A Level AQA Business Course Companion

3.10: Managing Strategic Change

2nd Edition – August 2023

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Contents

Teacher's Introduction

This resource has been written to support the teaching and learning of AQA Advanced Level GCE in Business to be first examined in June 2017. It covers in depth the content required, plus key topic points and a variety of learning opportunities to engage and develop student capabilities. Where relevant, key terms have been included together with illustrations to support learning.

This resource supports the teaching of Section 3.10: Managing Strategic Change, which is part of the AQA Advanced Level GCE in Business (7132). It provides a detailed and accessible overview of the areas of study stated within the specification.

This resource is intended to be used as a companion for teaching and, while extremely valuable, is not an exhaustive list, so reading around the topic is recommended. Suggestions for additional resources are included and additional source material referenced. While this companion focuses on content, a variety of learning styles are catered for to help keep your students engaged and on task. At the end of each section are questions and answers to test your students' grasp of the content.

You can use the notes in this resource either as student preparation, as revision guidance or to supplement your class teaching. The questions in this resource include some quantitative analysis as these are skills now assessed in the exam.

Relevant case studies are included to both broaden and deepen student knowledge and bring a real-world flavour to their learning.

Each topic is explained in full and accompanied by a series of questions and extended-learning opportunities, which are designed to consolidate student understanding and hone their application, analytical and evaluation skills. Mathematical practice opportunities are included where appropriate. Answers are provided for each question.

The practice activities can be used to support the delivery of a lesson, be set as homework and/or be used by the student during independent learning.

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- p.11 – 'Hofstede's national cultures' removed from key points covered
- p.12 – Reference to Twitter workplace replaced with Spotify workplace
- pp.13–14 – section removed: 'Geert Hofstede's National Cultures'
- p.18–20 – content removed relating to functional, product based, regional and matrix structures.
- p.19 – questions 1 and 2 removed, question 3 renumbered and changed in the answers
- p.29 – sections removed: 'Divorce of Ownership and Control' and 'Corporate governance'
- p.32 – section renamed: 'The value of contingency planning and crisis management'
- p.32 – section on crisis management added
- p.35–38 – answers updated to remove duplication of questions

A web page containing all the research task links listed in this resource is conveniently provided on ZigZag Education's website at ***zzed.uk/12324***

You may find this helpful for accessing the websites rather than typing in each URL.

3.10. Managing Strategic Chang

3.10.1. Managing change

Causes of and pressures for change

! Key Points Covered

- Internal and external change
- Incremental and disruptive change
- Lewin's forc

Internal Pressures for Change

Businesses can change for a variety of reasons, from pure necessity (i.e. the firm long-term strategy (e.g. leadership wants to grow the company's market share). these internal causes of change can include:

- new management, leadership or ownership, such as when a firm is taken ove
- new objectives set by management, e.g. to grow market share, expand over
- new technology being implemented
- changes to organisational structure

These will be relatively easy for the business to predict, and can, therefore, be pl pressures for change can be less predictable.

External Pressures for Change

External factors, such as a change in consumer tastes, can either increase deman demand. As consumers have become more concerned about the treatment of s this has increased demand for Fairtrade products. As consumers became more w chocolate this encouraged Cadbury to take over Green & Blacks.

Competition policy may permit two businesses to merge or one to take over anoth that certain parts of the enlarged group are sold. This is usually to prevent a busin markets or regional areas at the expense of other businesses and consumers. Wh 2004 it had to sell 53 of the latter's stores, otherwise the Competition Commission deal. This was aimed at providing a fairer competitive environment for both comp some towns would have a Morrisons and a rebranded Safeway located close toget

The economic climate can present opportunities and threats. In a recession, a b restructure, as a means to survive, if demand is falling. It will hold onto those pa help it survive. The recession can also present growth opportunities for business which increase in popularity as consumers' disposable income falls, e.g. Poundla increase business confidence and demand, which results in increased output and branches or factories.

Incremental and Disruptive Change

All organisations change over time; whether that change is planned or forced up either an incremental change or a disruptive change. We have looked at the pres need to look at the control over that change.

