



Strathmore Business School

Strategic Management- Session 5

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Venue: SBS, Jacaranda Room

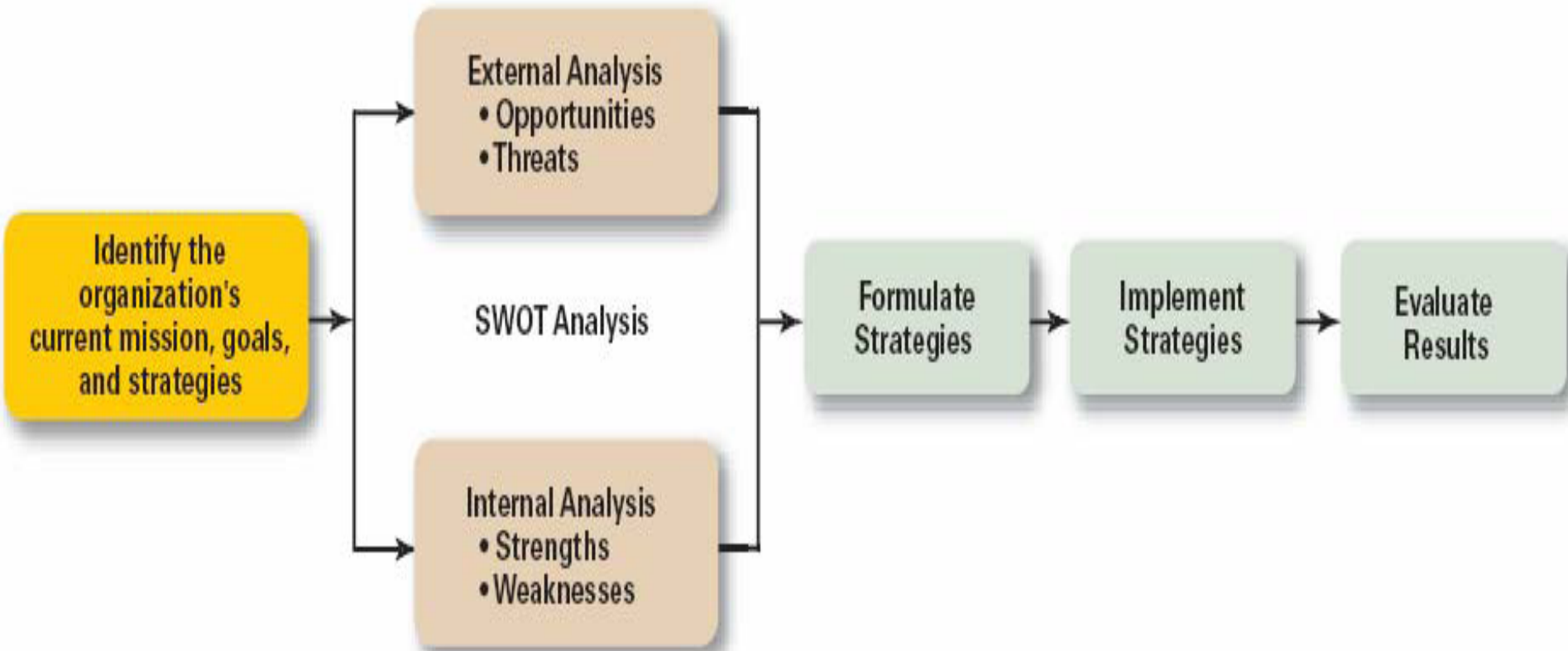




Session 4

4 Understanding Strategy Development

Strategic Management Process





Introduction to Strategic Management

What leads to the formulation a new strategy?



