Forrest

#### Introduction

The previous topic examined the many facets of the environment outside the organisation and the many resulting pressures and changes that they could force upon staff and their work.

If an organisation is to adjust and indeed prosper in the face of changing external conditions, it needs to take stock of its own capabilities and resources, and match or align its various strengths and weaknesses against the outside world. This process is called internal scanning and leads to the formulation of appropriate strategies for the future.

#### Internal Scanning

*Internal Scanning* scrutinises internal processes and functional performance of management, structure, operations, finance and R&D, to discover strategic strengths and weaknesses. Strengths contribute to distinctive competencies or advantages while weaknesses point to limitations or reduced capacities compared to other agencies or service providers. Internal scanning should cover resources, present strategy and performance with organisational effectiveness measured against stakeholders' criteria.

It may be difficult to obtain accurate performance information and this can create problems for analysts in evaluating the value of different strategies and organisational design options.

*Internal Scanning* can review:

- The inventory of products/services, markets, geographical scope and unique competencies.
- The structure and segmentation of business.
- The degree of horizontal strategy and vertical integration to find likely synergies among business units and set vertical boundaries to improve shared resources and services between units.
- Corporate values, policies and ethics, management styles and relationships with stakeholders. (Hax and Majluf, 1996)

### Strategic Capabilities

Internal scanning is about taking a detailed ‘warts and all’ look at the organization and how well it compares with other organizations in the same industry. In Chapter 4, Hubbard (pp 78-85) covers the process of identifying an organization’s strategic capabilities which he defines as:

Those capabilities that are rare, are better than the capabilities of competitors and are difficult to imitate or replicate (p 79)

It is difficult to identify these strategic capabilities (also known as competencies) as each activity, process, system or organizational routine has to be tested against several criteria which contribute to sustained competitive advantage for the organization. The tests are:

- Is it valuable to customers?
- Is it rare?
- Is it superior to competitors?
- Is it difficult to imitate or replicate?
- Is it specific to the organization?

Answering these questions can involve some extensive functional, resource, process and system analyses. An example of the coverage for functional review is shown in Figure 4.3 on p 84 of Hubbard.

#### **Point of Reflection**

Refer to Hubbard p 87, Figure 4.4

How does your current organisation rate against the following criteria listed for Processes and Systems?

- Decision making
- Operational information
- Control information
- Financial information
- Reward systems
- Competitor intelligence
- Industry knowledge
- Environmental knowledge

Note that public sector organizations need to complete these questions as well to ensure that they are being as efficient and effective as possible.

One of the techniques used to gather material on organisational capabilities and then comparing the results against external factors is SWOT.

The SWOT can be used to discover optimum ways to overcome or avoid weakness and threats, while consolidating strengths and taking advantage of opportunities. Analysts need to consider

cost-benefit aspects of these matches to ensure and enhance organisational advantage as well as possibilities for growth (Smith, Arnold and Bizzell, 1991). Note that public agencies can use SWOT to test their outputs against alternative forms of public service delivery.

A more detailed description of SWOT processes is shown in the following sections.

### Situation Analysis (SWOT)

Situational Analysis is the ‘systematic development and evaluation of past, present and future data to identify internal strengths and weaknesses, and external threats and opportunities’ (Webster, Reif and Bracker, 1989). This is commonly referred to as the SWOT analysis.

An analysis using the SWOT framework can indicate a range of useful changes in strategic direction. Overall the exercise identifies what needs to be done and puts problems into perspective. Some of the questions, which may be asked in each of the categories, include:

#### **Strengths**

- What are the current advantages?
- What does the firm do well?

You should consider strengths from a personal point of view and other staff perspectives, being realistic rather than modest.

#### **Weaknesses**

- What could be improved?
- What is done badly?
- What should be avoided?

Again you should consider weakness from an internal and external bias. Check if other people can add to perceived weaknesses and if competitors do any better. The aim is to be realistic rather than self-deluding.

#### **Opportunities**

- What are likely areas for consolidation or expansion?
- What are the interesting trends?

You need to consider areas of opportunity such as changes in technology and markets on both a broad and narrow scale, changes in government policy related to the business, changes in social patterns, population profiles, lifestyle changes, etc, and local events.

#### **Threats**

- What are the known obstacles to the firm?
- What is the competition doing?
- Are the required specifications for jobs, products or services changing?
- Is changing technology threatening the business position?
- Are there bad debt or cash flow problems?

## SWOT Processes

Wehrich (1982) proposed a formal sequence for incorporating situational analysis into enterprise planning. The steps are:

- ***Prepare an enterprise profile***
  - Type of business
  - Geographic domain
  - Competitive situation
  - Top management orientation
- ***Identify and evaluate factors***
  - Economic
  - Social
  - Political
  - Demographic
  - Products and technology
  - Market and competition
- ***Prepare a forecast, make predictions and assessments of the future***
- ***Prepare SW audit in:***
  - Management and organization
  - Operations
  - Finance
  - Marketing
- ***Develop alternatives***
- ***Make strategic choices – consider strategies, tactics and actions***
- ***Prepare contingency plans***

The responses to this review are normally entered into a matrix and compared and contrasted to uncover logical matches to overcome weaknesses and threats and build on strengths and opportunities.

## SWOT in Public Management

The SWOT methodology has also been suggested as a way of linking Australian Public Service (APS) budgeting for results and contestability (DoFA, 1998b). SWOT criteria can be applied to organizational outputs to identify differences between products or improvement strategies. The proposed application for APS departments or agencies has six stages:

- Setting and weighting criteria.
- Identifying intervention logic for each set of outputs or programs.
- Rating current performance of each output or outcome in terms of strengths and weaknesses to plot on the x-axis.
- Rating future performance of each output or outcome in terms of opportunities and threats and plot results on the y-axis.
- Graphing data to reveal overall importance and relative priority in contributing to the stated mission.

- Generating discussion on changes or improvement strategies (DoFA, 1998b:2)

The purported benefits are that SWOT analyses assist agencies to budget and plan by defining, prioritising and linking outputs and outcomes. These activities should fill the perceived gap between a set of high-level outcomes and a list of tasks and milestones over the short term. Additionally, a SWOT exercise should disclose outputs as ‘deliverables that make a difference and add value’ and thereby contribute to a competitive advantage for the organization:

*'The most important criterion to address in a SWOT analysis is to ask if there are alternative service deliverers for your outputs either currently or in the future. This question follows the identification of outputs and will be vital to resource allocation decisions'* (DoFA, 1998b: 6).

This concurrent emphasis on intervention logic and contestability is deliberate and aims to produce more precise outputs and connect objectives with resource priorities for outputs. The central agency reminds the public sector that its responsibilities in establishing criteria for assessing the strategic value of outputs are not resources but government priorities, competitive advantage, skills, legitimacy and the like.

#### **Point of Reflection**

- Is the DoFA model for SWOT able to be applied to your national Customs agency?
- Make a list of the strengths, weaknesses, opportunities and threats facing this agency over the next 5 years.

### Formulating Objectives and Strategies

Having identified the main internal strengths and weakness, and considered likely opportunities and threats in the future, the next stages in the strategic planning process are to formulate overall objectives and to generate strategies for the organisation.

#### **Formulating Strategic Objectives**

Planners distil broad statements of purpose from the SWOT analysis and extract specific corporate thrusts or goals (Key Result Areas) for set periods into the future. The goals address basic policy issues such as its mission, products, services, customer mix and revenue. These strategic issues and any associated questions must be answered or the organisation will be poorly placed to meet threats or take advantage of emerging opportunities. KRA are used later as performance benchmarks against which to compare current performance or trends.

#### **Generating Strategies**

Once the objectives are defined, the next step is to select a preferred set of strategies.

Examples of strategic objectives and strategies for the Australian Sports Commission are contained in the following box.

**Planning in Action - Australian Sports Commission**

**Objectives**

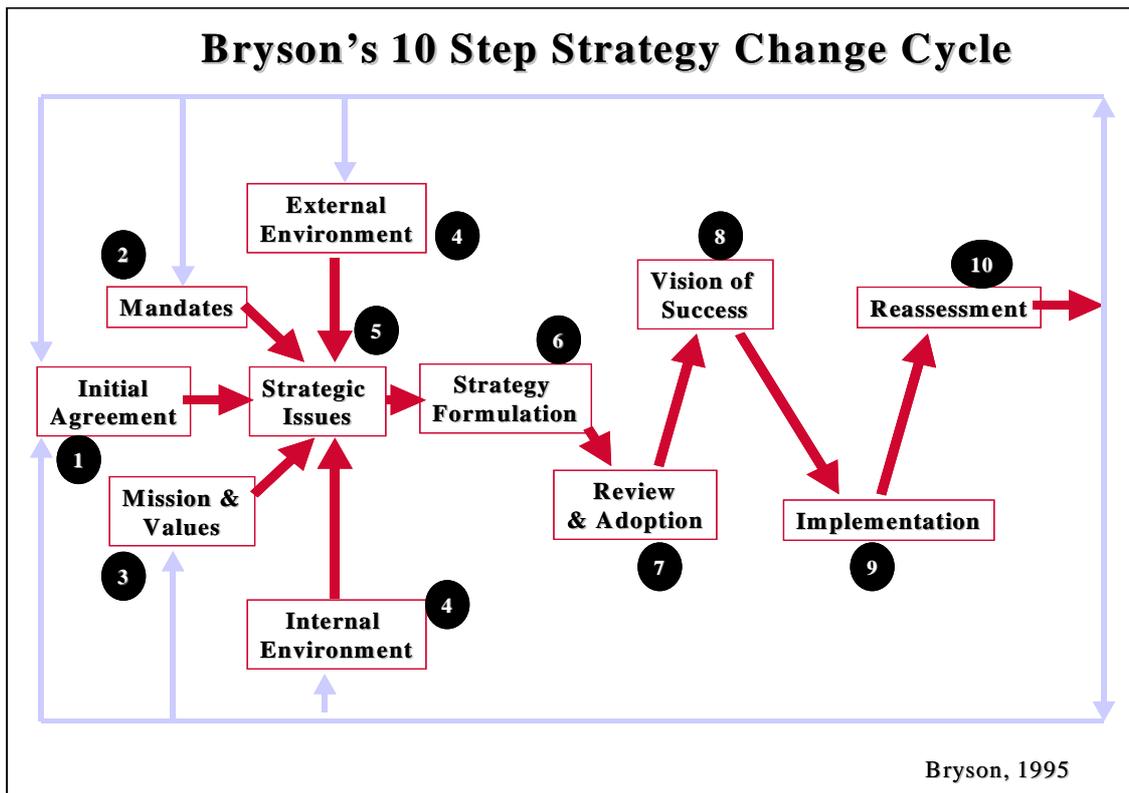
- Increased participation in sport and sports activities by Australians
- Excellence in sports performance by Australians

**Strategies**

- Develop and implement policies, programs and practices aimed at improving access and equity in aspects of sport
- Foster and encourage education and training in all elements of sports development
- Promote ethics and safety in sport
- Assist in staging the Sydney Olympics and Paralympics and ensure they make a long-term and broad contribution to Australian sport

Extracted from the ASC Strategic Plan 1994-1997

The model that we will use to explain SWOT analysis and formulating objectives and strategies are Stages 4-8 of the Bryson (1995) planning model for public and non profit organisations that we considered in an earlier topic. To remind you of the full sequence recommended by Bryson, a diagram of his model is shown in the following section.



Bryson Stage 4 - assessing the organisation's external and internal environments Investigating the

external environment allows us to identify opportunities and threats while examining the internal environment provides an assessment of strengths and weaknesses. Strengths and weaknesses are under the direct control of the organisation, while opportunities and threats can be ignored, avoided, exploited or modified as the case may be, by direct action on the part of the organisation.

Much of this kind of assessment is futuristic. Often possibilities can be teased out by a form of futuristic analysis whereby hypothetical scenarios are constructed as we saw in the previous topic. We ask “what if.....”? For example, what if the government changes? What if the price of oil skyrockets? What if the Taxation Office were to take on all revenue collection functions? What if Australia were to dramatically increase imports and exports beyond expectations? And so on until we produce a range of scenarios on which we could base more concrete planning outcomes.

#### Bryson Stage 5 - identifying the strategic issues facing the organisation

The analysis to this point should be raising questions in the inquiring mind. These strategic issues are policy questions that are facing the organisation. The answers to these questions should be part of the new directions envisaged. The changes that might be suggested could include changes to the organisational mandates, mission, culture, service levels and types, clients, asset base or management style. They might also change the terms of trade with clients.

Strategic planning is an iterative process. It may be at this stage that decisions about the scope and content of the mission need to be revisited in the light of information that arises through the steps and/or the resolution of strategic issues.

#### Bryson Stage 6 - formulating strategies and plans to manage the issues

As with other forms of gap analysis, strategies are the initiatives that you implement to achieve your objectives or desired outcomes. They should include a time frame. Strategies reflect choices about what you do and therefore what you are willing to pay for. They also reflect priorities, since any expenditure of resources on one strategy excludes expenditure of that same resource on a less favoured strategy.

It is not unreasonable to think of your staff as costing you money every time they do something and asking yourself and your staff the following questions:

- why are we doing this? and/or
- what are we getting out of it on behalf of the organisation?

#### Bryson Stage 7 - reviewing and adopting the strategies and plan

This stage is simply a process of looking back over the plan, deciding how it can be presented and sold to others and gaining authoritative support from some other point in the organisation. In your case, it might be a point higher in the management hierarchy; for a chief executive it might be through consultation downwards with an executive committee or upwards to a board or directors. We will revisit these issues of governance in a later topic.

#### Bryson Stage 8 - establishing an effective organisational vision

What will your strategies produce? What will the world look like when you are generating the outcomes embodied in your objectives or your mission? Such thinking generates visions such as those discussed earlier. These visions link the leadership role with the strategic decision making role.

The vision statement need not necessarily come at this point. If you have difficulty in developing organisational support behind the process, you might choose to engage people in envisioning exercises much earlier in the process as a means of motivation.

**Point of Reflection**

Selecting a strategy for the organization is difficult but there are many checklists around to assist planners with this task.

Examine the 5 questions posed by Hubbard on p 65 about setting the long term purpose and positioning of an organization – how does the SWOT help the CEO answer these questions?

**Conclusion**

It is probably fair to say that once you have mastered SWOT, you have the capability for strategic analysis that is consistent with that possessed by most senior managers - at the very least you'll be talking the same language. But don't forget that there are other models emerging that are consistent with more particular sets of conditions.

