Chapter 11

Strategic Leadership and Change Management

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Strategic Leadership

- Is a person's ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization

- Is a process of providing the direction and inspiration necessary to create and implement a firm's vision, mission, and strategies to achieve organizational objectives

- Must involve managers at the top, middle, and lower levels of the organization

Strategic Leadership (cont.)

□ **Effective strategic leaders are skilled at:**

- ■ Anticipating and forecasting events in the external environment that have the potential to impact business performance
- ■ Finding and sustaining competitive advantage by building core competencies and selecting the right markets in which to compete
- ■ Evaluating strategy implementation and results systematically, and making strategic adjustments
- ■ Building a highly effective, efficient, and motivated team of employees
- ■ Deciding on appropriate goals and priorities for achieving them
- ■ Being an effective communicator

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Strategic Leadership Failures

- □ When the strategic vision for the organization favors the senior executive's personal interests and not enough of their constituents' and organization's interests

- □ When senior executives use failure-prone practices

- □ When senior executives engage in or condone unethical conduct

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Strategic Leadership Failures (cont.)

- □ When senior executives pay little or no attention to productivity, quality, and innovation
- □ When senior executives allocate time and money unwisely
- □ When senior executives use too much intuition and too little rational analysis
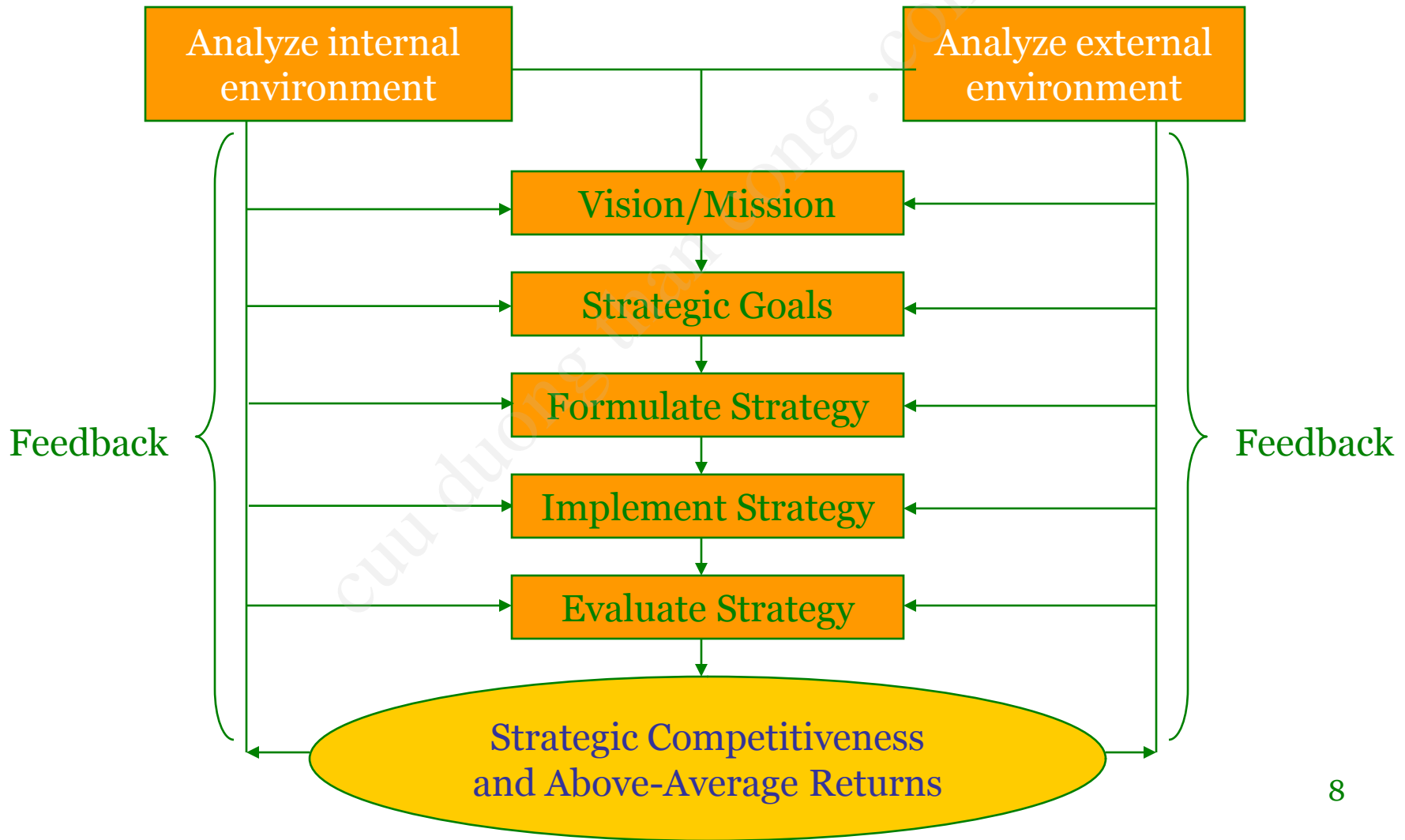
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Strategic Management

