Pathways Plus

Strategic Management and Leadership

Level 7

Unit 7006V1 and 7011V1

Reviewing Organisational Strategy Plans and Performance / Strategic Planning

Pathways Plus

Unit 7006V1 and 7011V1: Reviewing Organisational Strategy Plans and Performance / Strategic Planning

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How to use the development guide

The development guides provide a critical commentary to the ideas of writers and thinkers in the management and leadership field. They offer opportunities for you to investigate and apply these ideas within your working environment and job role.

Structure

Each guide is divided into sections that together cover the knowledge and understanding required for the equivalent unit or units of the Chartered Management Institute Level 7 Strategic Management and Leadership qualifications.

Each section starts with a clear set of objectives linked to the learning outcomes of the qualification. You don't have to complete the sections in the order they appear in the guide (the mind map at the beginning of each guide will help you decide which sections and topics are of particular need or interest) but you should try to cover all sections if you are aiming for a full diploma qualification.

Activities

Throughout the guides there are activities for you to complete. These activities are designed to help you reflect on your own situation and apply your research to your organisation. Space and tables are provided within the activities for you to enter your own thoughts or findings, but in some cases you may choose to copy out the table or make notes in a separate notebook.

Timings

Timings are suggested for each activity to give you a rough idea of how long you should devote to them. They're not hard and fast, and you must decide whether you will benefit from spending longer on some activities than stated.

Supporting resources

The text of the guides is designed to provide you with an introduction to the subject and a commentary on some of the key issues, models and thinkers in the field. The activities are there to help provide a framework for your thinking. A key component of *Pathways Plus* (*Pathways Plus* because the development guides work together with the online supporting resources to provide an overall learning journey) is the list of references given throughout the text and at the end of each topic guiding you to the most appropriate supporting resources for you to explore yourself. These are marked with the symbol **SR** (as shown above).

You have the opportunity to select those resources that are of most interest or relevance to you and to use them as a source of guided research on a particular topic. Many of the supporting resources are immediately available by logging into CMI's online

P+ management and leadership portal, ManagementDirect (MDir) (http://mde.managers.org.uk/members), or where you work for an organisation that subscribes to this service use the specific link for your organisation (http://mde.managers.org.uk/(organisation name) . These resources are marked in the reference list at the end of each topic with **P+** standing for *Pathways Plus*. Once logged into ManagementDirect click on More…. on the navigation bar and select Senior Manager Resources, this will take you straight to the list of supporting resources as listed in the *Pathways Plus* topics. When there, click on the title of your development guide, the section and the topic you're interested in and then click straight to the article, video, checklist, extract or report that you want to find.

For those resources that are not available through the CMI site, you will be directed to other sources (some also online) to reach what you need.

Preparing for assessment

Further information on assessment is available in the Student Guide produced as part of the *Pathways Plus* series*.* If you have any further questions about assessment procedures, it's important that you resolve these with your tutor or centre coordinator as soon as possible.

Further reading

Suggestions for further reading and links to management information are available via ManagementDirect through the Study Support section of the Institute's website at http://mde.managers.org.uk/members. Alternatively, email ask@managers.org.uk or telephone 01536 207400. You will also find titles for further reading in the Bibliography at the end of this workbook.

The CMI Management Library holds an extensive range of books and pamphlets for loan to members. A postal loan service is offered to members in the UK only. You will only pay your return postal charges. Go to www.managers.org.uk/library to review the collection and to place your requests.

Introduction

Welcome to this development guide on organisational direction and strategic planning. It specifically focuses on the content of the specification for Units 7006V1 and 7011V1 *Reviewing Organisational Strategy Plans and Performance/Strategic Planning*.

Let's begin at the beginning — what is strategy? Johnson, Whittington and Scholes in *Exploring Corporate Strategy* define strategy as 'the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations'.

Strategy, then, is a position the organisation takes based on its purpose (as determined by its stakeholders), the resources it has and the influence of the external business environment.