SWOT tends to be a rational process. Alignment models tend to be more incremental. If you want to examine an alternative model you might try Graeme Hubbard's Environment, Strategy, Capability Gap model, which is essentially about keeping these three elements in some sort of alignment, so that the organisation articulates well with the market it serves. This could mean radical adjustment, but it could also mean continuous incremental adjustment. Hubbard's model is published in *Practical Australian Strategy* (1996), Prentice Hall, Sydney

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## Topic 6

### Leadership and Teams

This topic begins with a summary of the nature of individual leadership. It then develops the concept of strategic leadership and discusses the manager's role in strategic leadership. The strategic leader is conceptualised as a change agent. The topic provides a short survey of the development of thinking about leadership before providing a more in-depth look at current approaches. It discriminates between concepts of leadership and management before defining the concept of *strategic leadership* and briefly considers leadership in the public sector. Finally, we will consider leadership in small groups or teams.

#### Learning Outcomes

At the conclusion of this topic, you will be able to:

- Critically assess theories about the nature of leadership.
- Appreciate the differences between leadership and management.
- Understand the concept of strategic leadership.
- Discuss the nature of leadership in the public sector
- Comprehend leadership, direction and guidance about optimal team structures.
- Contribute to change processes and outcomes through a critical evaluation of team contribution

#### Resources

Reading 1: Chapter 11 of Hubbard, G. (2000) **Strategic Management**, Prentice Hall, French's Forrest

Reading 2: Kotter J P (1997) 'What Leaders Really Do' in Vecchio R *Leadership: Understanding the Dynamics of Power and Influence in Organisations* University of Notre Dame Press, Indiana

Reading 3: Heifetz R & Laurie D (1998) 'The Work of Leadership' in *Harvard Business Review on Leadership* Harvard Business School Press, Boston. [this is an excellent book and contains many useful articles on leadership]

#### Leadership defined

*I would rather have an army of rabbits led by a lion than an army of lions lead by a rabbit.*

*Napoleon*

Leadership has been discussed by those concerned with governance from Plato yet systematic research into leadership did not begin until the twentieth century. Since then, however, there has been a huge effort devoted to the study of this elusive subject, although an appropriate definition of leadership has yet to be agreed. Although most definitions of leadership centre on the notion of influence, there are a wide variety of ideas about what leadership actually is.

A compelling and useful discourse on leadership at the moment comes from Harvard University. Your readings are by John Kotter, who is the holds the Chair of the John F. Kennedy School of

Government at Harvard and Ronald A. Heifetz, who is the Director of the Leadership Education Project within the School. Some of the ideas on management coming out of Harvard are highly influential across the globe. You may wish to follow up these readings by more in-depth research of your own (see *Harvard Business Review on Leadership* in the Reference list at the end of this topic).

Kotter distinguishes between management and leadership in three important ways:

**Management is about:**

- Organising and staffing
- Planning and Budgeting
- Controlling and problem solving

**Leadership involves:**

- Aligning people
- Setting a direction
- Motivating people

We will be looking at these dimensions in greater depth later but for now you might like to consider them in relation to the following anecdote.

**Point of Reflection**

This anecdote was developed from an original idea in Stephen Covey's *The Seven Habits of Highly Effective People* and provides a simple illustration of the distinction between management and leadership.

*A team of men is hacking its way through dense jungle. The day is hot and the men are tired but they must reach the objective by nightfall. At one point the leader notices a palm tree that rises above the canopy, so he climbs the palm tree while the managers continue their work. He calls down "hey fellas, we're in the wrong jungle." The call comes back from the managers "shut up - we're making progress".*

Managers are here cast as people who tend to operationalise well-understood and accustomed processes. You may regard the distinction as a little artificial but remember this is just a glib anecdote.

What do we know about leadership by individuals?

There are three basic views about the nature of leadership: Trait theory, Behavioural theory and Contingency theory. Each approach is covered in the following sections.

Trait theory

The first trait theorist was probably Plato. His aim, along with the trait theorists who followed, was to try and identify what separated leaders from the rest of society. That is, what is it about certain individuals that makes them good leaders?

In the heyday of the British Empire, one of the traits considered important for leadership was *breeding*. Places in prestigious universities, commissions in the army or navy, membership of clubs

and pre-selections for parliamentary elections tended to favour those with good breeding or having the 'right' values.

Other traits deemed to be possessed by leaders have included temperament, certain personality characteristics, particular physical characteristics (eg height), motives and particular values.

Five specific traits or skills have been identified by the Centre for Creative Leadership in the USA as being common among successful leaders:

- emotional stability and composure,
- an ability to overcome natural defensiveness in the face of failure,
- integrity,
- interpersonal skills, and
- technical and cognitive skills.

### **Point of Reflection**

Unpublished research by Telstra indicates that Australian managers may be brittle characters, meaning that they do not recover well from failure.

How do you cope with failure? Do you find it easy to regroup and begin to build new efforts towards your goals after failure?

Two big problems arise from these views - it has been impossible to find traits possessed only by good leaders. Many of the traits have also been found in many the population at large, yet these have not necessarily made them good leaders. Traditional trait theory also treats traits as innate. Its answer to the age-old question of whether leaders are born or can be made is that they are largely born. Unfortunately, if people can only be born with leadership traits, there is no useful purpose served by leadership training or research, and there would end the lesson.

There is some evidence, however, that traits are not innate, and that they are a complex mixture of nature and nurture. Some traits, for example, seem to be more influenced by learning, such as values and social needs, while others such as temperament and psychological needs may be more deeply ingrained.

Another problem with trait theory is that leaders with particular traits may be effective in some situations but not others, although it can be argued that the combination of a variety of traits enhanced effectiveness over a variety of situations.

Nevertheless, leaders and potential leaders can take some practical advice from the trait theorists:

- know your strengths and weaknesses (be receptive to feedback, reflect on strengths and weaknesses, take advantage of assessment opportunities, learn about key traits and skills identified in respect of the position you seek);
- develop relevant skills that are deficient;
- compensate for weaknesses (for example, by selecting subordinates who complement you, delegate responsibility to those qualified to perform tasks, develop a team with complementary skills and traits, share responsibility).

### Behavioural theory

In the 1950s attention moved from classical trait theories to a behavioural approach, that is, the study of how effective leaders behave. This type of research fell into two main categories:

- research into the nature of the leadership role; and
- comparisons of the behaviour of effective and ineffective leaders.

Research of the former kind could be applied in the leadership situation in the following ways:

- understand the reasons for demands or constraints (eg the values and needs associated with the behaviour of others);
- expand the range of choices (encourage choices which address demands or reduce constraints to allow discretion and to define responsibilities);
- understand the political system in the organisation (look at the dynamics of the social system and decide where opposition, resistance or support can be found);
- cultivate large networks (through which to seek information and support in both the present and the future);
- determine what you want to accomplish (in order to use the scarce resource of your time effectively);
- make time for reflective planning (in response to the fragmented and demanding nature of the leadership role);
- avoid unnecessary activities (including finding tactful ways to say no) plan activities;
- take advantage of reactive activities (for example, being responsive to chance encounters, unscheduled meetings and opportunities to influence others in formal and informal agendas).

The major application of behavioural approaches is for training. It assumes a universal theory of effective leader behaviour, which can be taught once it is codified.

Universal theories, as the name suggests, propose that the same style of leadership is the best in all situations. Popular amongst the universal theorists is the advocacy of the extensive use of participative decision making.

The most popular theories suggest that effective leaders are both task and person oriented. Theories like this suggests either that these behaviours add *together* to create more effective managers [additive version] or that the two types of behaviour facilitate each other [multiplicative or interactive version]. That is:

$$\text{Effectiveness} = \text{task orientation} + \text{people orientation}$$

or

$$\text{Effectiveness} = \text{task orientation} \times \text{people orientation}$$

### Contingency or situational approaches

Contingency approaches acknowledge the complexity of leadership situations and seek either to explain how leader behaviour is influenced by the situation or how to match behaviours to specific situations. Leaders must play different roles such as spokesperson, direction setter, coach or change agent. The theories and models of contingency leadership are many and varied and a complete coverage will be in most good organisational behaviour texts (see Schermerhorn et al in the References list at the end of this topic).

For this topic, we will consider two types of leaders and the situations in which the behaviours associated with each might be most appropriate: *transactional* and *transformational* leaders.

***Transactional leadership*** is a style whereby the leader exerts influence during daily leader-subordinate exchanges without much emotion. These exchanges may contain the following approaches:

- **contingent rewards** with various kinds of rewards in exchange for mutually agreed goal accomplishment (eg performance payments);
- **active management by exception** involves watching for deviations from rules and standards and taking corrective action (eg through training, the provision of more appropriate tools and procedures);
- **passive management by exception** means intervening only if standards are not met (e.g. employee counselling);
- **laissez faire** involves abdicating responsibilities and avoiding decisions (i.e. in this schema, there are also many more positive ways of looking at laissez faire styles of management).

***Transformational leadership*** occurs when leaders broaden and elevate the interests of their followers, when they generate awareness and acceptance of the mission and goals of the group and when they stir followers to look beyond self interest and toward the common good. Transactional leadership has the following features:

- **charisma** is a dimension of leadership that provides vision and a sense of mission and instils, pride, respect and trust;
- **inspiration** communicates high expectations and uses symbols to focus efforts and express purposes in simple ways;
- **intellectual stimulation** promotes rationality and careful problem solving;
- **individualised consideration**, whereby the leader provides personal attention, treats every employee individually and coaches and advises subordinates.

*For the Film Buffs - Twelve O'Clock High*

This 1949 movie, starring Gregory Peck, is a classic example of leadership. Peck is appointed to a poorly functioning air force bomber group with the task of lifting their performance. He identifies the problems and determines that a very uncompromising leadership style is required in this situation - in other words he chooses a leadership style which befits the situation: a 'mask of command'. The bomber group values individual rights over the interests of the group and Peck begins a process of turning that priority around with an authoritarian, single-minded determination.

A pattern for dealing with failed teams begins to emerge:

- 1 Shock and refocus;
- 2 Embrace a higher aspiration;
- 3 Grow new leaders;
- 4 Organisational transformation is likely at the first stages to be leader inspired;
- 5 Selection of a leader with the right qualities for the particular task to be undertaken

The problem which emerges, however, is that Peck too effectively adopts the 'mask of command' and, according to one of his supporters, 'has swept his feelings under the carpet'. He becomes a successful leader in transforming the bomber group into an efficient operating force but in the process becomes a victim of that transformation. It is a reminder that there are limits to performance that even the most capable leaders may well meet. In particular, the adoption of a leadership which may run counter to one's own preferences might prove especially difficult.

[Clemens J & Wolff (1999) *Movies to Manage By* Contemporary Books, Chicago]

Leadership styles have been much studied. Some believe that it is very difficult to change the individual's preference for a particular style (as in *Twelve O'Clock High*), at least without some major tensions. Others see flexibility as critical for the performance of effective leadership, as with transactional leadership styles. There does not appear to be general agreement on this point.

The following reflections on leadership from Keon Chi, senior fellow for the US Council of State Governments, argues that leaders should be able to blend these different styles in relation to particular contingencies.

**Leadership Styles** By Keon S. Chi

Each year, the Council of State Governments' Toll Fellowship Program brings a number of the best and brightest emerging leaders from across the states to its headquarters in Lexington, Ky., for intensive education and training. Over the past dozen years, the Toll program has been known as one of the best leadership training programs for state officials in the country.

While there seems to be no consensus as to what kinds of leaders the public wants in our state governments, traditionally most leadership has come from State Houses, not the White House nor Congress. In many program areas, state leaders have initiated effective solutions to national problems. Disagreement is evident, however, among emerging state leaders when debating leadership styles for their organizations and positions. The four leadership styles they might want to consider are authoritarian, collaborative, transformational and transactional.

- *Authoritarian.* This is the traditional leadership style favoured by strong executive and legislative leaders. Authoritarian leaders tend to define leadership by exercising power and authority to accomplish desired goals in their organization. They influence subordinates to follow their lead. In this style, leaders are power-wielders and act like military leaders. Typical authoritarian leaders favour top-down approaches in decision-making and are primarily task-oriented. They can be effective in achieving goals, but they tend to face resistance from within. Politicians who subscribe to the tradition of bossism, especially followers of Thomas Hobbes, author of *Leviathan*, fall into this style. Advocates of Frederick Taylor's scientific management in public administration also promote this leadership style.

- *Collaborative.* Collaborative leaders share their power with groups and subordinates, allowing them to enjoy latitude and flexibility to accomplish their goals. In this style, leaders create opportunities and an environment for their subordinates to solve problems and deliver services, instead of controlling or dictating from the top. This leadership style fits better in a decentralized and less hierarchical environment in which teamwork and consensus-building are emphasized. As in the private sector, collaborative leaders in government are perceived to be more democratic and participative. The collaborative leadership style, however, might not be desirable in an organization where the "readiness level" of workers is low and more discipline is needed. Management gurus, such as David Osborne, author of *Reinventing Government*, and Tom Peters, author of *Search for Excellence*, advocate collaborative leadership; so do proponents of human relations approaches in public management.

- *Transformational.* Transformational leaders try to shape motives and values of groups and followers in an organization as moral agents. In short, they favour reshaping an institution. The definition of transformational leadership by James McGregor Burns, author of the book *Leadership*, applies more to national leaders rather than state leaders. Following in the footsteps of Jesse Unruh, the former speaker of the California Assembly, however, some legislative leaders, as well as agency heads, might find the transformational leadership style attractive, albeit difficult, in restructuring and re-engineering their organization. In state government, transformational leaders would introduce radical reform initiatives to change policy directions or organizational structures.

- *Transactional.* Transactional leaders do not seek radical changes in organizational culture. Instead, they are more interested in day-to-day routine activities, such as coalition-building, bargaining and negotiation, and bridging differences between legislative and executive policy or program proposals. As Richard Elmore of the Harvard Graduate School of Education once observed, "Transactional leaders are not expected to set grand visions that their subordinates or constituents are not willing to support. They attempt to fulfil their duties as representatives of voters or appointed administrators charged with executing decisions made by someone else."

Each of these leadership styles has its merits and demerits. A leader may want to blend these styles. In any case, a particular style may be determined according to a leader's position, organizational environment and the nature of issues, policies and programs he or she is trying to tackle. Finally, leaders, regardless of leadership styles, should know that the public now expects moral, honest and truthful leaders.

Source: *State Government News* September 1999, p.38

The following self-assessment exercise may assist you to determine which kind of leadership you generally practice.

### Self Assessment Exercise - Your Leadership Style

#### Objectives

- 1 To assess your leadership propensity for transformational or transactional leader style.
- 2 To develop an understanding of leadership characteristics and what makes a person a leader.
- 3 To aid your understanding of the similarities and differences in leadership styles and types of leader.
- 4 To provide a broad perspective of current and historical leaders.
- 5 To develop and enhance your research and analytical skills and abilities.

**Total time: 30 to 60 minutes**

#### Leadership Questionnaire

For each of the following 10 pairs of statements, divide five points between the two according to your beliefs, perceptions of yourself, or according to which of the two statements characterise you better. The five points may be divided between the A and B statements in any way you wish, with the constraint that only whole integers may be used (i.e. you may not split 2.5 points equally between the two). Weigh your choices between the two according to the one that better characterises you or your beliefs.