□ Effective strategists are said to perform four primary responsibilities:

- Conceptualize the organization's vision, mission, and core values
- Oversee the formulation of objectives, strategies, policies, and structures that translate vision, mission, and core values into business decisions
- Create an environment and culture for organizational learning and mutual exchange between individuals and groups
- Serve as steward and role model for the rest

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Strategic Management (cont.)

□ Is the set of decisions and actions used to formulate and implement specific strategies that will achieve a competitively superior fit between the organization and its environment, so as to achieve organizational goals

□ A basic distinction between strategic leadership and strategic management is that strategic Leadership envisions where the organization would like to be in five to ten years while strategic management focuses on how to achieve the vision

Strategic Management Framework

Analyze internal environment

Analyze external environment

Vision/Mission

Strategic Goals

Formulate Strategy

Implement Strategy

Evaluate Strategy

Feedback

Feedback

Strategic Competitiveness and Above-Average Returns

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The Strategic Management Process

- The strategic management process begins with the strategist's vision

- Next, long-term or corporate goals define specific outcomes that an organization seeks to achieve in order to realize its mission

- Strategy formulation specifies the strategies for achieving an organization's objectives

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The Strategic Management Process (cont.)

- ☐ Strategy implementation takes place through the basic organizational architecture that makes things happen

- ☐ The final phase, strategy evaluation, involves comparing expected outcomes with actual results after the implementation phase

The Strategic Management Process (cont.)

- ☐ Analyzing the environment
  - ■ Involves being able to identify and interpret emerging trends before they become evident to everyone else
  - ■ It is essential to learn and understand:
    - – The concerns of customers
    - – The availability and bargaining power of suppliers and customers
    - – The actions of competitors
    - – Market trends
    - – Economic conditions
    - – Government policies
    - – Technological advances

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The Strategic Management Process (cont.)

- ☐ Analyzing the environment (cont.)
  - ■ Knowing what competitors are doing and how to respond is clearly important to a firm's survival
  - ■ Analyzing the internal environment focuses on assessing an organization's:
    - – Market strength
    - – Financial position
    - – Capabilities
    - – Core competencies
    - – Culture
    - – Structure

The Strategic Management Process (cont.)

- ☐ Analyzing the environment (cont.)
  - The combined analysis of the external environment and internal environment is commonly referred to as SWOT (Strengths, Weaknesses, Opportunities, and Threats), or situation, analysis
  - Accurate interpretation of both types of environments requires considerable analytical and cognitive skills, and plays a large part in the future actions and the continuing effectiveness of an organization

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The Strategic Management Process (cont.)