Strategy is also a process to be managed. This process, which is ongoing and self-reflective, is generally pictured as follows:

1. Understand and determine your organisational purpose
(Sections 1 and 2)

2. Analyse your external and internal situation
(Section 3)

3. Determine strategy options and select one
(Section 4, Topic 1: 1.4)

4. Implement your strategy and monitor it
(Section 4, Topics 2 and 3)
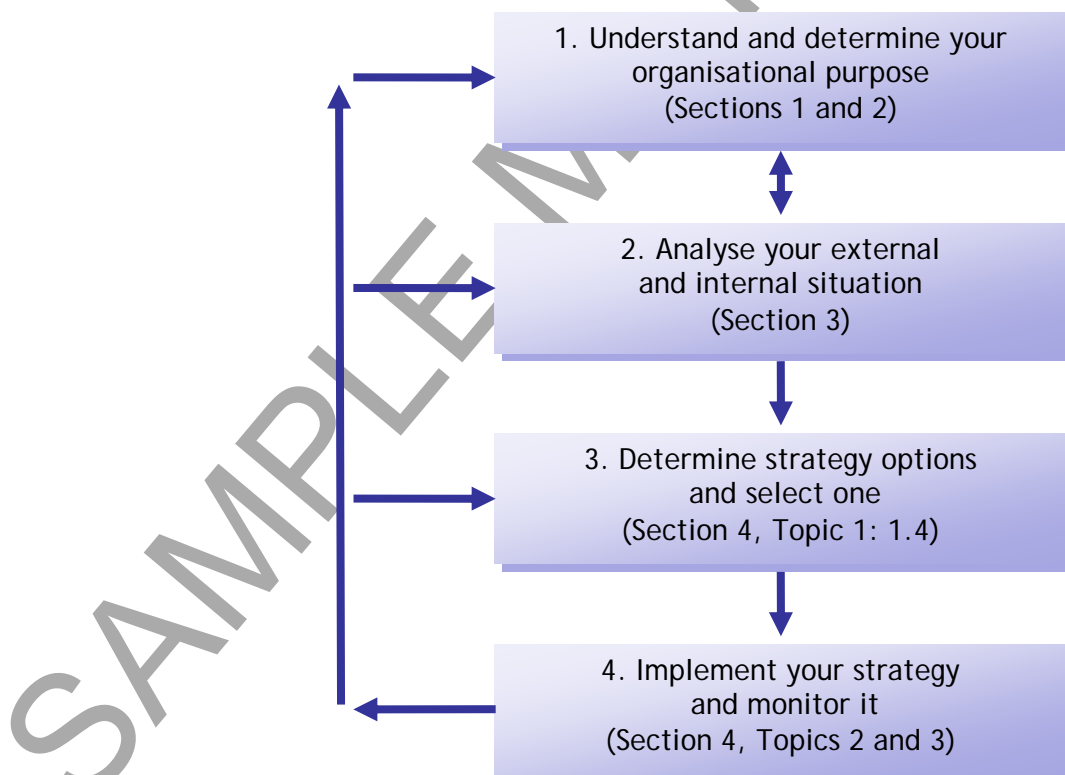
As you can see, although the sections are discrete, we've arranged them to follow the strategic process. You may need to move from one to the other to either complete activities or fully understand part of the process. For example, there's more on approaches to the strategic process in Topic 1 of Section 4, which you may want to look at before you start. We will signpost these 'leaps' as they occur.