1. A As a leader I have a primary mission of maintaining stability \_\_\_\_\_  
B As a leader I have a primary mission of change \_\_\_\_\_
2. A As a leader I must cause events \_\_\_\_\_  
B As a leader I must facilitate events \_\_\_\_\_
3. A I am concerned that my followers are rewarded equitably for their work \_\_\_\_\_  
B I am concerned about what my followers want in life \_\_\_\_\_
4. A My preference is to think long range: what might be \_\_\_\_\_  
B My preference is to think short range: what is realistic \_\_\_\_\_
5. A As a leader I spend considerable energy in managing separate but related goals \_\_\_\_\_  
B As a leader I spend considerable energy in arousing hopes, expectations and aspirations among my followers \_\_\_\_\_
6. A While not in a formal classroom sense, I believe that a significant part of my leadership is that of teacher \_\_\_\_\_  
B I believe that a significant part of my leadership is that of facilitator \_\_\_\_\_
7. A As a leader I must engage with followers at an equal level of morality \_\_\_\_\_  
B As a leader I must represent a higher morality \_\_\_\_\_
8. A I enjoy stimulating followers to want to do more \_\_\_\_\_  
B I enjoy rewarding followers for a job well done \_\_\_\_\_
9. A Leadership should be practical \_\_\_\_\_  
B Leadership should be inspirational \_\_\_\_\_
10. A What power I have to influence others comes primarily from my ability to get people to identify with me and my ideas \_\_\_\_\_  
B What power I have to influence others comes primarily from my status and position \_\_\_\_\_

**Scoring Key (your points)**

Transfer to this table the numbers that you allocated to each question.

| <i>Transformational</i> | <i>Transactional</i> |
|-------------------------|----------------------|
| 1. B _____              | 1. A _____           |
| 2. A _____              | 2. B _____           |
| 3. B _____              | 3. A _____           |
| 4. A _____              | 4. B _____           |
| 5. B _____              | 5. A _____           |
| 6. A _____              | 6. B _____           |
| 7. B _____              | 7. A _____           |
| 8. A _____              | 8. B _____           |
| 9. B _____              | 9. A _____           |
| 10. A _____             | 10. B _____          |
| <b>Total</b> _____      | <b>Total</b> _____   |

### Summary

A very large body of literature has been generated about leadership and the various approaches that have been discussed above. The material is often confusing or contradictory so the following excerpt from a letter to the journal, *Management Today* (May, 2001) may assist in identifying some of the generally accepted results of that research:

We know that:

- leadership is about nature (genetic endowment) and nurture (training);
- everyone can be a better leader;
- leadership is about social processes between people, not just the behaviour of individuals;
- leadership is about what works with your followers and associates, not blindly following the prescriptions of others;
- certain transformational leadership behaviour can be reliably measured (including by 360 degree methods which should not be dismissed as fad);
- some influencing styles are superior to others;
- some contingency theories are useful when complemented by a full range of leadership behaviour repertoire, and these provide a firm frame of reference for personal development.

Source: Letter by Ken Parry et al (Centre for Leadership Studies, Victoria University, Wellington, NZ)

See also [www.mlq.com.au](http://www.mlq.com.au) (Research Area, Research Articles section).

### Strategic leadership

What you have just read is a summary of the fundamental concepts about leadership. Contemporary theory on strategic leadership is much more abstract. However, if you take the time to think about the ideas in a concentrated way, the rewards are substantial. We will discuss this around two essential questions: what do leaders do and how they do it?

## What do strategic leaders do?

More recently a turbulent and constantly changing environment has led people to regard leaders as change agents, who relate organisations to their changing environments. In this view, leadership is about initiating change, innovation and entrepreneurship. Leadership therefore becomes strategic and can be distinguished from management.

## Alignment

Alignment is a vital concept in understanding the ideas of researchers like Kotter, Beer and Heifetz. Alignment is the idea that change can be managed slowly, incrementally and relatively safely, by working on aligning people and groups within the organisation. It is based on some important assumptions about people and tasks.

| Orthodox Behavioural Change  | Task Alignment  |
|--|---|
| Problems in organisational behaviour are a function of individual knowledge attitudes and beliefs                  | Individual knowledge, attitudes and beliefs are shaped by recurring patterns of behavioural interaction.  |
| The primary target for renewal should be the content of attitudes and ideas; actual behaviour should be secondary. | The primary target of renewal should be behaviour; attitudes and ideas should be secondary.   |
| Behaviour can be isolated and changed individually   | Problems in behaviour come from a circular pattern, but the effects of the organisational system on the individual are greater than the individual on the system. |
| The target for renewal should be the individual level  | The target for renewal should be at the level of roles, responsibilities and relationships  |

Source: Adapted from Beer M, Eisenstat R & Spector B (1990)

According to task alignment theory, the key strategy lies in the bottom right hand square. Put people in different systems of relationships and you will change their behaviour. While the outcomes of this kind of social engineering of the workplace are not necessarily predictable, the beauty of the idea is that you can make changes incrementally and with out radical alteration to the existing power structure.

## Readings

[Kotter J P \(1997\) What Leaders Really Do in Vecchio, R. \*Leadership: Understanding the Dynamics of Power and Influence in Organisations\* University of Notre Dame Press, Indiana](#)

Kotter's work raises the paradox between what leaders think they do and what they actually do. In reading this article, consider whether or not the subjects of the research might be best described as *leaders* or *managers*. After reading this important article you should be able to discuss the differences between managers and leaders.

[Heifetz R & Laurie D \(1998\) The Work of Leadership in Harvard Business Review on Leadership Harvard Business School Press, Boston.](#)

This is a challenging article that suggests that leaders should play the role as change agent or change manager. Rather than encourage staff to adapt to their present roles, leaders should actually destabilise current situations to enable new relationships to form; rather than quell conflict, it should be seen as an opportunity to draw issues out in the open.

### Leadership in the public sector

One of the most important (perhaps *the* most important) environmental drivers on both management and leadership in the public sector is the formation and interpretation of policy. "Formation", because public servants offer the elected representatives advice on the environmental influences that they must consider in their own strategic decision-making. "Interpretation" because government direction tends to be broad and as a matter of sacred trust officials are given scope to develop implementation plans that are true to the government's intent.

The role of the leader in the public sector is to translate the government agenda into action and manage the interface between the organisation and the political arm. The Australian Quality Awards have developed a view of leadership specific to the Public Service. Their concept is manifest in a number of criteria, which outline areas of responsibility for leadership. They include:

- The values of the organisation, including its key goals and the behaviours it wishes to establish in its relationships. The values of the organisation cover the purpose, direction and basic beliefs of the agency. The leader is responsible for mapping change in order to bring about transition.
- The role of management in creating values and developing an appropriate management system to make those values reality.
- How the interests of all stakeholders are considered in the process
- How management creates an environment for continual learning and continual improvement and the collective involvement of employees at all levels in the achievement of goals. This involves establishing a 'leadership system' that promotes change and encourages an operating environment that reflects Quality principles and continuous improvement.
- How responsibility to the community and good corporate citizenship are recognised and expressed.

### Point of Reflection

A long running controversy in leadership studies revolves around the principle of whether or not there is a best leadership style and/or qualities which can suit multiple situations. Can leaders operate equally well in public and private sector organisations? Between military and civilian roles? Between large scale and small scale operations and so on. The Wharton University has been examining such issues through its Centre for Leadership and Change.

At <http://knowledge.wharton.upenn.edu/articles.cfm?catid=2&articleid=375>, you will find a brief case study of leadership training for business executives conducted through Marines leadership training. Examine the particular case, surf the Wharton leadership program and reflect on whether such military leadership training would assist leadership development in local government.

The attached article by [James](#) reflects on the type of leadership that is found in the Australian private sector. It is a short article and worth reading with two aspects in mind. First, do you think that James' reflections are an accurate commentary? Second, what are the implications for the Australian public sector, and local government, in particular?

### Leadership Conclusions

Whether you adopt the assumption of classical trait theory, that leaders are born rather than made, or you try to put into practice the complex interrelationship postulated by contingency theory, you would have to agree that leadership is likely to be difficult to learn.

We tend to get thrown into leadership by promotion and subsequently draw what lessons we can from our mistakes. This approach is not productive because it presupposes costly errors and is hard on the emotions of often vulnerable managers. It obviously leads to the growth of risk aversion, which is not a trait consistent with strategic management.

A second approach is through *action research*, sometimes also called *action learning*. The idea is that we set up a project in which you trial a changed approach and reflect on the skills and knowledge necessarily learnt by adopting the changed approach.

Ultimately, you adopt the persona of the researcher. Your objective is to create new knowledge by doing research in the workplace, for the work place. Action Research is at the core of the assessment in this subject. Your final project will encourage reflection on the skills of strategic thinking and leadership. It will require you to use the theory outlined in these two introductory topics as well as those that follow to make sense of the innovation that you are trialing.

### Assessment Exercise 2

Given the trends in organizations towards downsizing, delayering, flattening of hierarchies, empowerment of staff, and self-managed teams, what are the implications for using transformational leadership over transactional leadership?

How much of this leadership is actually management?

Give examples of the success and failure of transformational leadership/management.

Limit: 2000 words

## Teams and Teamwork

The key point from the previous examination on leadership is that:

### **Leadership means creating change.**

Leaders add their own value by convincing people to find new ways of doing things, so that more value is created for the same effort. This is not change for change's sake, so we might augment the definition a little to say "creating useful change." Leadership in team situations needs to consider at least three levels of productivity:

- How do individuals contribute to more effective teams?
- How do teams generate synergies that generate more productivity than could the individuals operating in isolation?
- How should teams be aligned with each other and with the strategic objectives or Key Results Areas for the organisation?

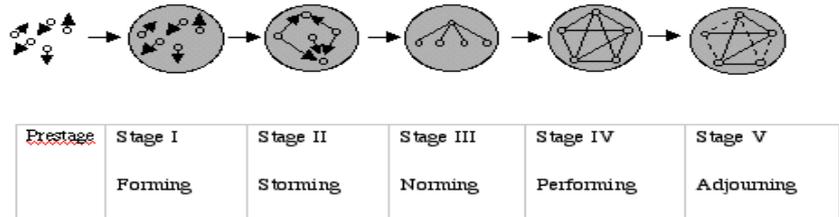
To consider all of these issues together in a team based picture of strategy and implementation we need firstly to be able to describe the capability of our system of teams. We can then consider how to generate more capability by re-configuring or otherwise intervening to restructure teamwork. As an aid to this process we now present a range of concepts that can be applied in rethinking the role of teamwork, forming aspirations from teamwork and finally developing a better organisational structure on the bases of co-ordinated teamwork.

### **Group dynamics**

Groups develop in more or less predictable ways. The diagram below shows a sociological process of group formation reinterpreted for the case of a work team. The stages of forming, storming, norming, performing and adjourning could be expected to characterise the case of a group of individuals brought together for the first time for a specific project. The ideal is for the stage of performing to occur at the critical time for the project's successful completion.

The story represented by the diagram is of a set of working relationships, which gradually sort themselves out as the individuals get to know each other. In the first instance the individuals are operating at cross-purposes, without a clear and unified set of goals and conflict arises. Out of this conflict a natural hierarchical order emerges, a sense of the rules of play that must be observed for everyone to "get on" together is clarified and finally people comprehend the different competencies each play brings to the task and can allow those players to make their contribution. Organisation seems to become unnecessary, but in reality each player intuitively knows what must be done, who must do it and in what sequence. The social relations are now operating to organise the work and direct the thinking and behaviour of each member. Finally the project finishes and the next project alters the social relations against so that the process of group reconstruction occurs and the process starts again.

## Stages of Group Development



Sociology occurs once people form relationships. That is, they each play some role in relation to one another. They have expectations of one another. What one person does may depend on the input of another. These expectations constitute a set of driving forces.

However, the sociology might set up both productive and/or counter productive forces. As a productive force it develops a momentum which motivates team members towards high value activity and develops productive synergies. However, if the social relations between members are dysfunctional you may need to intervene to physically reconstruct working relations. To do so you need a conceptual tools for thinking about team management.

### The Team Management Index

TMI and Profile provide a framework and a language which not only helps individuals and teams recognise their strengths and weaknesses, but also helps people to consider how those strengths and weaknesses operate in relation to those with whom they operate.

Certain tasks interest some people more than others. Why? An examination of work preferences will provide some clues. The Team Management Profile gives individuals an understanding about the behaviours they exhibit at work, and the impact this will have on others and the work they do.

Major uses of the Team Management Profile:

- Personal Development - developing career paths, enhancing interpersonal skills and communication strategies, understanding work-related strengths and weaknesses.
- Team Development
- Team members sharing their Profiles and discussing the impact of their work preferences on the team's performance
- Understanding how each member likes to work and valuing those differences.

This helps develop strategies to:

- Compensate for imbalance in the team
- Identify potential conflict areas in balanced teams

### Team Work Factors

In their research Margerison & McCann identified nine key factors that form the basis of outstanding teamwork. This research has shown that successful teams perform well in relation to all nine of the following factors:

- Advising: gathering and reporting information
- Innovating: creating and experimenting with ideas
- Promoting: exploring and presenting opportunities
- Developing: assessing and testing the applicability of new approaches
- Organising: establishing and implementing ways of making things work
- Producing: concluding and delivering outputs
- Inspecting: controlling and auditing the working of systems
- Maintaining; upholding and safeguarding standards and processes
- Linking: coordinating and integrating the work of others

### Belbin Team Role Profile

An alternative scale has been proposed by Belbin (1992) whose team roles incorporate corresponding weaknesses.

| <b>Roles and descriptions - team role contributions</b>   | <b>Allowable weaknesses</b>   |
|---|---|
| Planner: Creative, imaginative, unorthodox, Solves difficult problems.  | Ignores details. Too preoccupied to communicate effectively         |
| Resource investigator: Extrovert, enthusiastic, communicative. Explores opportunities. Develops contacts.       | Over optimistic. Loses interest once initial enthusiasm has passed. |
| Coordinator: Mature. Confident, a good chair person. Clarifies goals, promotes decision-making, delegates well. | Can be seen as manipulative. Delegates personal work.               |
| Shaper: Challenging, dynamic, thrives on pressure. Has the drive and courage to overcome obstacles.             | Can provoke others. Hurts people's feelings                         |
| Monitor evaluator: Sober, strategic and discerning. Sees all options. Judges accurately.                        | Lacks drive and ability to inspire others.                          |
| Teamworker: Cooperative, mild, perceptive and diplomatic. Listens, builds, averts friction, calms the waters    | Indecisive in crunch situations. Can be easily influenced.          |
| Implementer: Disciplined, reliable, conservative and efficient. Turns ideas in to practical actions.            | Somewhat inflexible. Slow to respond to new possibilities.          |
| Completer: Painstaking, conscientious, anxious, searches out errors and omissions. Delivers on time.            | Inclined to worry unduly. Reluctant to delegate can be a nitpicker. |

|   |  |
|---|--|
| Specialist: Single minded, self-starting , dedicated. Provides knowledge and skills in rare supply. | Contributes on only a narrow front. Dwells on technicalities. Overlooks the "big picture." |
|---|--|

The Belbin model and the TMI are natural rivals, and both are keen to distance themselves from one another. You should be careful when you use these models. While both are rigorous and helpful frameworks for thinking about team structure and function, they are designed for commercial application so, so assess their benefits critically. In addition, it is all too easy to apply them prescriptively and without judgement. At this superficial level of thought, they may as well be astrological symbols for all the good you'll derive.