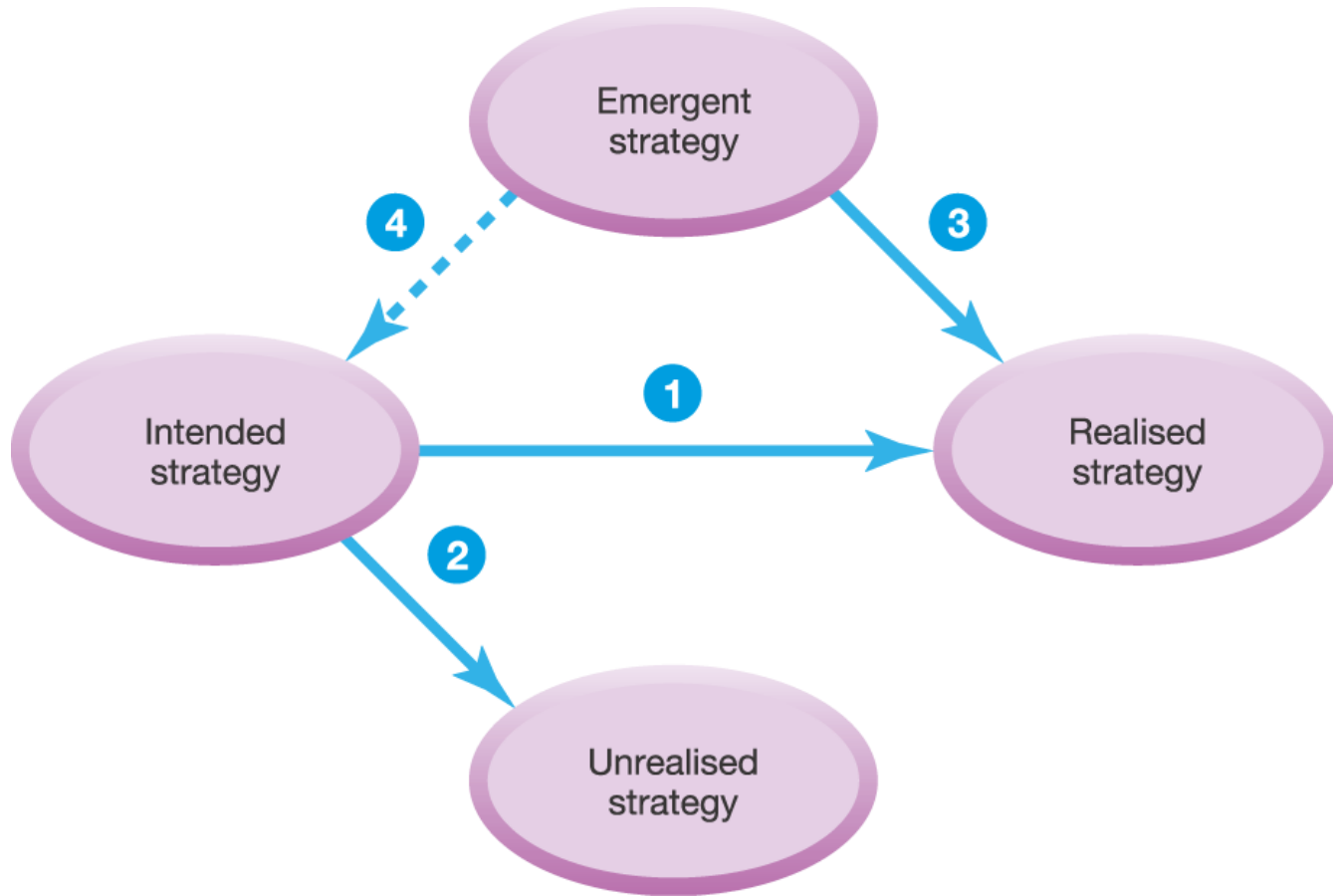


Strategy Development Processes





Strategy Development Routes





Strategy Development Routes (1)

- Intended strategy
 - Expression of desired strategic direction deliberately formulated or planned by managers
- Unrealised strategy
 - Frequently strategies do not come about in practice
 - Plans are unworkable
 - Environment changes
 - Influential stakeholders do not agree with plan





Strategy Development Routes (2)

- Realised strategy
 - The strategy actually being followed by an organisation in practice
- Emergent strategy
 - Comes about through everyday routines, activities and processes





Strategic Planning Systems (1)

- Systematised, step by step, chronological procedures involving different parts of the organisation
 - Structured means of analysis and thinking about complex strategic problems
 - Questioning and challenging received wisdom
 - Longer-term view of strategy
 - Means of coordination
- Facilitates conversion of strategy into organisational action:
 - Communication of intended strategy from the centre