Development guide mind map
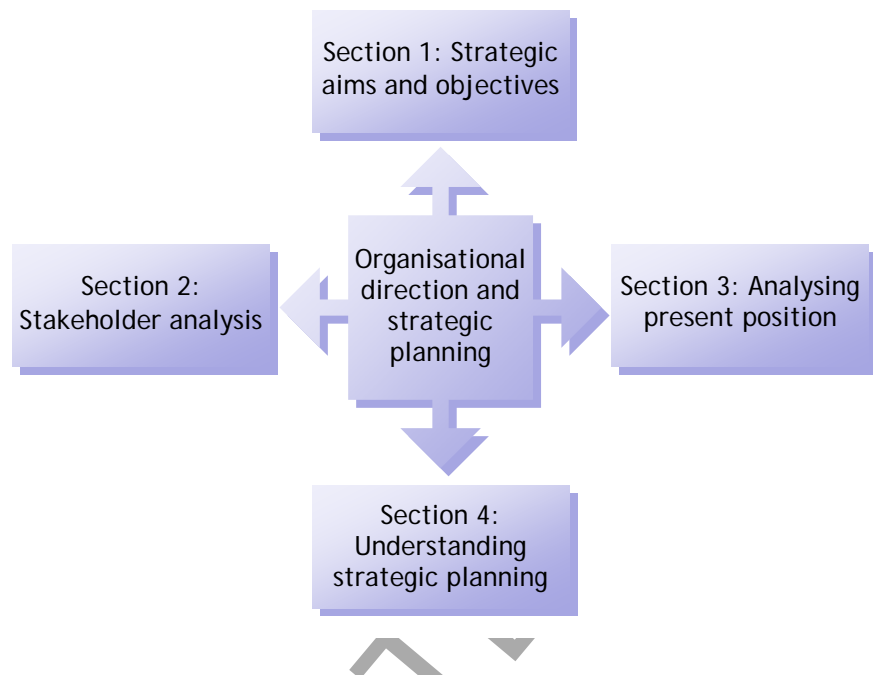
Assessment

If you are studying for the Level 7 in Strategic Management and Leadership qualifications you will be assessed by your approved centre on your knowledge and understanding of the following learning outcomes:

Unit 7006V1:

1   Be able to review the organisational strategic aims and objectives

2   Be able to analyse progress towards organisational strategic aims and objectives

3   Be able to evaluate strategic options to support a revised strategic position

Unit 7011V1:

1   Understand the purpose of a strategic plan

2   Be able to select a strategic direction from analysis of alternative strategic options

3   Be able to implement and evaluate the strategic plan.

Section 1   Strategic aims and objectives

Introduction

In this section you'll start at the beginning of the strategic process and reflect on some fundamental questions, like what business you're really in and why you're doing what you're doing. The answers to such questions give meaning to your strategy. Not having the answers is like leaving for the airport to go on holiday without having decided upon your destination. It's what, in organisational terms, is called 'strategic purpose'. In both this and the next section, you'll try to get to the bottom of where you're going and, indeed, where you believe you should be going.

Learning outcomes

This section addresses the following learning outcomes:

7006V1.1   Be able to review the organisational strategic aims and objectives

7011V1.1   Understand the purpose of a strategic plan

Section mind map

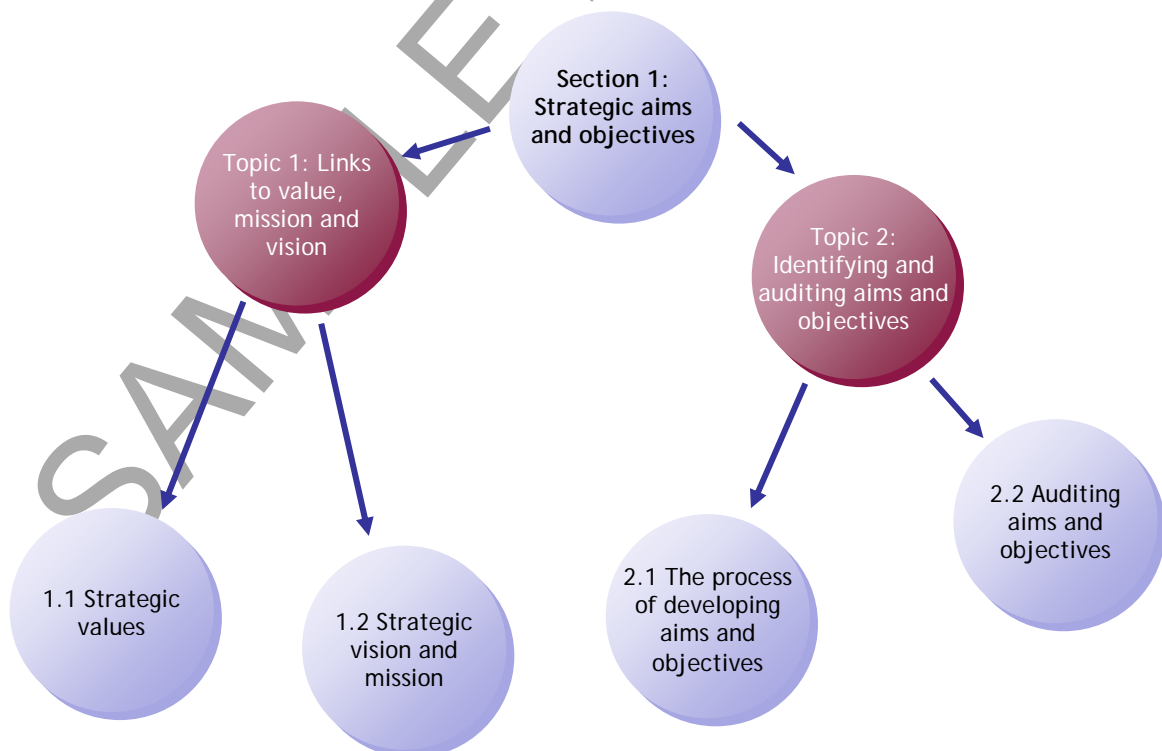There are two topics in this section as shown below. Check the subjects within each one and then continue with the areas you need to explore.

Topic 1: Links to values, vision and mission

Introduction

A number of factors are key in framing an organisation's strategic purpose. These are typically your values, your sense of vision and your mission. They are normally expressed by 'statements'. By understanding and organising these, you'll be able to determine aims and objectives, which is where sense of purpose starts to move into something more concrete. It's the beginning of strategic planning.

Values, vision and mission are based on the expectations and wishes of key stakeholders, about which there's more in Section 2 where we deal with stakeholder analysis. If you're unclear of the influence of stakeholders with regard to strategic purpose and in framing aims and objectives, you may want to look at that section first.

1.1 Strategic values

One of the key drivers of strategic purpose in an organisation is its values. Values are part of the organisation's culture — those subconscious assumptions and beliefs that frame its view of itself. 'Subconscious'? Yes, but, more and more, these values are being analysed and made explicit so that there is a clear alignment between value and purpose.

Typically, we think of organisational values as things like communication, integrity, respect, excellence and so on — a mixture of ethical behaviour and work standards. But as these four values were cited by the failed and fraudulent energy company Enron (as claimed in its annual report for 2000) alarm bells should be ringing!

Values sound great, but they throw up some key questions for the strategist:

■ How can you ensure values are not just some fluffy, bland and meaningless corporate-speak?

■ How can you ensure that cultural values, corporate values and strategic values are all the same thing? They could be working against each other.

Before we answer these questions, you'll consider what types of values an organisation may have.

Types of values

SR 4

Lencioni noted four types of corporate values:

■ core values — these are the deeply ingrained principles that govern all the organisation's actions. They are the source of a company's distinctiveness. For example, Hewlett-Packard developed the 'HP Way': trust and respect for individuals,

high level of achievement and contribution, uncompromising business integrity, teamwork, flexibility and innovation.

■ aspirational values — those values that are needed in order to succeed in the future. Note that here is where a traditional value may be out of step with a strategic value.

■ permission-to-play values — what you might also call 'threshold' values (non-core, non-distinctive), namely, those minimum standards of behaviour required of people in the organisation, typically as set out in employee handbooks.

■ accidental values — cultural values that are taken for granted but don't really reflect the core or aspirational values, such as 'we don't do things like that in this department' or 'nobody works on a Friday afternoon': another example of where one value may be out of step with others. There's more about culture and the 'cultural web' in Section 4, Topic 1.