□ **Vision statement**

- ■ Is an ambitious view of the future that everyone in the organization can believe in and that is not readily attainable, yet offers a future that is better in important ways than what now exists
- ■ A clear and inspiring vision serves a number of important functions:
  - – Facilitates decision making
  - – Inspires followers
  - – Links the present to the past
  - – Gives meaning to work, not just what, but why
  - – Establishes a standard of excellence
  - – Lays the foundation for the development of a mission statement

The Strategic Management Process (cont.)

□ **Mission statement**
  ■ Is an enduring statement of purpose that distinguishes one organization from other similar enterprises
  ■ Is the organization's core purpose and reasons for existence
  ■ Features two components:
    – Core values
    – Core purpose

The Strategic Management Process (cont.)

□ **Mission statement (cont.)**
  ■ Should be both broad and specific
  ■ Can provide many benefits to an organization:
    – Providing direction and focus
    – Forming the basis for objectives and strategies
    – Inspiring positive emotions about the organization
    – Ensuring unanimity of purpose
    – Helping resolve divergent views among employees

The Strategic Management Process (cont.)

❑ Corporate-level goals
  ■ Are the desired long-term outcomes that an organization seeks to achieve for its various stakeholders
  ■ Include both financial and strategic goals
  ■ Are essential because they help focus everyone in the same direction
  ■ Are the targets against which actual performance is compared for strategy evaluation
  ■ Create synergy

The Strategic Management Process (cont.)

- ☐ Corporate-level goals (cont.)
  - ■ Are the means by which organizations reveal their priorities
  - ■ Are the basis for effective planning, organizing, leading, and controlling activities
  - ■ Organizations must take time to establish "SMART" goals
    - – **S**pecific
    - – **M**easurable
    - – **A**chievable
    - – **R**esults-Based
    - – **T**ime-Specific

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The Strategic Management Process (cont.)

- □ Strategy formulation
  - ■ A strategy is an integrated, overarching plan of how an organization will achieve its objectives
  - ■ A good strategy focuses on exploiting opportunities in the organization's external environment that match the organization's strengths.
  - ■ A good strategy must also reflect the core mission and objectives of the organization

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The Strategic Management Process (cont.)

□ **Strategy formulation (cont.)**

■ **To maintain a competitive edge over rivals, develop strategies that:**

– Enhance value to the customers

▪ Value is the ratio of benefits received to the cost incurred by the customer

– Create synergistic opportunities

– Build on the company's core competence

▪ A core competence is a capability that allows an organization to perform extremely well in comparison to competitors

The Strategic Management Process (cont.)

- **Strategy formulation (cont.)**
  - Core competencies are a source of competitive advantage when they:
    - Are rare
    - Are hard to imitate
    - Are not easily substitutable
    - Create value for the firm
  - A knowledge-based competitive advantage is hard to imitate or copy by rivals because it resides in people, not physical assets
  - Core competencies increase as they are used to gain a competitive advantage over rivals

The Strategic Management Process (cont.)

- **Strategy implementation**
  - Effective strategy implementation means that objectives have a greater chance of being met and thus results in better firm performance
  - Requires galvanizing the organization's employees and managers at all levels to turn formulated strategies into action
  - Obstacles to effective strategy implementation
    - Lack of resources
    - Time

The Strategic Management Process (cont.)

- ☐ Strategy implementation (cont.)
  - ■ Is considered the most difficult stage of the strategic management process
    - – Involves dealing with people who come with varying levels of motivation, commitment, and dedication
  - ■ Without appropriate implementation, the best of strategies can fail
    - – Must be integrated into all organizational systems including structure, culture, pay and reward systems, budget allocation, and organizational rules, policies, and procedures

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The Strategic Management Process (cont.)