Key term
Increment When change is incremental it progresses in a planned, step-by-s

Incremental change is planned; a company controls how it evolves against a set usually measured by identified outcomes and criteria. This takes into account m greater plan to develop a market or break into a new market, or can be driven by a car manufacturer is aware that over a 10-year period they need to develop, say

technology improves, so fuel efficiency, aerodynamics, electronics and safety fea
designers will work constantly to improve features of the cars to be rolled out wi

Disrupted change will be as a result of an unplanned external or internal force such as a completely new market model in an established business area. Netflix caused disruptive change when they offered a subscription service in the established video/film/DVD market. Because of this completely new way of delivering the product, Blockbuster went out of business as they could not respond to the change quickly enough and lost a huge part of the video rental market.

One could argue that the death of Steve Jobs forced change on Apple as they los
However, in Apple's case they had planned contingency for change, and being an
change company themselves, they were probably better suited than most to han

Lewin's force field analysis

This theory, developed by Kurt Lewin, a German-American psychologist, has bee
management in business and the social sciences.

In business, whenever change is on the horizon, there are competing forces for a
force for change may be an external factor and a restraining force against that ch
structure of the business. Before change can be implemented, management nee
mitigate against the restraining forces while harnessing and controlling the drivin

The equilibrium between these forces is the status quo – no movement towards o
change to be successful, the driving forces must overpower the restraining forces,
weakened. In an unplanned disruption change model, the ... against change are ov

This can have a detrimental effect on a business that has few or no resources to
little, too late is the response to change ... the company goes under. Thus, a bu
for the impact of overwhelming ... forces for change, and where possible ha
positively to change.

An analogy is the sinking of the Titanic. Structurally the ship could not withstan
equipped to deal with a disaster – insufficient safety measures and not enough li
could not physically respond, even when it saw the iceberg looming. It was simp
In fact, by hitting the iceberg side on, the damage was increased and the ship we
impacted with the bow of the ship. So, it turned, too late, too slowly and weaken

Lewin followed up his force field analysis with a three-step model for change. He
frozen position where the forces for and against change are in equilibrium and th
balanced state may serve a company for a while and allows for personnel within
routines they are comfortable with. However, when the forces for change and th
existing position and resistance to change, the company needs to 'unfreeze'. Th
which systems, practices, processes and motivation need to evolve to accept the
implement that change. Motivation is a key factor here and often human nature

To make the change happen, the resisting forces need to be motivated to stop resi
agenda and being implemented, the danger is that people will return to their old w
stage of Lewin's change model is 'freezing' the new practices into place to allow th

This has been criticized as being too simplistic a model but it is useful to identify
Apple would argue that their whole business model is one of change and innova
organisation certain factors will remain steady. Design and product innovation c
work environment and work practices that employees are familiar with.

The value of change

Companies that do not change are stagnating. The concept of 'We've always do[...] for a business that does not realise the market forces affecting its bottom line. O[...] approach to business can secure a place in the market for a company; but this is [...] Making products in traditional ways does not mean marketing without the use o[...] example. The physical product may stay the same as a unique selling point, but [...] approaches overseas markets, or new methods of marke[...], or new methods o[...]

Change for change's sake is not valuable [...] change implemented by an organi[...] defined objectives and a thought [...] The ideal environment for chang[...] areas of the company ha[...] into the necessity for change. Many modern [...] manageme[...] part of their strategy, at the highest level. They view [...] journey tow[...] more efficient company, a streamlined set of processes and a[...]

Companies may choose to change because within the business someone has ide[...] working is no longer working efficiently. The value of change here is, having iden[...] process improves it. Usually the flag for change is a fall in productivity or bottom[...] same no longer increases profit then change is necessary.

A good case study on change management, implemented at o2 by change mana[...] Scotland, can be found here:

http://www.systemsthinkingmethod.com/downloads/Vanguard-O2-case[...]