If you think about it, you'll quickly realise the 'values thing' is rather complicated. Everyone in an organisation contributes to values, and the values we bring can amount not so much to a common purpose as to common baggage. Here's how:

■ There are differences in personal values — some people always go 'the extra mile' for the customer, while some never do.

■ Departments, business units, affiliated organisations may have different values — backroom staff who don't have the same 'commitment to customers' as frontline employees.

■ Employees may have different values to customers — 'We believe in providing a fast and efficient service' may seem to the customer like 'Hurry up, someone else is waiting to be served'.

■ Line managers and employees may see corporate values as meaning the values of the top echelon of the company, or as values transmitted 'from above' that have no direct relevance on the shop floor — this is the world of the incomprehensible new corporate logo and unwowing vision video.

■ And then, there are other stakeholders — suppliers, regulators, the board, people in the local environment and so on.

Is there anything here that reminds you of your own organisation?

The question therefore is this: how can all these values be made to point in one direction — the strategic one?

Plan your values

It may seem rather counter-intuitive, but you can actually analyse your values, develop consistent ones and implement them as part of your overall strategy. Here's how:

1   Analyse your values — send a questionnaire round with a broad range of values (15 to 20) and ask people to tick which of them they think are your core ones, or to rate them in terms of importance (1 to 5). This should include both strategic and other values — both documented and not. Don't forget to complete one yourself.

2   Assess your current strategic aims and objectives *vis-à-vis* these values in terms of which ones best reflect them. If you are in the process of devising new aims and objectives, assess which of the values you think should be your organisation's values for the future.

3   From both assessments, identify your distinctive strategic values. Be careful. You don't want consensus values. While taking into account what stakeholders say, if you're clear about where you're going and what values are needed to get there, you'll need to discard some people's perceptions as you're going to need to change them.

   Also, be robust, authentic and specific in your statement of values. Everybody says 'we're committed to our customers', 'excellence in everything we do' or 'we value our people'. What's so distinctive about that? How are you committed? What do you mean by 'excellence'? How do you value your people? What about being committed to making a profit, paying your staff more if you do, cutting down on specific costs, embracing risk or developing a can-do attitude.

4   Implement value initiatives, create ownership and manage the gap between what the strategic objectives are and what people think they are. This can be done through communication initiatives, performance management systems, promotion and reward. Values should be on the same level and skills and experience. There should be ongoing reminders in the workplace of what they are: posters on walls, straplines on leaflets and newsletters, discussions in team meetings.

Activity

Activity 1.1a   **2+ hours**

1   Assess your own organisation's values either in line with the aims and objectives of your current strategy or in line with a strategy that's still in development. Use a questionnaire or other tool as appropriate on a sample of stakeholders. Base it on an existing values statement if you have one (or ones you may find on the internet).

Here's an example that you may wish to base your assessment on.

Value statements	Tick appropriate box 5 'fully agree', 4 'mainly agree', etc				
We reward our staff based on their work achievements	5 ☐	4 ☐	3 ☐	2 ☐	1 ☐
We all contribute to producing good value products	5 ☐	4 ☐	3 ☐	2 ☐	1 ☐
We are all responsible for customer service	5 ☐	4 ☐	3 ☐	2 ☐	1 ☐
We respect and value our suppliers by paying them fairly and in reasonable time	5 ☐	4 ☐	3 ☐	2 ☐	1 ☐
We believe in striking the right balance between work and home	5 ☐	4 ☐	3 ☐	2 ☐	1 ☐

2   Identify the difference between what you think the strategic values should be, or are, and the prevailing organisational values at a cultural or corporate level. Do the strategic values need to change or do other values need to change? Fill in the first two columns of the table below (or produce something similar of your own).

3   Note down in the third column some ideas that would improve the situation. You'll return to this in the final activity at the end of this section.

Areas where there are differences	What needs to change	Ideas for improvement

1.2 Strategic vision and mission

Values work together with vision and mission to create the framework of your strategic purpose, from which come your specific aims and objectives.

Sometimes the lines between vision and mission are blurred, but, strictly speaking, a vision is an aspirational statement of where the organisation wishes to go, whereas the mission is a statement of current strategic positioning.