What about my team?

**Answer the following questions and find the description below which best fits your answers:**

- How effective and satisfying is your team?
- What are your team's greatest strengths?
- What would you like to see your team doing better or differently?
- What barriers and sources of resistance will you need to overcome so that your team can be more effective?
- What forces exist that encourage your team towards greater success? What forces hold you back?
- Think of five words that summarise what your team is to you.

**Which of the following best describes your team?**

***Fully functioning***

- High task effectiveness, good mental health, long term viability

***Cosy***

- Poor task effectiveness, average mental health, short term viability

***Dysfunctional***

- Poor task effectiveness, poor mental health, very low long term viability

***Cold Efficiency***

- High task effectiveness, average or poor mental health, short term viability

**How do I improve the team functioning?**

***Enhance team reflexivity by considering:***

- team objectives
- participation in teams
- task orientation
- support for innovation

***Enhance social functioning by considering***

- intra-team social support

- team climate
- team support for growth and well-being
- methods of conflict resolution

### Strategic alignment

Let's now combine what we know about team dynamics and the ideas of Kotter and Heifetz (from the last Topic) about alignment as one means of improving team performance.

#### **Self-Assessment Exercise**

- (a) Identify one of the teams in your organisation that best represents a problematic case study: i.e. a case where roles and relationships across the corporate structure are most out of alignment with organisational objectives. Justify your selection.
- (b) Using the knowledge of team operations, how would you realign the team with organisational objectives?

#### **Reading**

The attached short article by [Onsman](#) gives a useful summary for this topic. It makes the point that team leadership may be more effective when it is more self-managing. Underlining this is the assumption that teams are constructed with appropriate skills balances (e.g. TMI or Belbin roles are all included).

The article also discusses the notion of 'virtual' teams, formed when team members do not inhabit the same physical space.

### Conclusion

Leadership includes the aligning of individuals such that their activity naturally develops positive change. This is something more than simply coming up with an objective and telling people to achieve it "or else." Leadership includes constructing and reconstructing teamwork so that it sets up a momentum that makes each team member drivers of change. Issues like balancing team skills, decisions to enable greater self-regulation by teams become important issues for a manager.

A leadership and teamwork assessment of capabilities as used at the Wharton School is attached at the end of this topic. You might find these issues interesting in the context of your own leadership potential development.

Leadership and Team references and further reading

- Beer M, Russel A & Eisenstat B (1990) Why Change Programs Don't Produce Change *Harvard Business Review*
- Belbin M (1992) *Management Teams: Why They Succeed or Fail* Butterworth/Heinemann, Oxford.
- Covey S (1989) *The 7 Habits of Highly Effective People* The Business Library, Melbourne
- Hubbard G (1996) *Practical Australian Strategy* Prentice Hall, Melbourne
- Stogdill R (1974) *A Handbook of Leadership: A Survey of Theory and Research* Free Press, New York
- Katz D & Kahn R (1978) *The Social Psychology of Organisations* Wiley, New York
- Schermerhorn J, Hunt J & Osborne R (1997) *Organisational Behaviour* (6<sup>th</sup> Edition) John Wiley, New York
- Various (1998) *Harvard Business Review on Leadership* Harvard Business School Press, Boston

**LEADERSHIP AND TEAMWORK ASSESSMENT: An Inventory of Capacities**

The Wharton School requires all of its nearly 800 first-year MBA students to carry a course on leadership and teamwork, and in that course students complete an online self-assessment of twelve leadership and teamwork capacities that they believe are important and on which they seek further self-development during the course and MBA program. The twelve capacities are:

**Action Oriented:** Action and goal oriented, demonstrates initiative and drive toward the goal, able to focus on immediate tasks at hand. Makes sure meetings and projects stay on track, sets high standards for tasks and projects.

**Business Acumen:** Understands how business works and is knowledgeable of future practices, trends, and information affecting business. Uses business knowledge to improve group performance.

**Integrity and Trust:** Builds trust on the team, is seen as a truthful individual, keeps confidences and admits mistakes. Is seen as responsible and dependable.

**Managerial Courage:** Is willing to identify issues that may affect the team and acts to address these issues quickly. Does not hesitate to provide useful feedback to move the group forward.

**Perseverance:** Pursues everything with energy and drive. Does not give up in the face of resistance or setbacks. Willing to invest themselves in the work at hand and take pride in their work, maintains commitment to the task even when difficult.

**Strategic Agility:** Sees ahead clearly and can anticipate and plan for reactions from others accurately. Has a broad perspective, is future oriented. Can see possibilities and create new ideas, strategies and plans.

**Time Management:** Uses his/her time effectively and efficiently. Manages personal and team time well, expedites the flow of work and conducts effective meetings. Concentrates his/her efforts on the important priorities, gets things done on time and works efficiently. Can manage multiple priorities well.

**Dealing with Ambiguity:** Can effectively cope with change, can shift priorities comfortably, can make decisions without having the total picture, handles ambiguous situations well, considers alternatives and challenges the status quo.

**Interpersonal Savvy:** Develops effective and productive relationships with others, builds a network of support within the team and in the broader organization, relates well to all kinds of people, can manage conflicts and tense situations comfortably.

**Listening:** Listens attentively to others, and attempts to understand others viewpoint, has the patience to hear others out, even if he/she disagrees, delivers clear messages to an audience, is effective in both one on one and group interactions. Understands the important of feedback (both giving and receiving).

**Motivating others:** Creates a motivational climate on the team where others can learn and do their best, invites input from others, shares information and ownership, makes others feel his/her work is important part of the team's contribution, is able to read others and understand their goals.

**Self-Knowledge:** Knows personal strengths, weaknesses and limits, seeks feedback from others and learns from mistakes, is open to learning from others and views personal development as important to career success.

See: <http://leadership.wharton.upenn.edu/digest/10-01.shtml>

## **Topic 7**

### **Strategy Implementation and Evaluation**

This topic considers the ideas and processes involved in putting strategy into practice and measuring and monitoring performance against planned objectives and goals

#### Learning Outcomes

By the end of this section you will be able to:

- Describe the role and functions of strategy implementation.
- Explain the implementation issues associated with organizational resources, structure and systems.
- Know the major advantages and disadvantages of the Balanced Scorecard system for controlling and reporting organizational performance

#### Resources

Reading 1: Chapters 10 and 11 of Hubbard, G. (2000) **Strategic Management**, Prentice Hall, French's Forrest.

Reading 2: Kaplan, R. and D. Norton (1992) The Balanced Scorecard - Measures that Drive Performance, **Harvard Business Review**, Jan -Feb 1992.

#### Introduction

This topic looks at the complex and frustrating aspects of implementing strategy and evaluating performance. Implementation involves converting chosen strategies and activities into reality – as Drucker noted: plans have to degrade into actions.

The role of a strategic leader is crucial in both these areas – strategies do not implement themselves and changes brought about by the introduction of different policies or workflows will inevitably disrupt the usual routine of staff and even upset cultural norms.

Once plans have been put into practice, their effect needs to be assessed to see progress or lack of it. This involves gathering and evaluating performance against planned measures and, if necessary, modifying action plans to correct outputs.

#### Implementing Strategy

**Implementation** means developing appropriate systems, structures and tactics for putting strategies into practice. Implementation is the action element of strategy that follows the formulation processes. The organization's plan must be executed at all levels in the organisation and be accepted by each workgroup and individual member if it is to be effective.

There are many aspects of implementation but the four main aspects are:

- acquisition and deployment of organizational resources,
- development of an appropriate organizational structure,

- establishment of appropriate organizational systems, and
- development of a strategy supportive culture. (Viljoen and Dann, 2000:449)

Existing organizational structures and management processes may need to be aligned, reinforced and perhaps changed radically to allow the strategies to work. And, it is essential to provide formal, two-way communication channels for management control and accountability feedback loops. In particular, clear productivity or performance indicators need to be promulgated for managers to assess progress and trends against established objectives or targets.

Strategies may require changes to individual and group behaviour so managers must address corporate cultural issues quickly and effectively. A well considered change management plan and processes are essential within any implementation program. In particular, strategic-level plans need to be converted into operational plans.

### Strategic Vs Operational Plans

Managers must be aware that there are significant differences between strategic and operational plans in terms of time, scope, complexity and independence:

- *Time Horizons* – strategic plans look ahead in years or decades while operational plans generally focus on much shorter periods.
- *Scope* – strategic plans encompass a broad range of organizational activities while operational plans are more narrow and limited in scope.
- *Complexity and Impact* – Strategic goals are broad, have a high impact on operations and address links to integrate activities across the organization; by contrast, operational plans concentrate on specific areas for implementation.
- *Independence* – Operational plans can not be developed in isolation and must reflect strategic goals and plans and be consistent with the organizational mission. (Robbins et al; 1994:103)

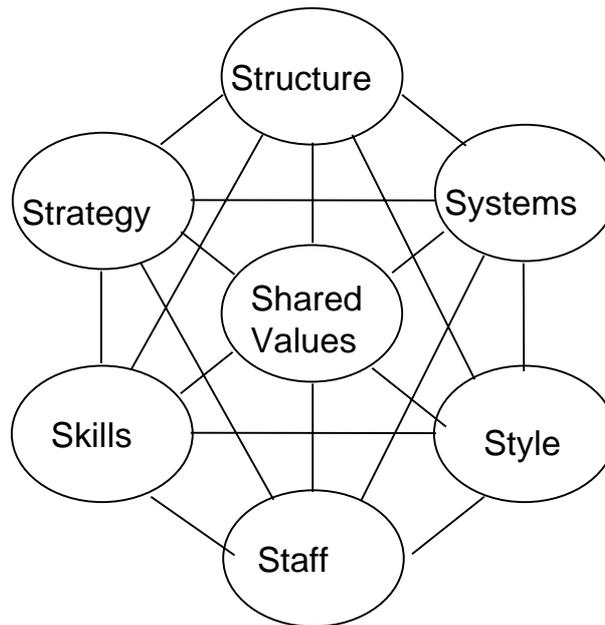
These plans must encompass a wide range of issues affecting both work and workers in the organization. One of the more complete approaches is to employ the McKinsey 7S model of implementation.

### McKinsey 7S Framework

The McKinsey 7S Framework of strategy implementation focuses on strategy, structure, style, shared values, staff and skills. It was featured in the 1982 Peters and Waterman book of management lessons and pointers 'In Search of Excellence'. The framework built on earlier criteria for organizational success centred on strategy and structural approaches. Structures had evolved from centralization to decentralization to matrix models. The main issue was that structure on its own, without consideration for people in it, carrying out the strategies to ensure success was insufficient. The team looked at 'Leavitt's Diamond' (task, structure, people, information and control, and environment) and expanded its coverage to more of the so-called 'soft' area of the 'intractable, irrational, intuitive, informal organization' (Peters and Waterman, 1982, 11).

The model treats the seven variables of structure, strategy, people, management style, systems and procedures, guiding concepts and shared values (ie culture) and the present or hoped for corporate

strengths or skills as interdependent. Strategy and structure are the hardware and the rest are software and together provide a framework to think about and tools for managing the organization.



### Point of Reflection

Compare the preceding diagram with the modified 7S structure by Hubbard on p 213. Do you think that Hubbard's changes make the model more practical? Why?

Hubbard et al (1996: 241-246) categorize the three *hard* elements as business strategy, organizational structure and administrative systems; the *soft* elements are leadership style, and organizational and individual skills of employees. The variables identify major areas of potential complexity in managing fundamental change for the better.

The following sections describe the impact of the hexagram.

### Strategy and Structure

Chandler (1962) formulated the principle of *structure follows strategy* indicating that organization design should, first and foremost, facilitate the organization's quest to meet its strategic commitments. Chandler studied nearly 100 of America's largest companies and found that they began typically with a single product or line and concentrated on single functions such as manufacturing, sales or warehousing. This strategy was compatible with a loose or simple structure characterized by centralized decision-making, low complexity and little formalization. Chandler concluded that an efficient structure for a single-product strategy was one of high centralization, low complexity and low formalization.

He next observed that as organizations grew, their strategies became more ambitious, expanding through such measures as vertical integration (incorporating material supply or distribution) to

increase market independence. This however leads to increased interdependence within the company and greater and more complex coordination. The answer appears to be to change the structure to form specialized, functional units. In the mature stage, Chandler noted that further product diversification required a structure that facilitates resource allocation, performance accountability and unit coordination. The solution is to create sets of independent divisions, each being responsible for specific product lines.

**Point of Reflection**

See Hubbard's organizational design principle on pp 223-224. Are these principles consistent with Chandler's conclusions?

Another organizational form, the matrix, has emerged which requires individual staff or sections to report to both their functional or professional manager as well as to a project or business manager. In practice, hybrid structures are used to meet the specific operational needs of an organization: for example, in 1988, Telstra had several central functions, product-based divisions, a customer division and geographic divisions (Hubbard et al, 1996: 245).

Other structural forms are emerging to meet rapid and complex strategic or operational needs. The recent trend has been to 'delayer' organizations to flatten structures and use 'virtual' teams or temporary networks such as 'hub and spoke' for projects with clearly defined timescales and deliverables. Topically, organizational structures are affected by the increasing use of outsourcing of complete functions (eg corporate services, IT infrastructure support) and the formation of strategic alliances or partnerships with suppliers to modify traditional models of value chains and notions of vertical integration.

Robbins and Barnwell (1994: 114) cite Australian private sector examples of the application of Chandler's theory: the Boral company started with a product-diversification strategy and followed with a multidivisional form; similarly, the Comalco organization matched its vertical integration strategy with a functional structure.

There are several prerequisites and activities if strategy is to be achieved by organization members:

- there needs to be a common purpose or vision
- segmentation or differentiation of structure is used to overcome complexity of tasks
- coordination or integration is used to bring separate tasks/ working together
- structure is congruent with organizational culture, and
- responsibilities and authorities are aligned and continuously reviewed and redefined as required. (Hax and Majluf, 1991)

Obviously, strategy will have a greater impact on a new organization than on one which is more mature. Existing processes, procedures, policies and attitudes are difficult to change. Also the introduction of a new or revised strategy will not immediately change the structure. This lag factor is common and some organizations will react more slowly than others - similar to changing the direction of a supertanker compared to a small tug.