3.10.1a Article

In an interview with Harvard Business Review, *Walmart's CEO Doug McMill[...] for change at Walmart (owners of ASDA in the U[...] how to implement th[...]*

Article extract:

'As Walmart's sales gr[...] to stall, the board in 2014 tapped Doug M[...] The imperative [...]: bring Walmart into the future without blowing th[...]

Q: W[...] is all about low prices. But is the convenience of online sho[...] than price?

A: Low prices at Walmart are a given. Customers almost take that for gra[...] save time, and that goal is increasing in importance relative to just savi[...] business today that's successful purely on price. The old trade-off of se[...] makes sense.

Q: How do you ensure that the people leading your core business remai[...] resources go to the newer, digital operations?

A: The people who run the older parts of our business must also become d[...] people live in yesterday while others live in tomorrow. And given the e[...] to lean into the future even more than other [...]ies might. We're t[...] people to change their established habi[...]

Q: Walmart faces comp[...] from below on price and from above on q[...] Amazon, the [...] online retail. What does winning mean for you [...]

A: W[...] focus on the customer more than on the competition. Of cou[...] pe[...]ral vision, and we try to learn from them. We're trying to hire g[...] We've made acquisitions, and I'm sure we'll do more. We're also more [...] were in the past. We don't need to build everything on our own.

(Full article here: *https://hbr.org/2017/03/we-need-people-to-le[...]*

3.10.1a Questions

1. What factors have prompted Walmart to have to make changes to how th
   Identify at least three external pressures for change and one internal press

2. Why might some people resist change? Identify three resistant forces to c

3. United Leasing PLC was a small computer leasing organisation in the late 1
   agreements for large organisations to lease very expensive IBM computer
   At the time computer systems consisted of large central processors, termi
   drives and cost upwards of several thousand pounds to millions of pounds

   The company's expertise was in high-ticket leasing to a market of organisa
   bu[illegible] IBM at a high capital cost and was looking for a way to spread th
   second-hand equipment which IBM would not sell, but would maintain.

   In the early 1990s the PC came along and the company thought it was a te
   only be used for personal users, not in corporations. They continued to se
   few PCs to smaller organisations. Within the company, they had highly ex
   expert leasing specialists. The company folded in the late 1990s / early 20

   What were the mistakes United Leasing made? What changes could they

The value of a flexible organisation

! Key Points Covered

Flexible organisations include:

- restructuring
- delayering
- f[illegible] employment contrac
- [illegible]anic structures vs mecha
- knowledge and information

A flexible or[illegible] understands that there is no one single way to be structu another. A[illegible] organisation responds to external threats by adapting to mee practices to [illegible]ximise efficiency and bottom line.

Restructuring

The purpose behind restructuring is to improve efficiency and profitability.

> **Key term:**
> ***Organisational restructuring*** – The process by which a company changes how i could be by combining departments, or getting rid of departments. It can also n business is owned, e.g. going from private to public limited company or simply of the organisation.

A flexible organisation understands that what worked yesterday may not work to change, a restructure may get rid of functions that are no lon[illegible]er needed or add change in need.

Examples in the print industry were [illegible] [illegible]igital departments and get rid of t areas. One recent change i[illegible] [illegible]paper industry is the *Independent* closing i only. This mea[illegible] [illegible] 100 jobs and the company will need to complet What has p[illegible]d [illegible]s significant organisational change is the fall in print adve from organi[illegible] such as the *Huffington Post* and BuzzFeed that are online only

Delayering

A company is often organised in hierarchical layers of increasing status as you m Managing strategic implementation for more information on organisational stru In essence – delayering means removing some layers from the organisation so th between the top and the bottom of the company. This can be layers of manage or senior management level. This increases the autonomy of the layer beneath a implementing decisions from top to bottom.

Flexible Employment Contracts

If a company is facing change, one of the issues to clarify may be the timeframe implement the change an organisation may need exte[illegible] [illegible]port, but for a limi organisation will look at a job needing to be ca[illegible] [illegible]d identify the terms o a full-time, part-time or fixed-contra[illegible] [illegible] to get the job done. A full-time the most expensive answer t[illegible] [illegible]ncy and may not be the most efficient s a relatively new way f[illegible] [illegible]isation to meet their employment needs and c a full-time [illegible]ee.