Strategic Planning Systems (2)

- Facilitates conversion of strategy into organisational action:
 - Agreed objectives or strategic milestones to measure progress
 - Coordination of resources to implement strategy
- Psychological role
 - Involvement of people creates ownership
 - Sense of security





Problems with Strategic Planning Systems (1)

- Misunderstanding the purpose:
 - Danger that strategy thought of as the plan
 - Confusion between budgetary and strategic planning processes
 - Obsession with search for a right strategy
 - Documentation gives false appearance of proactive approach
- Problems in design:
 - Line managers may cede responsibility to consultants
 - no power to make things happen
 - becomes an intellectual exercise





Problems with Strategic Planning Systems (2)

- Problems in design:
 - Cumbersome process may result in not understanding the whole
 - Can be over-detailed – information overload
 - Formalised and rigid systems can stifle ideas
- Failure to gain ownership
 - Lack of broad involvement
 - Removed from organisational reality





Strategy Workshops and Project Groups

- To reconsider or generate the intended strategy of the organisation
- To challenge the assumptions of the current strategy
- To plan strategy implementation
- To examine blockages to strategic change
- To undertake strategic analysis
- To monitor the progress of strategy
- To generate new ideas and solutions





Strategy Consultants

- Reasons for using consultants
 - To get an external objective view of issues
 - To cut through internal disagreements
 - To symbolise the importance of the work
- Consultants' roles
 - Analysing, prioritising and generating options
 - Knowledge carrier
 - Promoting strategic decisions
 - Implementing strategic change





Externally Imposed Strategy

- By powerful external stakeholders
 - Government regulation/deregulation
 - International requirements for JVs/alliances
 - Imposition of strategy from parent to operating unit
- Deliberately forces strategic change
 - Interventionist special measures in UK public sector





Logical Incrementalism (1)

The development of strategy by experimentation and learning from partial commitments rather than through global formulations of total strategies
(Quinn 1980)

- Managers have a generalised rather than specific view of future direction
- Cannot 'know' environment, but sensitive to signals via constant scanning
- Develop strong, flexible core business and experiment with 'side bet' ventures





Organisational Politics (1)

Political view of strategy development is that strategies develop as the outcome of processes of bargaining and negotiation among powerful internal or external interest groups (or stakeholders)

- Negative influence
 - Obstructs analysis and rational thinking
 - Emphasis or de-emphasis of data can be source of power
 - Powerful individuals may influence identification of key issues and strategies selected
 - Results in emergent or incremental patterns of strategy development





Organisational Politics (2)

- Positive influence
 - Political conflict and tensions may produce new ideas
 - Champions will support new ideas





Multiple Processes of Strategy Development (1)

- No one right way to develop strategy
- Processes of strategy development may differ over time and in different contexts
- Perceptions of how strategy develops will differ
 - Senior executives see it as intended, rational, analytical and planned
 - Middle managers see it as the result of cultural and political processes
 - Managers in government organisations see it as imposed





Multiple Processes of Strategy Development (2)

- No one process describes strategy development
 - Multiple processes at work





Challenges for Strategy Development

- Strategic drift
 - Incremental strategic change influenced by
 - organisational culture
 - individual and collective experience
 - political processes
 - prior decisions
 - Risk of getting out of line with faster changes in environment
 - Need to encourage challenge and change of core assumptions
 - Learning organisation





Managing Strategy Development Processes

- Organisation needs different processes for different purposes
- What is the right emphasis at a given time?
- What is the role of top management?
- What are the strategy development roles at different organisational levels?
- Do the different managerial levels acknowledge and value different roles?





Key Points (1)

- Intended versus emergent strategy
- Intended strategy derives from:
 - Planning systems carried out by top management
 - Strategy workshops/project groups
 - Strategy consultants
 - Imposition by external stakeholders
- Strategies may also emerge from organisations as a result of:
 - Logical incrementalism
 - Resource allocation routines
 - Organisational culture
 - Political activity





Key Points (2)

- Challenge of strategic drift
 - Need to challenge taken for granted assumptions
- Multiple processes of strategy development required
 - To create a learning organisation
 - To cope with dynamic and complex environments



Thank You, Qs!!!