- **Strategy evaluation**
  - Is the primary means of determining the effectiveness of the strategic management process
  - Has three fundamental activities:
    - Review internal and external factors
    - Measure performance against objectives
    - Corrective action
  - A popular tool used to measure the effectiveness of the strategic management process is the balance scorecard
    - Translates mission and vision statements into a comprehensive set of objectives and performance measures that can be quantified and appraised

Implementing Change

- Organizational change is an alteration in an organization's alignment with its external environment

- Organizations spend millions of dollars on change efforts

- Change can be transformational or incremental

- Organizational change is any transition that requires a change in human performance

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The Need for Change

- Rapid environmental changes are causing fundamental transformations that are having a dramatic impact on organizations and presenting new opportunities and threats for leadership

- Just about every type of organization is facing an external environment characterized by:
  - New technology
  - Global economy
  - Changing market requirements
  - Intense domestic and international competition

- The need for change is more likely when a long-time CEO retires a new CEO is brought in

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The Role of Leadership in Implementing Change

- ☐ Resistance to change and the absence of effective leadership are major reasons for why most transformation efforts fail
- ☐ Effective change agents must:
  - ■ Make every effort to eliminate policies, procedures, and behaviors that undermine the change efforts
  - ■ Be willing to alter his or her own behavior if it will minimize resistance
  - ■ Be good listeners

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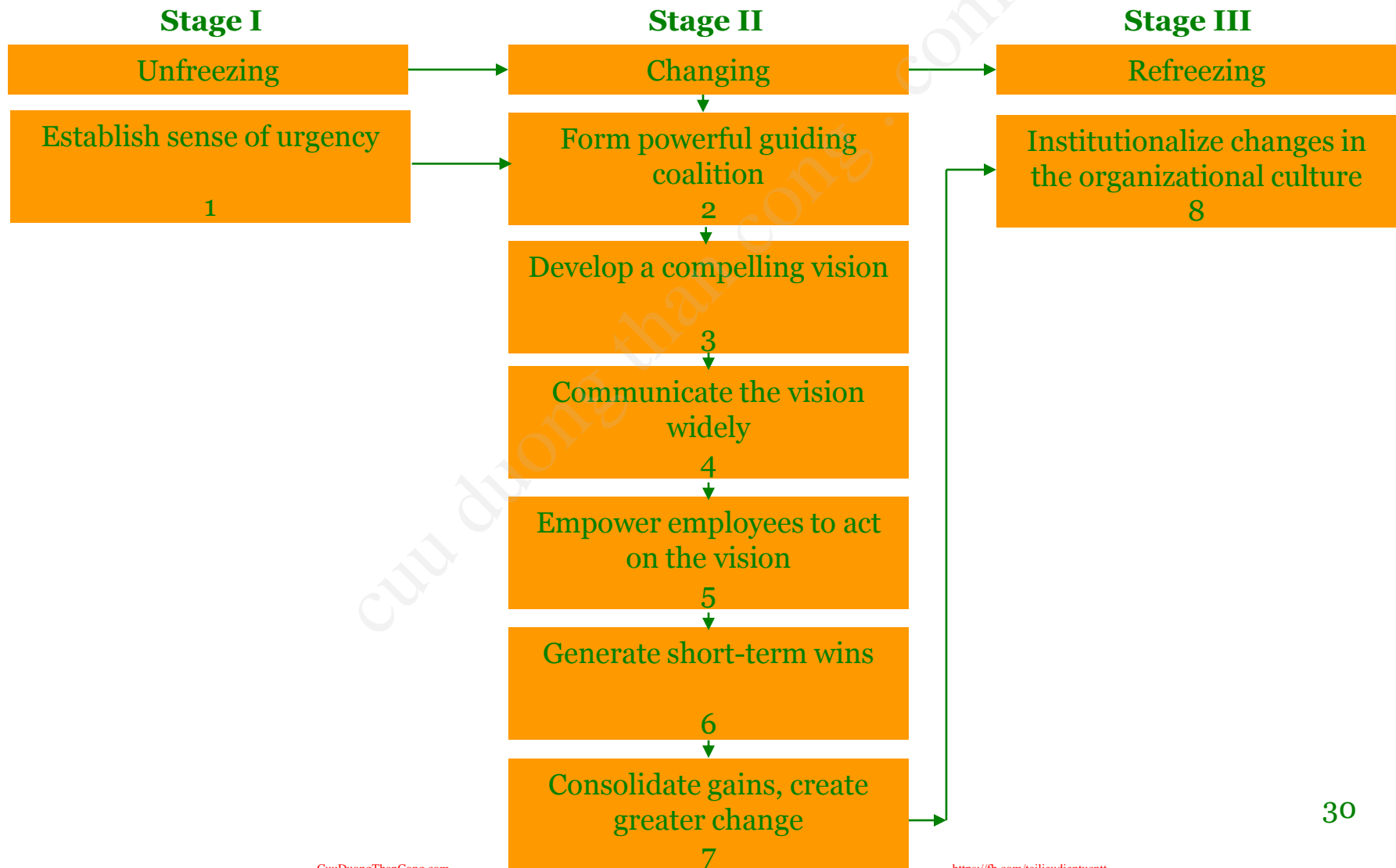# The Role of Leadership in Implementing Change (cont.)