> **Key term:**
> ***Zero hours contract*** – In a zero hours contract the employer is not obliged to s the employee is not obliged to work specific hours.

These contracts can be useful to fill a temporary need for workers, such as a rest additional labour at busy times or for specific functions. It can help to cover abse workers. Alternatives such as employing agency workers can be expensive as fee When undergoing change a company may need specialist support for the life of t contracts are useful. Consultants can be employed for a period of a year or six m undertaken and then let go once the change has been implemented.

Organic Structures vs Mechanistic

The traditional rigid hierarchy with defin[illegible] and lines of reporting is a m clearly defined and each part of t[illegible] knows its role in the organisation. employ a more organic [illegible] which responds to the needs of the organisatio structure m[illegible] one role and carry out tasks on an as-needed bas determined[illegible]xed job title.

Mechanistic structures	Organic
Formal and more bureaucratic	Informal and more flexible a
More likely to be resistant to change	Open to change and see it as
Centralised and defined decision-making	More autonomy down the li more collective
Strict rules and regulations enforced	Less rigid working – more fle to problems
Formal lines of communication up and down	Informal communication and collaboration
Fixed policies and procedures	Ethos [illegible] culture more of a [illegible] and procedures

Knowledge and Informati[illegible]gement

When implementing ch[illegible]portant that people within the organisation a about the i[illegible]o[illegible]ange. The very management of knowledge and infor may be wh[illegible]s to change for a company to become more efficient. Many co information management within their organisation can be poor and is an effectiv organisational improvement.

However, information without supporting knowledge, analysis and interpretatio information is collected and distributed within a company will not of itself impro knowledge to understand the implications of that information are not in place. A to employees without explaining what the data sets show. Managing knowledge clear-cut than managing data and information. There is a lot of 'tacit' knowledge employees know how to manage tasks because they have been doing so for a lo knowledge requires a different sort of management system. Changes to structu identify how that knowledge is captured and shared in case the change itself obl