SR 12

For example, Worthing and Southlands Hospitals NHS Trust mission statement is: 'The Trust delivers high quality patient care and services to meet the needs of the community through the use of first class professional and technological resources and facilities.' Its vision is: 'The Trust will further develop its position as a major provider of acute services in West Sussex in partnership with the local healthcare community.'

Note how these mission and vision statements incorporate strategic values — 'high quality', 'needs of the community', 'first class professional' and 'partnership'.

Vision: five reasons for it and five ways of judging it

SR 2

Lynch identifies five reasons for developing a vision statement:

- looking at the future is important and any full investigation of purpose needs to deliver this

- the organisation's mission and strategic objectives may be stimulated in a positive way by the further strategic options a vision may provide

- the vision may lead to major strategic opportunities beyond the existing boundaries and organisational resources

- market and resource projections for a few years ahead based on current environmental conditions may miss future possibilities opened up by innovation

- a vision provides a desirable challenge for managers.

SR 3

Hamel and Prahalad suggested five ways of judging the suitability of an organisational vision:

- foresight — is the vision robust and coherent?

- breadth — does it fully cover likely changes in the market place?

- uniqueness — is there something unique that the organisation can capitalise on and surprise its competitors with?

- consensus — a dangerous word in this context, as we mentioned above. A consensus vision sounds like a dream about mud. Perhaps they should have said 'homogeneous' — one vision, not many

- actionability — how ready is this vision for implementation? Does the organisation have the core competences? Have the future opportunities been clearly identified?

Not everyone sees the value of vision, particularly where the environment's changing so fast. How far can you really think ahead in this context? This doesn't invalidate analysis aimed at clarifying it in more detail. It depends how good or intuitive a strategist you are. Others suggest that where there are a lot of part-time workers, contracted suppliers and flexible workers it will be difficult to get commitment to a shared vision. This again doesn't invalidate vision. It just makes it more challenging.

Activity

Activity 1.2a   30 mins

1   Consider your own organisation's vision, especially in the light of Hamel and Prahalad's observations. Write out your vision and fill in the table below.

Your organisation's vision:	
	Comments
Is it fit for purpose?	
Does it express your values and future aspirations?	
Could it say more (or is it some bland sound bite like 'the world's favourite duct manufacturer')?	
A new improved version:	

2   If you feel your organisation's vision could be improved, have a go at rewriting it. Use the space in the table above if you wish.

   If you haven't got a vision, should you have one? If applicable, try drawing up a more appropriate one. There are plenty of examples of visions on the internet that you might be able to adapt.

Mission: effectiveness and formulation

Lynch states that the mission of an organisation 'outlines the broad directions that it should and will follow and briefly summarises the reasoning and values that lie behind it'. It also summarises for stakeholders where the organisation is positioned. Therein lies its usefulness.

He outlines four criteria for judging the effectiveness of mission statements. They should:

- be specific enough to have an effect on the behaviour of people in the organisation

- reflect the organisation's distinctive advantages and be based upon an analysis of its strengths and weaknesses

- be realistic and attainable

- be flexible to take account of environmental changes.

In terms of formulating a mission statement, Lynch sees five elements:

1   Decide what business you're in or want to be in.

2   Consider the mission from a customer perspective — who's your business targeted at?

3   Ensure it reflects your core values and beliefs.

4   Add a touch of what you think is your sustainable competitive advantage ('leader in the field').

5   Summarise the main reasons for the strategic approach — 'We are a team and must treat each other with trust and respect'.

Check the Worthing and Southlands Hospitals NHS Trust example above to see if its mission fits these five elements.

The point about the value of vision statements also applies to mission statements. Those people who believe strategy should emerge rather than be prescriptive (because of the uncertainty of the environment) doubt the validity of having a mission at all — though it's hard to see how a statement that frames an organisation's basic purpose can be useless. You surely can't run or want to start a business without a clear sense of purpose.

There's more about emergent approaches to strategy in Section 4.