- There are strategies that leaders can use to effectively manage change rather than simply reacting to it, including:
    - Articulating a compelling reason for change
    - Having open and regular communications
    - Having a road map for implementation
    - Having training programs for required skills/competencies
    - Forming a coalition of supporters and experts
    - Staying the course in spite of perceived difficulties
    - Recognizing and rewarding the contributions of others
    - Carefully managing resources and priorities
    - Keeping the process transparent
    - Having a plan for dealing with resistance

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The Change Management Process

- ☐ Many experts and scholars recommend viewing change as a process
- ☐ The process moves through several stages
- ☐ It takes effective transformational leadership to accomplish the activities in these stages

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Stages in the Change Process: A Comparison of the Force-Field Model and Eight-Stage Model

Stage I	Stage II	Stage III
Unfreezing	Changing	Refreezing
Establish sense of urgency 1	Form powerful guiding coalition 2	Institutionalize changes in the organizational culture 8
	Develop a compelling vision 3	
	Communicate the vision widely 4	
	Empower employees to act on the vision 5	
	Generate short-term wins 6	
	Consolidate gains, create greater change 7	

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Unfreezing Phase

- Instigated by the actions of a leader, people in an organization may become aware of the need for change
  - This recognition may occur as a result of an immediate crisis or from the efforts of a transformational leader who is able to describe threats and opportunities not yet evident to most people in the organization
- It is important to invest the time to uncover not just the threat facing the organization that make for an urgent need for change, but its root cause(s) as well

Changing Phase

- ☐ This is the phase where the actual change takes place
- ☐ People look for leadership in finding new ways to do things
- ☐ Requires a plan of action to be successful

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Refreezing Phase

- Old habits, values, traditions, attitudes, and mindsets are permanently replaced
- New behaviors, values, and attitudes are instilled or "refreezed" in the culture in order to avoid a reversion to the old ways after implementation
- Involves institutionalizing the new changes so that they become part of the organizational culture
- This is step eight of the eight-stage model

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Why People Resist Change

- ☐ Threat to one's self-interest
- ☐ Uncertainty
- ☐ Lack of confidence that change will succeed
- ☐ Lack of conviction that change is necessary
- ☐ Distrust of leadership
- ☐ Threat to personal values
- ☐ Fear of being manipulated

People-Centered Recommendations for Minimizing Resistance to Change

- Show relentless support and unquestionable commitment to the change process
- Communicate the need and the urgency for change to everyone
- Maintain ongoing communication about the progress of the change
- Avoid micromanaging and empower people to implement the change
- Ensure that change efforts are adequately staffed and funded
- Anticipate and prepare people for the necessary adjustment that change will trigger
  - Career counseling
  - Retraining

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Task-Centered Recommendations for Minimizing Resistance to Change

- ❑ Assemble a coalition of supporters inside and outside the organization
- ❑ Align organizational structure with new strategy, for consistency
- ❑ Transfer the implementation process to a working team
- ❑ Recruit and fill key positions with competent and committed supporters
- ❑ Know when and how to use ad hoc committees or task forces to shape implementation activities
- ❑ Recognize and reward the contributions of others to the change process

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