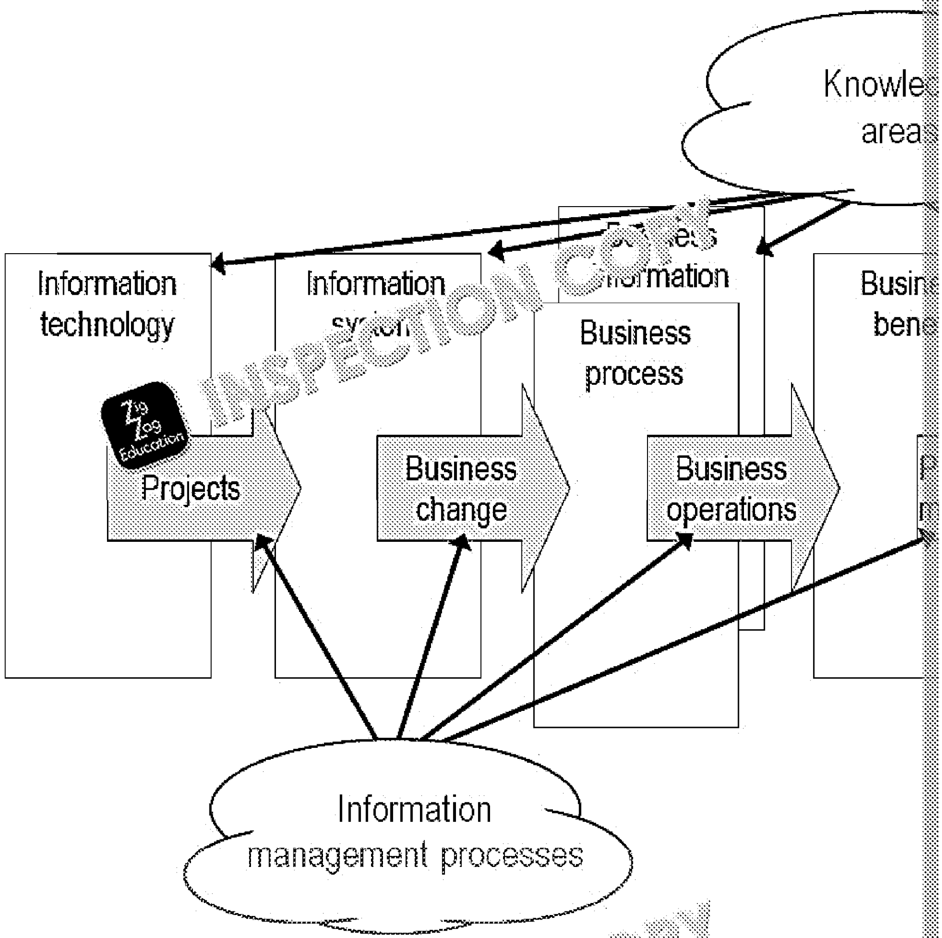


Diagram: The Information Management Body of Knowle

The above model identifies six knowledge areas an organisation needs to map and processes to link these areas. This model is useful for organisations looking information technology and organisational knowledge. Managing these areas en information across an organisation and retention of important areas of knowledg making changes either structural or market-led.

3.10.1b Questions

1. Lovely Town Private School is facing competition from a new academy tha since it opened three years ago. Previously the GCSE and A Level results in the national average and local parents would pay to send their children to directors and governors of the private school want to restructure and offe international students and bring in more revenue. To do this they would n foreign-language-speaking teachers and combine some departments to re heads. They also need to employ a specialist education consultant to help

   What factors do the directors and governors need to consider before impl the steps they should take before restructuring and include the types of e use for this transition and the first year of operation under the new structu

2. Identify three advantages and three disadvantages of an organic structure as McDonald's.

3. How could you ensure that knowledge within an organisation is captured a Think about product, systems, marketing and customer knowledge.

Barriers to change

! *Key Points Covered*

Kotter and Schlesinger:
- four reasons for resistance to change
- six ways of overcoming resistance to change

Why is there resistance to change? Kotter and Schlesinger,[1] identified four reaso organisation are resistant to change. These are:

1. **Parochial self-interest**
   This is the 'What's in it for me?' approach where an employee is more interested in how the change affects them than how it might be necessary f the company.

2. **Misunderstanding**
   This is where the reasons for change have been poorly communicated and the employee does not understand the need for change. Sometimes this is change before any official announcements.

3. **Low tolerance**
   This is the 'We've always done it this way' syndrome. The current way of w offers stability to the employee. Change means uncertainty and learning ne employee resists as being uncomfortable and challenging.

4. **Different assessments of the situation**
   As the change takes place the workforce can become divided. There is the g understand the rationale and welcome the new ways. Then there is the oth the change and will not cooperate but stubbornly stick with their current wa

Kotter and Schlesinger then identified six ways to overcome this resistance to ch

1. **Education and communication**
   To counteract the possibility of misinformation and poor communication it i about the need for change before the change takes place. There are a varie crucial factor. For people to absorb change they need time to process the in reassurance as to how it will affect them. Examples of how this education is workers' councils, online training portals, or departmental meetings.

2. **Participation and involvement**
   If people feel they have ownership of change then they are more likely to e responsibilities to employees they are involved in the process of change. Th feedback included in the changes taking place. This makes good business se likely to understand the impact of proposed changes on procedures, custom directors as they are at the forefront of the company's operations.

   Working parties that are made up of different employees at different levels a representation for as many people as possible and a sense of having a contribution to Feedback to all employees is important and it should be in a form that is easil

[1] Kotter, J P and Schlesinger, L A (1979) 'Choosing strategies for change'

3. **Facilitation and support**
Ignoring employee fears about job security or learning to use new technolog change. By supporting the employees, the organisation can allay fears and i cooperation. Change can be frightening and employees may need support a the new direction needed.