In the private sector, competition generally forces the pace of structural change in the interests of efficiency. In the public sector, agencies tend to bureaucratic inertia unless Government imposes significant program changes with time constraints or there is a clear recognition of the need for organizational restructure by both managers and staff.

Structure can also affect strategy because increases in complexity, formulation and centralization will increase the probability that resulting structures will impact on strategic decision making processes and hence strategy. Moreover, previous, current and planned structures will affect strategic activity; for example, staff in divisions may identify emerging opportunities at the divisional level or may influence the current flow of funds to existing or planned strategies.

Some common approaches to designing organizational structures to accommodate strategy include:

- *Incremental* - adding to what is already established and operating;
- *Imitative* - copying closely a design used by other organizations;
- *Classical* - designing according to the traditional principles of organization such as specialization, authority, responsibility, command, objectives, balanced centralization, span of control, exception, flexibility, stability and continuity;
- *Evolutionary* - allowing a structure to respond to changing organizational demands;
- *Bureaucratic* - meeting the characteristics of bureaucratic frameworks;
- *Behavioural* - satisfying the needs of staff members; and
- *Systems approach* - designing an organization to match its operating environment and accounting for structure, staff, psychology, strategy and other components in an overall relationship. (Byrt and Bowden, 1989: 75)

## **Systems and Procedures**

These days, *systems* invariably mean Information and Technology infrastructure and applications in the workplace. However, not all procedures and processes involve computers. Hubbard identifies a range of systems which may be of strategic importance such as operating, information, control, financial and budgeting, decision-making and reward systems (pp 215-222).

Many functions such as customer service rely on human communication and staff management requires face-to-face contact. Some procedures must also comply with legislative requirements. The very planning cycle of plan, budget, implement and evaluate demands a disciplined approach with multiple feedback loops and iterations. The production cycle for goods and services also need to be clear and intelligible to the manager and staff with an accepted set of measuring, assessing, monitoring, controlling and reporting measures in place and followed.

An organization need a comprehensive resource allocation and accounting system to ensure budgets are distributed and that variances of expenditure against plans are reported. Also, efficient staffing or HR systems are essential in modern organizations to record pay and accrued costs as well as managing staff leave and other entitlements. Similarly, a CEO will need accurate and current details of capital expenditure and asset management.

Changing systems and procedures can be traumatic if innovations are introduced without sufficient consultation or explanation, regardless of the real worth of the changes themselves. All levels need to be flexible to accept change after constructive review.

**Point of Reflection**

Refer to Hubbard Figure 10.3 on p216 – does your organization meet the desirable systems and processes for better operating performance?

What areas could be improved?

Do you think this list is in priority order? How would you rank these requirements?

**Style**

The 7S model emphasizes *leadership style* covering all organizational layers from the CEO to the functional managers. As with structure, the appropriate style to be adopted will depend on the environment and contingent on the level of industry turbulence (stable or turbulent), the availability of resources, existing values and operating culture of the organization and overall position in the industry.

Good leaders are expected to exhibit and articulate a credible and achievable vision to ensure organizational survival and growth. Also, a leader should be visible, adaptable, enthusiastic, committed and practice what he/she preaches. It also helps if the leader can create a level of folklore or tales by their deeds and words in the network - an example is the impression made by the widely publicized event of Budget Rent-a-Car CEO, Bob Ansett, serving customers at an airport company desk (Hubbard, 1996: 261).

Richardson (1995) suggests that modern leadership styles have developed in response to changing times and include the following types:

- *Self-Organizing Facilitators* create and manage the firm by continually reorganizing around emerging strategic issues in turbulent environments. Accepted norms and mores of organizational operations and ideas are continually challenged by this leader who advocates 'unlearning' if necessary. The leader facilitates this process by assisting staff to self organize.
- *Turnaround Strategists* are autocratic, ruthless and fast acting CEOs who are called in during a crisis to save an organization in imminent danger of demise. Authors such as Slatter, Grinyer, Miller and Richardson have highlighted the skills of the turnaround strategist to reorient the performance of a declining organization. The visionary transformer is often portrayed as a turnaround strategist after taking over from a non-visionary predecessor.
- *Crisis-Avoider Strategists* recognize the likelihood of crises and establishes systems that acknowledges their inevitability. The leader constructs an organization that continuously tests its susceptibility and readiness to deal with crisis. As such, the leader acts as crisis initiator and respondent; moreover, the crisis avoider strategist ensures that ethical considerations are foremost in the strategic decision making process thereby challenging the traditional economic ethic based approach of the other leader types.

Hubbard et al (1996:262) attribute the following characteristics to modern leaders:

- manages novelty and routine
- focuses on the journey and the destination
- is a generalist

- rises to challenges
- tolerates ambiguity
- has experience in several careers
- is a synthesiser
- fuzes thought and action
- is a continuous learner
- has an international and domestic outlook
- is technologically literate.

## **Staff**

The HRM aspects of the workforce are vital to the organization. The 7S model emphasizes the interaction of employment, management, motivation, results, outcomes and satisfaction. Training and staff development are essential to maintain and improve staff skills. Staff must be confident in the selection, promotion, training and placement operations of the organization and fully cognizant of its appraisal and rewards systems. Managers must also be equipped with requisite skills and knowledge, and the employee relations (industrial issues) processes and access procedures well understood by all employees. Moreover, staff have invaluable organizational knowledge that can contribute to decision making at all levels in the firm. The concepts of TQM and industrial democracy are based on this premise and studies have shown that staff involvement can improve overall performance (Hubbard et al, 1996: 268). Finally, managers should not ignore informal networks within the organization as conduits for information, contact and learning.

## **Skills**

Organizational skills comprise routines, operating procedures and practices which contribute to the successful workings of the company or agency. The pace of change will affect these skills when new capabilities are added or when old capabilities are discarded. These changes require flexibility, rapid response and sensitive change management.

## **Shared Values**

Shared values come from the nature and role requirement of staff in meeting the strategic objectives of the firm. Certain behaviours will be instilled and indeed expected from staff in the performance of their functions. For example, certain levels of performance and standards will need to be met by counter or telephone contact staff. Standards of dress or uniforms and safety standards may be imposed on operations as the norm. Attitude, skills and knowledge will be applied within the organizational framework.

A contemporary example is contained in the planning documentation of Centrelink (1997:11), a large Government service delivery agency, which lists its shared behaviours as:

- listening to customers and the community,
- solving problems and developing opportunities,
- mutual respect for our customers and for each other,
- exploring and putting in place innovative and cost-effective ways to provide the right outcome, and
- behaving with integrity and in an ethical manner.

## Controlling

The progress of the plan in practice should be monitored closely and regularly to ascertain that specified tactics are being followed and that planned milestones are being met. The executive will expect the implementation process to be evaluated and refined constantly. This will mean that adjustments will occur from time to time in response to changed circumstances or because planned strategies and activities are less effective in real life. Managers need to take a flexible approach rather than flog unrealistic or 'dead' policies.

An example of planning processes within a strategic management framework in a public sector organization, the South Australian Department for Correctional Services, is shown in the following box.

### Planning in Action

#### Strategic Management in the SA Department for Correctional Services

'We recognised that staff involvement was critical and that information provision, and consultation processes were essential. Staff were required to be part of the planning process: through feedback on the DCS draft Strategic Plan; through involvement in each business unit's planning process, through the development of the Enterprise Bargaining Agreement and more recently through the roll out of the Performance Enhancement System.

The Chief Executive and Executive gave a solid commitment to strategic management rather than the tradition and crisis oriented approach, and delegated design and facilitation responsibilities to the Strategic Service Division. We started with the strategic planning process:

- introduced a standard format for the business plan and process for producing it
- made available internal consultants to facilitate or to advise external consultants for business unit planning
- set a timeframe for business plans to be produced and then conducted "alignment workshops" to identify and resolve any gaps or opportunities to improve both the corporate and business unit plans and their implementation
- utilised the workshop conclusions to inform central office support units' planning processes
- initiated quarterly reviews of progress.'

*Getting the Strategic Plan from the Coffee Table to the Management System - Integrating Strategy and Performance, 1996, Jane Treadwell, Director Strategic Services Division, SA Department for Correctional Services*

### Point of Reflection

How difficult is it for a strategic manager to cover all of the suggested areas of the 7S model when implementing a strategic plan?

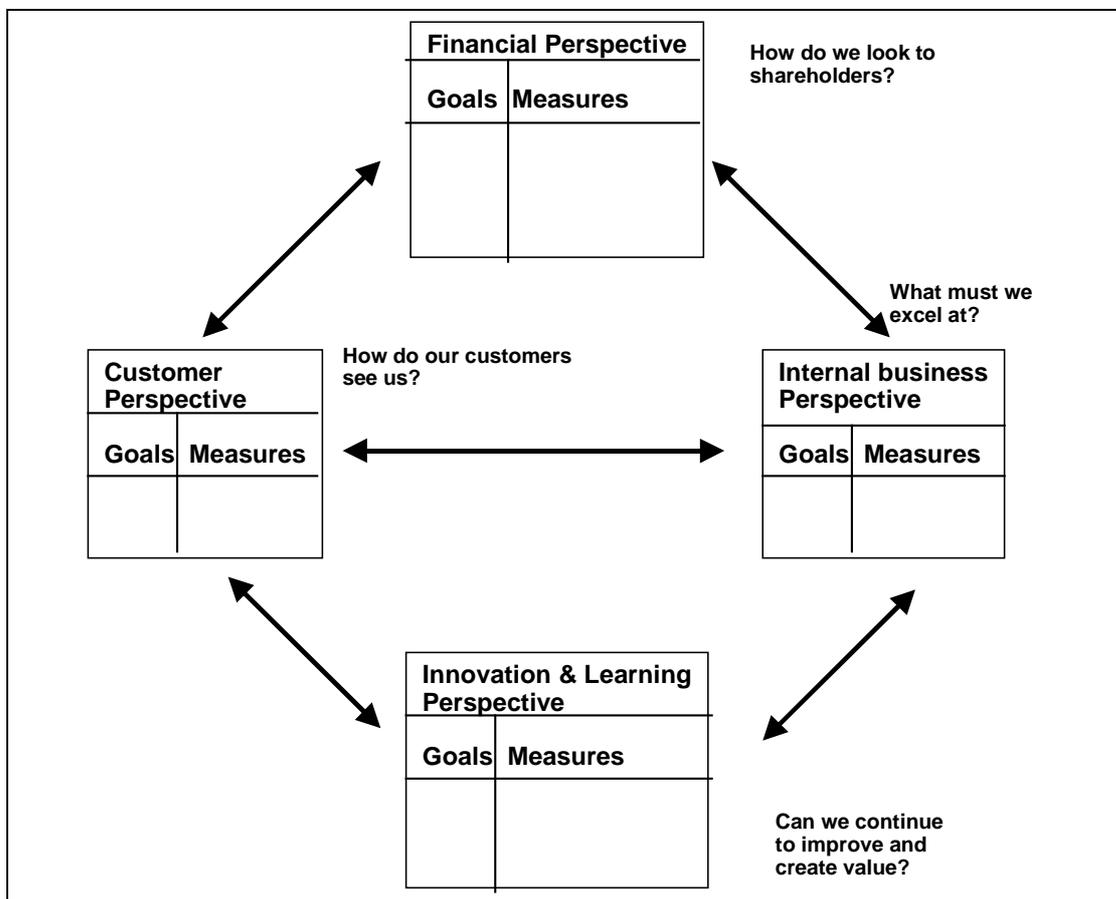
Can she/he delegate responsibilities for implementation? If so, how far down the organization?

An emerging process to measure, report and manage the performance generated by the implementation of strategies and action plans is the Balanced Scorecard.

### Balanced Scorecard

The Balanced Scorecard is a means of strategic control to monitor and evaluate the efficiency of organizational strategies and structures, while maintaining staff motivation and focussing on joint problem solving. The Balanced Scorecard model was developed by Kaplan and Norton (1992) as an extension of TQM. The basic premise is that senior managers do not rely solely on financial performance measures to: ‘provide a clear performance target or focus attention on the critical areas of the business. Managers want a balanced presentation of both financial and operational measures (Lewis et al, 1997:55).

The scorecard accepts that financial measures are the results of previous actions but that operational measures on customer satisfaction, internal processes and innovation/ improvement activities are the real drivers of future firm performance. These four perspectives are shown in the following diagram:



### Balanced Scorecard Development and Implementation

Hill and Jones (1998:382-385) suggest that the Balanced Scorecard operates after the firm’s mission, goals, strategies and structure have been developed to build up competitive advantage. Next strategic managers need to establish specific performance measure to assess how well the main goals are being achieved:

- *Efficiency* can be measured by the level of product costs, hours needed to produce a product and the cost of raw materials.
- *Quality* can be measured by the number of rejects, defective products returned and the level of product reliability over time.
- *Innovation* can be measured by the number of new products introduced, the time taken to develop the next generation of new products and the cost of product development.
- *Responsiveness of customers* can be measured by the number of repeat customers, the level of on-time customers and the level of customer service.

Overall organizational performance is then measured using financial measures such as cash flow, quarterly sales growth, increase in market share and return on investment or equity.

Arveson (1999) notes that: 'Change management is always going to be a major challenge in deploying the balanced scorecard system, because it must touch every significant activity in the organization.' Successful deployment requires a sense of urgency by senior managers and the scorecard will need to confront the organization's culture. The balanced scorecard promises greater openness and visibility of an agency's mission and strategy and can give staff a better sense of how to improve their work. Strategic goals, balanced scorecard plans and improvement plans should be publicized widely and placed on the intranet site for all employees.

Kaplan and Norton suggest that a core team be formed to develop a detailed implementation plan and set up limited pilot projects in the organization. Moreover, some metrics should be standardized by the executive so that measurements from different divisions will be comparable. Specific goals, initiatives, desired outcomes, metrics, targets, and annual milestones can be defined at the pilot project level.

See also Hubbard pp 99-102 for ideas about extending the Balanced Scorecard approach.

### Balanced Scorecard Measurement Processes in Action

#### **Information Flows**

Arveson (1999) also notes that line managers at various levels define goals, desired outcomes, initiatives, metrics, targets, and schedules which are aligned with the strategic plan and balanced scorecard performance plan. Some parameters may need to be translated from general to more mission-specific to apply to the work being performed at each organizational level. Specific desired outcomes and initiatives to attain them are developed by managers, followed by the metrics, targets and schedules. This results in a hierarchical set of balanced scorecards that are relevant at each organizational level. It also has the effect of giving the organizational stakeholders a meaningful role in performance evaluation and strategic management. Defining collection methods for each of the Balanced Scorecard metrics is expensive and staff-intensive and has the most impact on the rank-and-file employees. Reports are collected at each line management layer and provide feedback to the managers. At the executive level, metrics are combined to give an overall picture of the agency's balanced scorecard, on a continuous basis.

## **IT Issues**

Once the metrics and data collection procedures have been defined, an information infrastructure can help greatly in managing the data flows. A database-backed web intranet can be used for data collection and data reporting.