4. **Negotiation**
Often, for senior-level employees the change could result in a loss of power. F delayering, a manager may no longer have the power, status or even salary vociferous opponent to change and may require some negotiation to appea offered to compensate the employee or to persuade them to leave voluntar package of early retirement with bonuses. Alternatively, other positions m change or financial incentives can be offered to shift the employee toward to change.

5. **Co-optation and manipulation**
This tactic is often used when others have failed or negotiation may prove too to change and reduce costs in the process. Co-opting a resistant employee is involved in the change process but in a nominal way. Their support is sought role is not influential in the actual decision-making – more of a token involven This is useful when the person co-opted wields influence over others resistan know what is happening, see the discussions and report back to others on pro allowing involvement without direct influence over the change. Its advantage with the resistant employee you reduce the chances of them spreading negat others. You also give them a status in their peer group as they are informed a

6. **Explicit and implicit coercion**
This approach is used when time is very short and the need for change is cru risks total failure without making changes. It can show in large-scale redun recruitment freezes, and salary and wage freezes. Essentially it is a situatio organisation is of more importance than the welfare of the employees.

3.10. Questions

ABC Company wants to introduce performance appraisal for their employees. employees had a sit-down chat with their manager about their progress that ye learn to improve their job the next year. Salary increases, although low (only 5 employee had no disciplinary actions on their work record.

Under the new system of appraisal, employees would be set targets to achieve salary increases depending on how well they met their targets. They would als programme where they would have to attend training in at least three areas du

ABC are aware that some of their employees are less skilled than others and th flexibility of staff to work in other departments. They see the appraisal system employees and increase their skill level.

1. Discuss and explain why some of the employees may resist the new appra

2. Outline a six-step process that ABC could implement to overcome this resi

3.10.2. Managing organisational culture

The importance of organisational culture

! Key Points Covered

- Handy's task, role, power and person cult... The reasons for an...
- The influences on organisational ... organisational cult...

An organisational cu... ...e accepted norms, attitudes, beliefs and behaviour... organisatic... cu...re of a business can be identified in a number of ways, in...

- how em...yees communicate with each other
- to whom employees are expected to speak regarding issues
- the procedures followed for decision-making
- where people are located within the business
- the routines that are followed, including the type and frequency of meeting...
- the extent to which the organisational structure is obeyed regarding chain o...
- the criteria which are used to allow people to be part of an informal group o...

Business culture is important for a number of reasons, including:

- It influences whether a business can **respond to external changes**. For examp... successful business it became complacent and to some degree believed succe... It was ill-equipped to respond to increased competitic... ...m overseas car ma... and early 2000.
- **Employee relationships** are influe... ...e business culture. It will dictate... work with each other and ... ...in harmony or not.
- The **organisatic...** ...u...e is influenced by the organisational culture, as th... makin... ...tra...ed or decentralised. The level of employee participation is... making... ...s at the top of the business if centralised, whilst in a decentrali... delegation.
- The **leadership style** adopted by the business is influenced by the organisatio... whether an autocratic or democratic approach, for example, is used and whe... their style or remain loyal to one type. If the culture is to use one particular s... satisfactory when the business operates in an unchanging market, but as con... the experience and confidence to apply a different style to cope with it.
- In a **them and us culture** employees will be used to senior managers making t... to put forward their own ideas, when it could make a real difference to busin...
- At times **change** will be a requirement for most businesses. This can be very ... which does not support change or allow for it.
- The **success** of the business is determined by the c... ...hich exists. A cultu... prevailing circumstances can result in busi...es... pe...mance suffering.

A strong corporate culture i... ...me... ...mportant as it can be the difference bet... is not one culture w... ...r wrong. The internal and external conditions w... best for th... ...es...

Strong and Weak Cultures

The strength of a company's culture can depend on a variety of factors, such as h its organisational structure looks like, its public reputation and even how the bus two businesses are alike, and neither are the factors that determine their culture

Strong culture

Music streaming company, Spotify, has a thriving culture which encourages emp to be innovative, their mantra is growth. This fosters a shared spirit within the company whereby every employee can strive for growth. Similarly, Google, has n name for itself as an employer that values the work-life balance and allows tim employee-led innovation.

By being flexible with time commitments, Google is able to motivate its workforce

Weak culture

Car-hailing service Uber may be an extremely successful company, but its hierar While the firm's in-office staff may be motivated in a variety of ways, the taxi dri flagship work) are employed as contractors. This means that drivers have fewer directly by the company, potentially leading to loss of motivation. Drivers are un any point either, meaning they get no direct contact with the business. This can high turnover of the workforce.

Energy provider BP is responsible for the 2010 Deepwater Horizon oil spill that o Tony Haywood, the company's former chief executive, received significant critici National Academy of Engineering (NAE) claims that, rather than one person bein weak culture that led to cost cutting and, eventually, this disaster. Though BP is the financial costs of a process, the NAE suggests that the company's culture wo measures from happening.

Charles Handy's Four Cultures

Not all organisations share the same culture, but different ones can be found in t Handy classified four types of organisation culture:

- power culture
- role culture
- task culture
- person culture

A **power culture** is usually found in small businesses. There is a powerful individ small group who are dominant and make all key decisions. As they are at the he the decisions made their influence spreads out to others with employees looking them for guidance on what to do. This culture can allow for quick decision-maki does not develop employees to think independently and make their own decisio the business expands those at the centre of decision-making may find they are n longer able to cope due to the increased volume of work.

A **role culture** tends to be implemented as businesses grow. It is very much linke bureaucratic system with employees having their roles which are prescribed in t description. Control over decision-making and supervision of subordinates is bas the organisational structure and is not deviated from. Rules and procedures are significant in a role culture. Communication is based on the chain of comma whilst coordination and control radiates from the top of the hierarchy. An organ with a role culture is considered predictable as employees do as they are told. However, any unexpected event can lead to the business being ill-equipped to c a role culture tends to be inflexible and does not allow for individual initiative to problem solve, as those at the top of the hierarchy determine the action to be fo

A **task culture** tends to be associated with a particular job or project. A project w
have a particular team and individuals are brought into them, as and when they a
able to provide a required skill or understanding. The value of the individual is n
based on their job title or age, but the value of the contribution made to the tea
A task culture is empowering as individuals are given control over the way the project is to be completed. However, making use of different types of experts ca
cause coordination problems, if they are coming from different departments, branches, etc.

A **person culture** is evident in organisations where individuals share a similar educational background [illegible] groups associated with specific professions, including teaching and accountancy. They may work in groups to share their expertise, but the organisation is the means for them to further their expertise a
possibly careers. Although groups can be recognised, individuals act independen
and believe they are superior to the organisation. This culture is effective in organisations where independent working is a requirement, such as hospital doc
but can be problematic if a more centralised approach is necessary, as individual
used to controlling what they do and how.

Good to know!

The **entrepreneurial culture** was not classified by Charles Handy, but is one w
initiative, encourages risk taking and sets both financial and quantitative goal
demonstrate their initiative the organisational structure is flat and flexible, th
over the ideas and decisions they implement. These types of organisations h
This can encourage employees to demonstrate their potential not only due t
will not be punished for the odd failure. However, it is unlikely employees wi
even employed if failure is on a regular basis.

Influences on Organisational Culture

Organisational culture can arise through a multitude of factors, from the viewpo
founded the company to the type of product that the company sells or even the
who use the products.

Ownership: the original owners of a company refusing to take a step back from i
have a significant impact on the culture. Employees may feel anxious by the feel
Depending on the owners' approach, however, employees may feel more secure
ask the owner for assistance.

Key staff: recruitment and promotion of main roles, such as HR manager and chi
culture of a company where targets and expectations are fed down the hierarch

Hours: companies must provide their employees with a minimum of 20 minutes
work, though this time does not have to be paid. Some companies choose to off
others pay their staff for breaks and allow more than 20 minutes. A business tha
more likely to motivate its employees and [illegible] loyalty.