## **Organization Structure**

Organizations must decide which information needs to be collected within the prevailing structure. In a matrix organization, most of the work is done by program/project teams and metrics can be defined by the program managers or by the line managers. Top-level metrics tend to be very generic: core knowledge, experience, capability, performance, realism, facility maintenance, etc but there are no metrics to describe the quality of research, the effectiveness of products and services, or the long-term outcomes of the mission. Rather, these are inferred from the level of customer satisfaction. If customer satisfaction and perception is the focus of the Balanced Scorecard, then it will be sufficient to define the metrics within the line management structure.

On the other hand, if the executive requires pertinent metrics on quality, success, and outcomes, then it will be necessary for program managers to define specific metrics within their technical areas. The advantages of this approach are that they provide leading indicators for future customer satisfaction, they create an incentive for improvement within the programs and they are probably being tracked informally already. The disadvantage is that unlike the generic metrics, these will be different for each program, harder to define, and probably not commensurate across programs to permit benchmarking.

## **Employee Performance**

At the working level, it would be convenient to link the individual employee performance evaluations to the balanced scorecard. However, staff may see this as a version of “Management By Objectives” which could remove the incentive from managers to take responsibility for strategic management, one of the basic aims of the Balanced Scorecard. On the other hand, employee performance should be evaluated and organizations need goals and objectives for personnel performance. One way is to stipulate that Balanced Scorecard data are only to be used in the aggregate, not for individual evaluations. The collective performance of programs and/or teams is the concern of the senior managers, not the performance of individuals.

**Centrelink**

Centrelink has introduced the Balanced Scorecard as the tool to manage performance across the organization's 6 key goals:

- Client Partnerships
- Customer and Community Satisfaction
- Centrelink People
- Cost Effectiveness
- Innovation
- Benchmarked as Best Practice and First Choice (measured by achievement of the other 5 goals)

Each goal has high level Key Result Area (KRA) outcomes, an accompanying Description and Target and an indication of level, frequency, data recording system and KRA owner. Performance measures (KPI) for separate elements are located under each KRA.

**Point of Reflection**

How would a Balanced Scorecard approach work in your area?

How would you go about establishing a measurement and reporting system to support its operation?

If you already have a Balanced Scorecard, what are its strengths and weaknesses?

**Implementing Regional and Local Government Plans**

Continuing feedback from the community will fine tune projects and adjust priorities of activities. One approach is to have a rolling series of meetings with the public to give updated information and receive comments - good and bad - from the customers. The following example shows how Glenorchy Council manages these aspects

## **Glenorchy Community Plan**

### **Community Plan Adopted**

The Community Plan has been developed through a major community consultation process. The Plan identifies a Vision for the City of Glenorchy, values that underpin it and future directions for the next 10-20 years. The Plan also lists over 190 suggested projects categorised under the four main areas of Building an Even Stronger Community, Social, Economic and Environment. The Community Plan will be used by Council and other stakeholders to guide decision-making in the future.

### **Community Precincts**

Glenorchy's new 12 Precinct Committee system is now officially up and running with meetings held and activities planned in all areas.

#### **1. A way to meet and consult together**

The Committees exist to represent the broad views of all those who in your area. They are a great way for you to meet new people, catch up with those you know, and enjoy their company and share your views on the local needs and issues.

The Committees are Special Committees of Council under the Local Government Act and each has an important function. They are advisory, non-political and need to be broad-based rather than a single-issue body. They provide direct liaison with Council Aldermen and staff, and the other people who make decisions for your area who you would normally never talk to.

#### **2. Plan for your future**

Here is a great chance for you to have your say on guiding how your local area can improve; to make it more enjoyable for you and your family.

The Precincts enable you to work with Council as a team to achieve things you as residents want for your area. This means finding ways to involve more of the community, as each committee needs to broadly represent the views of those who live in the area.

#### **3. Come and be positive**

Some people have indicated they haven't come to Precinct Committee Meetings because they are happy and haven't anything to complain about. This is a basic misunderstanding. The Committees will deal with issues of concern but the main aim is to work on issues and projects that improve your neighbourhood. If you are happy with your local area, come along to make it even better!

### **Self Assessment**

Construct a matrix of the advantages and disadvantages of using the McKinsey 7S or Balanced Scorecard to implement and monitor strategic/action plans in your organization.

Explain how you would modify these models to meet the special needs of your customers and staff.

References

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## Topic 8

### Change Management

In Topic 8 the strategic leader is characterised as a change agent and this section develops a conceptual framework and associated issues for change management.

#### Learning Outcomes

At the end of this topic, you will be able to:

- summarise theories about change management;
- appraise specific examples and/or cases of managed change, evaluating the strengths and weaknesses of the approach taken; and
- plan a change strategy.

#### Resources

Chapter 12 of Hubbard, G. (2000) **Strategic Management**, Prentice Hall, French's Forrest.

Heifetz, R & Sinder, R (1998) "Political Leadership: Managing the Publics Problem Solving", in Chapter 8 Reich, R. (ed) *The Power of Public Ideas*, Ballinger

Johnson S (1998) *Who Moved My Cheese?* Random House, London.

Novelli L, Kirkman B & Shapiro D (1995) Effective Implementation of Organisational Change: an organisational justice perspective in Cooper C & Rousseau D *Trends in Organisational Behaviour* Vol 2 Wiley, New York

#### Introduction

There is a lot of rhetoric about change. The benefits tend to accrue to the group, while the costs are felt by the individual, so, no individual wants change - really! Consider the following analysis from *The Prince* about the personal prospects for the change agent.

*"There is nothing more difficult to plan, more doubtful of success, more dangerous to manage, than the creation of a new system: for the initiator, enmity of all who would profit by the preservation of the institution and merely lukewarm support in those who would gain by a new one"*

- Niccolo Machiavelli

This idea here is that change needs to be managed politically, especially in the area of public policy, where we need to work more by co-opting and cooperating than by command or motivation through the promise or application of large amounts of dollars.

Hubbard (p264) introduces the two perspectives of strategic change – the *content* approach or what to change (structures or systems): the other school is the *process* approach or how to change (that is to use topdown, team, democratic or consensus).

### Managing Change

Basically, the strategic manager can change one or more of three features of an organisation: its people, its technology or its structure. This model of change is disarmingly simple. Can you think of some element subject to strategic change, which does not fit under one or more of these categories? Things get a little more complicated when we start to consider the range of ways in which we can change one strategic element: say “people.” If you observed that “you change people by changing the incentives that they work under” then you have actually made a change to the structural characteristics of the organisation.

We know that change is difficult to envisage and costly to implement in terms of the effects of staff morale. Staff may feel dislocated from current networks and social relationships. They may feel a sudden lack of competence when the nature of the work changes, leaving them poorly equipped for new challenges. Without delicate handling, staff may feel de-motivated by the expectations that new objectives may not be achievable or revised processes are unworkable. Ultimately, some of your staff may not be able to cope and leave.

Change is far less disconcerting when it comes as a natural development of activity with which people are already comfortable. In such cases people can be expected to be far more motivated to participate in both the planning and implementation of change.

#### **Point of Reflection**

Different people adapt to change in different ways.

So is the reality that some people will never adapt to certain change regardless of how well an organization tries to manage their resistance?

What options are available to:

- a the unchangeable?
- b the change manager?

### Types of Change

There are basically two kinds of change: incremental and rational.

An incremental or learning process occurs where a leader may have a rationally derived strategic vision but chooses to move towards that vision slowly and in short steps. S/he does so as a result of an appreciation made of the situation, which suggests that people may be resistant to change or ill equipped for rapid and extensive change. Consequently the risk is high that the change may be derailed or undermined from within.

Rational change occurs where the need for substantial change is pressing or the likelihood of wide acceptance is high. Rational change involves the development of a comprehensive vision built on a comprehensive theory and data. In some cases rational change may be the right course of action, but may not be possible given the points of resistance. In such cases a manager may have a rational vision but choose to pursue that vision incrementally.

### Orthodoxy

The orthodox view on change develops the ideas of the organisation as a system. The system is characterised by the concept of equilibrium. Whatever the system does on its own without a managerial intervention akin to Newtons first law of motion, is its natural equilibrium point. To change that equilibrium, we need to push the organisation through three stages:

1. Unfreezing
2. Implementing changes to technology, structure or people to create a new equilibrium
3. Refreeze the organisation in the new structure.

See an explanation of these stages at Hubbard pp 272-3.

Lewins (1951) developed a metaphor to describe this approach which is known as the calm waters metaphor. The metaphor states that changing an organisation is like navigating a large ship across calm waters. The Captain makes the occasional adjustment to course, there is furious but coordinated activity while the ship reorients itself, and then the whole ship moves off in a new strategic direction. The metaphor is important because it allows you to critique the model for its basic assumption.

#### **Point of Reflection**

How calm is your stretch of water?

Can you think of a more appropriate metaphor to describe the environment within which you operate?

#### **Reading**

Now read what Ron Heifetz has to say about change management from a political perspective.

Heifetz, R & Sinder, R (1998) "Political Leadership: Managing the Publics Problem Solving", in Chapter 8 Reich, R. (ed) *The Power of Public Ideas*, Ballinger

In political leadership, constant attention must be given to outcomes for those for whom cooperation is a necessary ingredient for successful implementation of change.

### Implementation

The chances of successful implementation of any change are slim. By way of illustration of this point, Wildavsky's (1984) examination of the implementation of an economic program in Oakland demonstrated some 70 "clearance points" in an implementation process. He argued that even if each point had a 99% chance of successful implementation, the whole project stood a less than 50% chance of being implemented as originally envisaged.

If we now use a similar logic to examine individual points of negotiation, the intervention of community politics in implementation of environmental management programs suggests that outcomes might be highly unpredictable and contingent on an array of variables.

Given the difficulties in implementing strategy a great deal of academic thought has gone into developing systematic approaches that can help managers think through a change agenda and

implement change in a manner that attempts to mobilise the disparate forces within the organisation in such a way that they mutually reinforce the change process, generate momentum for change and institutionalise desired changes.

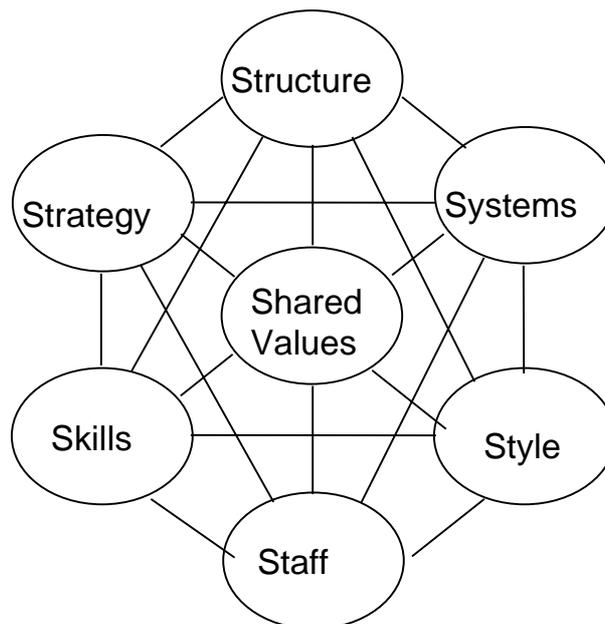
Hubbard (p 266) presents one model for change implementation that has four variables:

- How much change is needed?
- How widespread across the organisation is the change that is required?
- What style of change process is needed to implement the changes perceived to be required?
- How much time and resources does the organisation have to implement change?

These variables are also present in the 7S Model.

### The Seven S Model

We looked at the McKinsey 7S model in the last topic to lay out the elements of the organisation that must be in place to for change to occur and be sustained. The seven S's are structure, systems, strategy, shared values, skills, staff and (leadership) style.



As we saw, the model contains so-called 'hard' and 'soft' elements. Structure, systems and business strategy are tangible and measurable and therefore objectively verifiable. This makes them relatively easy to manage. The leadership style, the organisational skills of the staff and the staff themselves are not so easy to either assess or manage.

Yet the model relies on all being able to be managed in a coordinated manner for the change program to be successful. Note that each of the connections works in both directions. The model suggests that since all variables have an effect on each other, then all must be addressed in a coordinated way when a change process is being designed.

It is likely that a change to structure will affect a change to values. Yet there is a high degree of uncertainty as to what change will actually occur. As such the effects of any change need to be carefully monitored. The likelihood of unintended effects of change reinforces the need for all seven elements to be addressed in a coordinated way, so that desirable change is reinforced and undesirable effects are extinguished.

### Point of Reflection

Review Illustration Capsule 12.2 Hubbard p 275 about a master class in transformational change.

How many of the 7S elements can you discern from these examples?

### Reading

Themes of change, managerial prerogative and organisational justice are pursued in the following reading:

[Novelli L, Kirkman B & Shapiro D \(1995\) Effective Implementation of Organisational Change: an organisational justice perspective.](#) *Trends in Organisational Behaviour*, Vol 2, Wiley, New York.

### Change in the Public Sector

Approaches such as that of Heifetz and Novelli are particularly useful in public sector management, where leader/managers must lead by coopting others, where command must give way to cooperation and there is a high demand for consensual approaches. Change management may be thought of as a political process in as much as the manager has to maintain consent and build support for necessary changes.

Novelli characterises three types of justice: distributive justice, procedural justice and interactional justice. Ask yourself "at each stage of implementation:

- Is the ratio of individual efforts to individual returns consistent across all individuals (distributive justice)?
- Is there a wide perception amongst members that the methods or procedures used to determine who gets what outcomes are fair (procedural justice)?
- Do members feel that the interpersonal treatment that they have received during the decision making process has been fair (interactional justice)?"?

When facing a situation where wide cooperation is requisite to success, you will maximise your chance of success if all of these conditions are met by the implementation strategy

Further Novelli suggests that when the managerial process is mapped out in a linear way, it should be cross-sectioned by the institution of justice measures. A suggested model as to how this might look is set out in following table.

|  | <b>Justice Measures (Novelli, 1995)</b> |               |                |
|--|---|---------------|----------------|
| <b>Six Step model<br/>(Beer et al 1990)</b>  | Procedural                              | Interactional | Distributional |
| 1. Jointly diagnose the problem  |   |               |                |
| 2. Develop a shared vision of how to organise  |   |               |                |
| 3. create consensus for the decision, competence to enact it and commitment to pursue it |   |               |                |
| 4. Spread changes throughout the organisation, with out pursuing it from the top         |   |               |                |
| 5. Alter policies, systems and structures to institutionalise the change                 |   |               |                |
| 6. Monitor and adjust changes in response to outcomes                                    |   |               |                |

### Why Do Change Efforts Fail?

Kotter's (1995) framework arose from his analysis of failed change efforts. (see Hubbard p 274 for more detail on this section) His framework for successful change management incorporates the usual strategic elements of shared vision and values, but adds to the political dimension by suggesting strong preparatory work from the top down in fashioning supportive political conditions within the organisation. Kotter says that greater than 50% of failed attempts at change can be traced to a failure on behalf of management to create a "sense of urgency." He argues that the staff a given the facts and figures that create a compelling case for change and generate a widespread felt need for change.

Kotter also recommends "coalition building that spreads from the change agent across the organisation" as an another precondition to any change activity. It is to be expected that some senior executives within the hierarchy will not be able to be brought into the coalition because they will be resistant to change. We must then accept that this form of coalition building will require the establishment of an informal organisational structure, which may not reflect the actual structure. While key agents such as the head of HRM should be part of the change coalition, it is more important that significant elements of line management be incorporated or change will never be turned into operational practice.

Finally, Kotter suggests that short-term wins should be engineered early in the process in order to build confidence in the change and assist the growth of momentum. Managers may choose to bring forward the implementation of measures that have a high probability of success, so that that success can be celebrated within the organisation. These celebrations might also recognise and reward employees involved in measured improvements.

**Communications**

Letting all levels know what is going to change, how, why, when and where is essential in implementing organizational change.

Hubbard (p281) contrasts steps for effective persuasion against points to avoid in the communications process as summarized in the following table.

| <b>Effective Persuasion</b>   | <b>Avoid</b>  |
|---|---|
| Establish credibility   | An up-front hard sell of the facts                      |
| Frame goals in a way that identifies common ground with those you are seeking to persuade | Compromise  |
| Use vivid language and compelling evidence to reinforce the position                      | Assuming that great arguments will convince             |
| Connect emotionally with the audience   | Assuming that success is based on a single presentation |

**Self-Assessment Exercise**

Outline the background to some strategic change that you have been a part of in the past. Describe its implementation under headings that reflect the basic components of the change: ie "changes to structure," "changes to technology" and "changes to people." (2 - 3 paragraphs).

Provide an evaluation of the justice components, using the above framework as a set of criterion for evaluative judgement.

**Further Reading**

Two new books on change management may be useful for those of you who want to pursue this topic further.

Michael Beer and Nohria Nitin (2000) *Breaking the Code of Change* Harvard Business School Press, Boston.

This book provides a crucial starting point on the road to understanding organizational change and managing change effectively. It presents a series of articles by experts collectively addressing these issues. The text is based around two views: one based on the creation of economic change, and one based on building long-term organizational capabilities.

Jeanie Daniel Duck (2001) *The change monster: the human forces that fuel or foil corporate transformation and change* Crown Business, New York.

This book is a reminder, through stories and anecdotes, of the essentials of the heart and mind that provide the basis for leadership. It also offers warnings that probably will be heeded only after they have been ignored. How, when you think you have made it clear to people what the new objectives are and how they need to behave differently, you are suffering serious illusions? And how, when you think they are not watching, they are, scrutinizing and often misinterpreting your every move.

### Conclusion

Change management is risky but it is not as risky as complacency. Arguably no change can ever be absolutely successful. Taking the body of theory collectively, you cannot have failed to notice the emphasis on political management of change. Rational visions might be theoretically viable, but need to be progressed carefully. The objective of maintenance of wide support should be at the forefront of planning.

### Assessment Exercise 3

Using the 7 main reasons for resistance to change (Hubbard pp 275-8) discuss the various combinations you might use to overcome resistance to implement significant strategic change in your organization including restructuring, major process reengineering and workplace contracts for staff.

Word limit 2000 words.

### References

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## Topic 9

### Corporate Governance

This topic examines the ‘managing of managers’ or corporate governance of an organisation. This involves reviewing the frameworks, structures and processes by which organisations are directed, controlled and held to account.

Governance is a capstone topic for *Strategic Management and Leadership* as it combines elements of all of the previous topics covered in this course. You will see the importance of developing a strategic management framework and efficient processes for formulating and implementing corporate strategy. Further, you will see the need for strong and effective leadership and team management, and applying accountability networks for control and performance.

#### Learning Outcomes

At the end of this topic you will:

- Understand the principles and frameworks of governance in organisations
- Comprehend the application of governance to public sector management

#### Resources

Ch 11 (pp255-258) of Hubbard, G. (2000) **Strategic Management**, Prentice Hall, French’s Forrest.

Ch 2 (pp40-64) of Pearce, J. and R. Robinson (2000) **Formulation, Implementation and Control of Competitive Strategy**, (7<sup>th</sup> Ed) Irwin McGraw Hill, Boston.

Butterfield, C. (2002) **Governance: Concepts, Principles and Applications**, National Institute for Governance, University of Canberra.

#### What is Governance?

Governance stems from the Latin word to steer or direct. The Romans used the term *gubernator* for the helmsman of a ship whose role was to steer and maintain the course. Modern day directors of companies are charged with a similar role of guiding, directing, controlling, supervising and steering their organizations. In contemporary private, and public, organisations governance can be viewed as guidance in terms of financial economics, organisational sociology or in terms of legal compliance or conformance.

Corporate governance in both the public and private sectors is concerned with the way in which organizations are structured and managed in the pursuit of effective performance in terms of achieving desired outcomes and satisfying shareholders. (Butterfield, 2002)

There are many definitions of governance including the following:

...represents the relationship among stakeholders that is used to determine and control the strategic direction and performance of organisations. (Hanson et al, 2002: 348)

- ...the way in which an organization is governed and controlled in order to achieve its objectives. The control environment makes an organisation reliable in achieving these objectives within an acceptable degree of risk. (Queensland Audit Office, 2001)
- ...the processes by which organisations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation. (Australian National Audit Office, 1999:1)
- ...governance encompasses authority, accountability, stewardship, leadership, direction and control exercised in an organisation. It involves an integrated system of controls, financial and otherwise, to provide: cost effective and efficient operations; internal and external financial integrity and validity; and compliance with laws and regulations. (Centrelink, 2001:10)

In effect, the primary objective of corporate governance is to ensure that the interests of top-level managers are aligned with the interests of the shareholders. It involves oversight in areas where owners, managers and members of boards of directors may have conflicts of interest such as in actually electing directors, deciding CEO pay, and determining the corporation's overall structure and strategic direction (Hanson et al, 2002: 349).

### Underlying Principles

Good governance is based on a set of commonsense principles which include:

- Accountability/responsibility
- Transparency/openness
- Efficiency/Effectiveness
- Integrity/ethics
- Equity/participation
- Predictability

These principles need to be placed in context, namely a form of practice framework, a legislative and regulatory framework (such as the Corporations Act for the private sector or the CAC Act or FMA Act for the public sector), a clear recognition of owners and stakeholders, organizational structures and roles, and processes for control, communication and performance.

These points have an obvious impact on the functions of strategic leaders in formulating and implementing strategy.

### Monitoring the Strategy Makers

Most organizations have multiple levels of strategic decision makers as we noted in the introduction to strategic management; typically, these are strategic, business and functional levels but generally the larger the firm, the more levels it will have. Strategic leaders make decisions that affect the entire organization, commit the organization and its resources over the long term, and determine the firm's sense of values. In the commercial world, and increasingly in a public sector context, this strategic team is the *board of directors*. In overseeing the management of a firm, the board of directors operates as the representatives of the firm's stockholders. Elected by the stockholders, the board has several major responsibilities:

- To establish and update the company mission.
- To select the company's top officers, particularly the CEO.

- To establish the compensation levels of the top officers, including their salaries and bonuses.
- To determine the amount and timing of the dividends paid to shareholders.
- To set broad company policy on such matters as labour-management relations, product or service lines of business, and employee benefit packages.
- To set company objectives and to authorize managers to implement the long-term strategies that the top officers and the board have found agreeable.
- To mandate company compliance with legal and ethical dictates.

In the current business environment, boards of directors have had to respond to many demands and challenges of shareholders and other stakeholders to become more active in establishing and monitoring the strategic initiatives of the companies that they serve.

### What makes a Board Successful?

A review of writings and research on the behaviour of boards shows that they are judged to be most successful when:

- They represent the interests of shareholders and carefully monitor the actions of senior executives to promote and protect those interests.
- They link the firm to influential stakeholders in its external environment, thereby promoting the company mission while ensuring attention to important societal concerns.
- They are composed of 8 to 12 highly qualified members.
- They exercise independent and objective thinking in appraising the actions of senior executives and in introducing strategic changes.
- They have a well-developed structure; that is, they are organized into appropriate committees to perform specialized tasks, (eg to review executive compensation and to audit the company's financial transactions).
- They meet frequently to discuss progress in achieving organizational goals and to counsel executives.
- They evaluate the CEO's performance at least annually to provide guidance on issues of leadership style.
- They conduct strategy reviews to determine the fit between the firm's strategy and the requirements of its competitive environment.
- They formulate the ethical codes that are to govern the behavior of the firm's executives and employees.
- They promote a future-oriented outlook on the company mission by challenging executives to articulate their visions for the firm and for its interface with society. (Pearce et al, 2000:44)

These factors are all well and good but how do you ensure that stakeholder interests are being best served?

### Agency Theory

Whenever there is a separation of the owners (principals) and the managers (agents) of a firm, the potential exists for the wishes of the owners to be ignored. Owners in this context are the various stakeholders who have a vital interest in the continuing survival and growth of the organization eg shareholders. This fact, and the recognition that agents are expensive to obtain and maintain, established the basis for a set of complex ideas known as *agency theory*. The cost of agency problems and the cost of actions taken to minimize agency problems are called agency costs.

Because owners have access to only a relatively small portion of the information that is available to executives and managers about the performance of the firm and cannot afford to monitor every executive decision or action, executives are often free to pursue their own interests. This condition is known as the “*moral hazard problem*” or “*shirking*.” The second major reason for agency costs is *adverse selection* which refers to the limited ability that shareholders have to determine precisely the competencies and priorities of executives at the time that they are hired.

### Point of Reflection

Look at the website for Coles Myer or Qantas – how do shareholders gain confidence in the Board or executive managers of these companies? Are there extensive biographical and experience details on these officers?

### Problems Resulting from Agency

From a strategic management perspective there are five different kinds of problems that can arise because of the agency relationship between corporate stakeholders and their company’s executives:

- Executives pursue growth in company size rather than in earnings.
- Executives attempt to diversify their corporate risk.
- Executives avoid risk.
- Managers act to optimize their personal payoffs.
- Executives act to protect their status.

So how are these problems overcome or prevented?

In addition to defining an agent’s responsibilities in a contract, and including elements like bonus incentives that help align executives and owners interests, principals can take several other actions to minimize agency problems.

- Owners can pay executives a premium for their service which helps executives to see their loyalty to the stockholders as the key to achieving their personal financial targets.
- Another solution is for executives to receive a backloaded compensation meaning that executives are paid a handsome premium for superior future performance.
- Finally, creating teams of executives across different units of a corporation can help to focus performance measures on organizational rather than personal goals. Through the use of executive teams, owner interests often receive the priority that they deserve.

### The Stakeholder Approach to Organization Responsibility

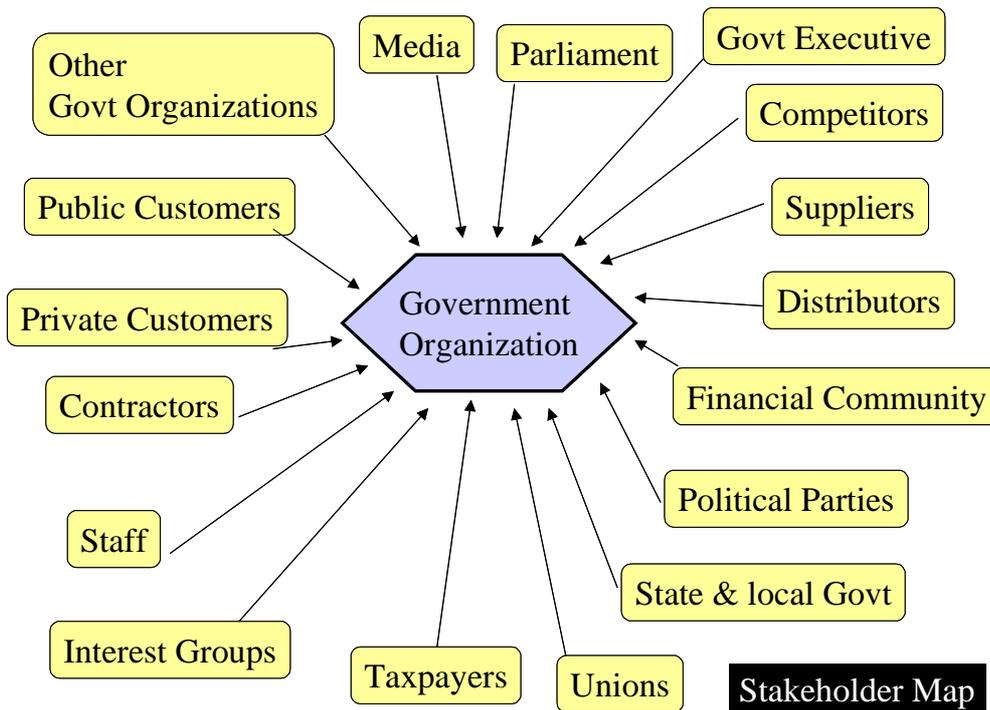
In defining their mission, strategic managers must recognize the legitimate rights of the firm’s claimants. These include not only shareholders and employees but also external stakeholders affected by the firm’s actions. Such outsiders commonly include customers, suppliers, buyers, governments (at various levels), unions, competitors, local communities and the general public.

When an organization attempts to incorporate the interests of all or some of these groups into its mission statement, broad generalizations are insufficient. Indeed, the firm needs to take account of the following points:

- *Identification.* In defining the organization, strategic managers must identify *all* of the stakeholder groups and weight their relative rights and their relative ability to affect the firm’s success.
- *Understanding.* Strategic decision makers should understand the specific demands of each group.
- *Reconciliation and Priorities.* Claims must be reconciled in a mission statement that resolves the competing, conflicting, and contradictory claims of stakeholders.
- *Coordination with Other Elements.* The demands of stakeholder groups, the managerial operating philosophy and the determinants of the product-market constitute a set of criteria against which to test the various on the organizations. The key question is: How can the firm satisfy its claimants and simultaneously optimize its economic success in the marketplace?

**Point of Reflection**

An interesting question at this point is: How does a government agency identify and rank the demands of its many stakeholders? How complete is the following map?



**Social Responsibility**

The various stakeholders of a firm can be divided into inside stakeholders and outside stakeholders. The insiders are the individuals or groups that are shareholders or employees of the firm. The outsiders are all the other individuals or groups affected by the organization.

Different approaches that are adopted by different firms reflect a range of differences in competitive position, industry, country, environmental and ecological pressures, and a host of other factors. A new set of marketing strategies have emerged to take account of stakeholder interests known as the “4 e’s”:

- make it easy for the consumer to be green,
- empower consumers with solutions,
- enlist the support of the consumer, and
- establish credibility with all publics and help to avoid a backlash. (see [www.exxon.com](http://www.exxon.com) for more information on this approach)

### Corporate Social Responsibility and Profitability

Few trends could so thoroughly undermine the very foundation of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.

Milton Friedman, *Capitalism and Freedom*, 1962

Certainly this is one view of the private sector that has received much criticism in the 40 years since the well known monetarist issued this dictum!

The issue of corporate social responsibility (CSR)—the idea that business has a duty to serve society as well as the financial interest of stock/shareholders—has remained a highly contentious issue. Yet, managers recognize that the extent to which they embrace CSR is an important strategic decision. There are three principal reasons why managers should be concerned about the socially responsible behaviour of their firms:

- First, a company’s right to exist depends on its responsiveness to the external environment.
- Second, federal, state and local governments threaten increased regulation if business does not evolve to meet changing social standards.
- Third, a responsive corporate social policy may enhance a firm’s long-term viability.

The goal of every firm is to maintain viability through long-run profitability. Until all costs and benefits are accounted for, however, profits may not be claimed. In the case of CSR, costs and benefits are both economic and social. While economic costs and benefits are easily quantifiable, social costs and benefits are not. Managers, therefore, risk subordinating social consequences to topics on which performance can be more straightforwardly measured.

The dynamic between CSR and success (profit) is complex. While one concept is clearly not mutually exclusive of the other, it is also clear that neither is a prerequisite of the other. Rather than view these two concepts as competing, it may better be that CSR is a component in the decision-making process of business which must determine, among other objectives, how to maximize profits.

Other issues contributing to the debate on CSR are as follows:

**Performance:** Critics of CSR believe that companies which behave in a socially responsible manner, and portfolios comprising these companies’ securities, should perform more poorly

financially than those which do not. The costs of CSR outweigh the benefits for individual firms, they suggest. Several research studies have attempted to determine the relationship between corporate social performance and financial performance. Taken together, these studies fail to establish the nature of the relationship between social performance and financial performance.

**CSR Today:** In addition to a commonsense belief that companies should be able to “do well by doing good,” at least three broad trends are driving businesses to adopt CSR frameworks: the resurgence of environmentalism, increasing buyer power, and the globalization of business.

**Effect on the Mission Statement:** Some companies are proactive in their approach to CSR, making it an integral part of their *raison d’être* and reflecting it in their statement of intent; others are reactive, adopting socially responsible behavior only when they must.

**Social Audit:** A social audit attempts to measure a company’s actual social performance against the social objectives it has set for itself. A social audit may be conducted by the company itself. However, one conducted by an outside consultant who will impose minimal biases may prove to be more beneficial to the firm. Once the social audit is complete, it may be distributed internally or both internally and externally, depending on the firm’s goals and situation. Some firms include a section in their annual report devoted to social responsibility activities; others publish a separate periodic report on their social responsiveness. The social audit may be used for more than simply monitoring and evaluating firm social performance. Managers also use social audits to scan the external environment, determine firm vulnerabilities, and institutionalize CSR within the firm.

Sometimes governments step in to see that a CSR is undertaken to ensure equity issues are met. In Australia, Telstra is under a legislative requirement to meet a Universal Service Obligation which provides reasonable telephone access to ‘all people in Australia’. See the following case study, and the website, for this USO.

## **Telstra**

To ensure that all people in Australia have reasonable access to standard telephone services and payphones, the Government has established a universal service obligation.

The universal service obligation was incorporated in the *Telecommunications Act 1997* and now the *Telecommunications (Consumer Protection and Service Standards) Act 1999*. It is designed to ensure that all people in Australia, no matter where they live or conduct business, have reasonable access on an equitable basis to:

- (i) standard telephone services;
  - (ii) payphones; and
  - (iii) prescribed carriage services (of which none have been prescribed);
- each of which is classified as a separate service obligation.  
(See [www.telstra.com.au](http://www.telstra.com.au))

## **Australian Stock Exchange –Corporate Governance**

The Australian Stock Exchange has published a list as a guide for *listed* companies to include in their annual report when disclosing its governance practices. You should note a couple of points here – firstly, the list is only a guide and not mandatory; secondly, *unlisted* companies are under no obligation to disclose their governance practices.

The ASX content guide for reporting is to indicate:

1. If the entity is a body corporate, whether individual directors, including the Chair, are executive or non-executive directors.
2. The main procedures the entity has in place for:
  - devising criteria for membership of the entity’s governing body;
  - reviewing the membership of that body; and
  - nominating representatives to that body.
3. The policies relating to the appointment and retirement of non-executive directors.
4. The main procedures by which the governing body or individual members of it can seek independent professional advice, at the entity’s expense, in carrying out their duties.
5. If the entity is a body corporate, the main procedures for establishing and reviewing the compensation arrangements for:
  - the chief executive officer (or equivalent), and other senior executives of the governing body, and
  - non-executive members of the governing body.
6. If the entity is a trust, the main procedures for establishing and reviewing the compensation arrangements for the governing body.
7. The main procedures the entity has in place for the nomination of external auditors, and for reviewing the adequacy of existing external audit arrangements (particularly the scope and quality of the audit).
8. The governing body’s approach to identifying areas of significant business risk, and to putting arrangements in place to manage them.
9. The entity’s policy on the establishment and maintenance of appropriate ethical standards.
10. The entity’s policy on the trading of its securities by directors and employees, including the use of trading windows. (see [www.asx.com.au](http://www.asx.com.au))

**Point of Reflection**

Look up the web site for a major commercial business and compare this list against the published Annual Report for the company. Does the report disclose the organization's governance practices? Anything missing? As a potential shareholder of this company do you feel that you have sufficient information declared in this report?

**Governance in the 21<sup>st</sup> Century**

There are consistent calls for reforming corporate governance in the light of poor performance by companies and worse still the bankruptcies of some very high profile organizations whose executives have not appeared to have acted in the best interests of their stakeholders – remember Ansett, HIH, OneTel, Enron?

One of the many problems in the reform agenda is shown in the following introduction to a McKinsey Quarterly article about Corporate Reform in the Developing World.

Paul Coombes and Mark Watson  
The McKinsey Quarterly, 2001 Number 4 Emerging markets

Advocates of more effective corporate governance have been focusing on corporate reform at the expense of institutional reform. Now is the time to change tactics.

Despite the efforts of national governments and international organizations to improve corporate governance in emerging markets, the response of the companies themselves has been underwhelming. Many companies ignore the initiatives—which primarily involve reform of boards of directors—or just pay lip service to them. Little attention is paid to the directors' qualifications, even when reforms are mandated, as they are in South Korea, where 25 to 50 percent of a company's directors (depending on its size and sector) must now come from the outside. Could the problem be that the would-be reformers are focusing on the wrong reforms?

<http://www.mckinseyquarterly.com/>

Another call for change is in Robert Holland's paper on the Future of Corporate Governance. Holland, from the Wharton School, identified four major interrelated forces which would compel radical changes in corporate governance in the not too distant future. He saw these as:

- The information (knowledge) revolution.
- The globalization of commerce.
- Rapid technological change.
- Greater empowerment of people.

The interplay of these forces would lead to a reformulation of governance which would include the empowerment of entrepreneurial teams or mini-firms within and between firms to facilitate early and effective responses to changes in technology and customer demands. Additionally, reformed corporations would need strong oversight and vision from top management to both guide and direct its progress. Finally, Holland foresees a well-tailored hierarchy of constraints and accountabilities to be applied to top management who will need to listen closely to the 'choruses of their

stakeholders'. Other recommendations include adopting an appropriate mission statement backed up with a code of ethical conduct and an active implementation program.

In summary, Holland notes that:

*'The kind of corporation I would bet on for the 21<sup>st</sup> century contains a combination of entrepreneurial employee empowerment, guiding vision by a forward-looking top management, good corporate ethics and accountability to a hierarchy of well-informed watchers.'*

See the full article by Holland, R. (1996) The Future of Corporate Governance: Redefining Goals, Structures and Accountability, at <http://knowledge.wharton.upenn.edu/PDFs/380.pdf>

### Governance in the Public Sector

In the public sector, corporate governance encompasses the same concerns as the private sector but also addresses how Parliament, Ministers, boards and management relate to one another in stewardship matters, that is attending to and controlling public administration.

Extending the notion of the gubernator to public governance frameworks, Elizabeth Johnstone, an experienced lawyer in this field has noted:

On board any given vessel, a gubernator would have to consider the captain's orders, the safety of the crew, the capabilities of the personnel at the oars, the weather, the currents and the geography. Just as gubernators had to consider many factors in the course of governing the course of ancient vessels, modern day public sector directors are charged with considering their governmental accountabilities, government policies, any ministerial directions. Regulatory issues, employees, suppliers, consumers and other stakeholders when deciding upon the strategic course and corporate objectives their organizations should adopt. They need of course to consider all these same stakeholders when monitoring management progress toward those objectives.

**Elizabeth Johnstone, Recent Corporate Failures – Key Lessons from the Private Sector, IIR Performance based Corporate Governance in the Public Sector, Sept 2001**

The Australian National Audit Office (ANAO) has issued best practice guidelines on corporate governance and included the public sector as follows:

*The importance of good corporate governance has been highlighted in the private sector by the corporate excesses of the second half of the 1980s in Australia and overseas and the need to meet the challenges of global competition, technological progress and increasingly integrated financial markets. In the public sector, recent reforms to improve efficiency and effectiveness, such as the commercialization, corporatization and privatization of government organisations and the role of the Board in governing significant assets, in these transformed organisations, has focussed attention on the need for various new models of corporate governance.*

An example of the application of governance to a public sector organization is shown in the following box.

### Principles of Corporate Governance

Corporate governance encompasses authority, accountability, stewardship, leadership, direction and control exercised in an organisation. It involves an integrated system of controls, financial and otherwise, to provide:

- Cost effective and efficient operations
- Internal and external financial integrity and validity
- Compliance with laws and regulations

In the public sector, corporate governance is also about how Parliament, Ministers, boards and management relate to one another in stewardship matters (attendance to and control of public administration).

Centrelink\* identifies the elements that influence the effectiveness of corporate governance as:

- Legal and ethical framework
- Accountability and control framework
- Leadership framework
- Resource and financial management framework
- Monitoring and review processes.

\*See Centrelink Governance Handbook

### Summary

Corporate governance is a relationship among stakeholders that is used to determine a firm's direction and control its performance. Organizations monitor and control the decisions and actions of executives to ensure the most effective implementation of strategies. Effective governance aligns the interests of the managers with those of the stakeholders to produce a strategically managed and led organization.

Note that you will need to consider the impact, constraints and effectiveness of governance mechanisms in your final project.

### References:

Australian National Audit Office, <http://www.anao.gov.au/>

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## Topic 10

### Action Research Project

This research project is designed to assist you to bring together the key components of *Strategic Management and Leadership* by applying what you have learned to a particular problem or situation in your own work place.

#### Learning Outcomes

At the conclusion of this topic, you will have constructed a Research Project which will:

- identify and resolve a real workplace issue or problem and
- apply a range of concepts that you have learned while completing the Subject.

#### Action Research

For this topic action research is defined as ***research conducted in the workplace for workplace purposes***. It requires a structured investigation into a perceived problem or issue and a report, which describes the investigation and outlines the findings. Ideally, its outcome is abstract or generalisable: that is to say, what the researcher discovers should be applicable across an area that is wider than the immediate workplace unit, for example, to cover all agencies in a particular customs portfolio in your state, province or country. However, this last feature is not an absolute requirement of the assignment.

#### Assessment Exercise 4

The action research task for *Strategic Management and Leadership* requires students to investigate a work place issue and write a report, which demonstrates how the issue's resolution involved the application of the key learnings acquired from this Subject.

The action research report should be structured in the following way:

- **Background**, including the justification for the focus on the particular issue, ie why does this problem need resolution?
- **Data identification**, including a discussion of the nature and quality of the data that could be brought to bear on the problem, ie what sources of data will you use?
- **Process issues**, including the timelines for completion, ie how will you undertake the research and in what time frames?
- **Presentation of evidence, evaluation (analysis) and recommendations.**
- **Personal reflections and qualitative self assessment**, including an acknowledgment of corporate support (eg assistance from supervisor or council), self-evaluation of how the unit concepts were applied to the construction of the project, ie how did you complete the work?

Limit: 3000 words

#### General Marking Criteria

The following criteria will be applied in determining the marks allocated to the Research Project:

- The degree to which the report reflects the application of Subject concepts and models.

- The academic workmanship, including spelling, syntax, structure, coherence and the sophistication of the analysis, including the application of analytic tools and concepts drawn from the Subject.

The best projects will be of great value to the organisation and may have implications for work across a horizon greater than that of your own workplace.

As part of topic you will need to develop and discuss with your supervisor possible questions of a strategic nature that might be of value to your operational area. You will need to develop a detailed research proposal, which will need to be agreed with the Subject Convenor. This should be completed well before the end of your work on Topic 9.

Your project will maximise its chances of success if it has the following characteristics, which should all be articulated in your proposal:

- there is a specific question/s to be answered;
- you have access to an appropriate source of data; and
- the application of your findings adds measurable value to the operations of your workplace.

Your report should also demonstrate some of the following elements:

- A demonstrated capacity to independently frame questions as well as the form of inquiry most appropriate for the pursuit of relevant answers.
- That you can explain the significance of the project by relating to a wide set of corporate values, e.g. "we have developed recommendation x, which will work in context y and produce effect z".
- That you can develop a sophisticated discussion which relates theory to practice.
- You also need to be able to draw and examine implications (i.e. new meaning) from what you discover.

This is the major Assessment Exercise for *Strategic Planning, Management and Leadership* and the marks are weighted accordingly. The Report should be no longer than 3000 words excluding annexes and attachments. It may be structured in Report format with dot points, sub-headings and the like but must be presented in a scholarly fashion with proper referencing.

## Topic 10

### Action Research Project

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#### Assessment Exercise 4

The action research task for *Strategic Management and Leadership* requires students to investigate a work place issue and write a report, which demonstrates how the issue's resolution involved the application of the key learnings acquired from this Subject.

The action research report should be structured in the following way:

- **Background**, including the justification for the focus on the particular issue, ie why does this problem need resolution?
- **Data identification**, including a discussion of the nature and quality of the data that could be brought to bear on the problem, ie what sources of data will you use?
- **Process issues**, including the timelines for completion, ie how will you undertake the research and in what time frames?
- **Presentation of evidence, evaluation (analysis) and recommendations.**
- **Personal reflections and qualitative self assessment**, including an acknowledgment of corporate support (eg assistance from supervisor or council), self-evaluation of how the unit concepts were applied to the construction of the project, ie how did you complete the work?

Limit: 3000 words

#### General Marking Criteria

The following criteria will be applied in determining the marks allocated to the Research Project:

- The degree to which the report reflects the application of Subject concepts and models.

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