Nature of the business: the type of product or service that a business sells can h
A firm that [illegible] books for children, for instance, may foster a creative
workforce to [illegible] good stories. An accountancy firm, on the other hand, may
and attention to detail. While this may relate to the goods a business sells rathe
true for most firms that happenings in one area of the business (e.g. goods prod
area (e.g. the overall company culture).

Changing Organisational Culture

The organisational structure is not static and can change over time for a number

- A **new leader** may be unhappy with the organisational culture and seek to ch familiar and believes will provide success. Adam Crozier became chief execut about modernising it by increasing the levels of technology, changing working offices and making staff redundancies. Part of his strategy was to modernise European businesses, as the loss-making business has to improve. The cultur from one where industrial action was constantly taken when change was ann and employees were willing to work in collaboration with the leaders to reach
- A **merger or takeover** can lead to the culture of one of the businesses being In 1998, the vehicle manufacturers Daimler-Benz and Chrysler merged. The method centralised approach with authority given the appropriate respe hierarchy; Chrysler embraced empowerment and encouraged creativity and executive attempted to adopt a centralised decision-making approach at Ch employee resentment within the latter.
- The **external environment** can lead to an organisational culture changing, p government and economic growth influences. Ford was dominant in the ca increased competition from Asian manufacturers revealed the business had respond to market changes. Allan Mulally who was appointed as CEO in 200 of the business, which at the time was known or infighting and demonising considered these key factors which influenced Ford's lack of competitivenes structure, so managers were able to stay on top of market changes and em communicate openly with each other without fear of criticism.
- In the 1980s onwards many UK businesses believed the way to **improve per** from a centralised organisational culture to one that allowed greater emplo management (TQM) and kaizen. This involved changing the culture of the b making radiated from the top of the hierarchy to one where employees felt process, along with putting forward ideas and implementing change w command for permission.

Difficulties Changing an Established Culture

Changing the business culture is not so straightforward, as a leader attempting t following problems:

- Employees may not understand the need for change, either due to the fear t are used to the way things have been done and do not see anything wrong w which is exhibited in the form of many meetings between union representati and/or industrial action. The implementation of strategies required for chang
- If the **communication** to employees regarding why change is necessary is not commitment. Although they may give the signs that they will work according they do not, thus resulting in the culture remaining unchanged.
- If **employee participation** has not been part of the decision-making process i change and how, it could lead to the strategies implemented for change failin process and will not provide the required effort or commitment.
- Changing the organisational culture may involve different **resource allocation** some receive a lower level of funding or allocation of other resources, which those employees who are part of that department. This can lead to their com change lacking.
- **Funding** may be needed to change an organisational culture, possibly for traini culture; it may be difficult for those firms facing financial difficulties to find the f
- The **organisational structure** may in itself be a problem when changing the org hierarchical with decisions made based on the role of people within it, employe and us' culture. Changing a culture to one where there is employee participati doubt, as they may still believe that senior managers wish to control each decis not providing the required commitment and effort, as they doubt the integrity

Achieving an A grade

The culture of a business should not be based on how it is described by others the indicators which are noticeable. The existing culture of one business may inappropriate to another, but if it provides business success it is right in that

Do not presume an organisational culture can change quickly, as the response influence the time

The person initiating the change will have a significant influence on how othe respected and trusted this is likely to encourage the support of employees, w implement.

Remember how people communicate with each other, the decisions made an all be influenced by its business culture. Any form of change in the business w which exists and will determine the level of success achieved.

3.10.2 Questions

Please write your answers on a separate piece of paper or in an exercise boo

1. Explain the difference between a task culture and a role culture.
2. Explain **one** o[illegible] an organisational culture changing.
3. D[illegible] gree that the UK has an 'individualist' national culture that aff in [illegible]isations?

3.10.3. Managing strategic implementation

! Key Points Covered

- How to implement strategy effectively
- The value of leadership in strategic implementation
- The value of communication in strategic implementation
- Organisational structure: functional, product-based, regional and matrix s

Implementing strategy effectively

Strategy is a top-level function within an organisation, much like the generals le towards winning the war. Unlike soldiers, employees at different levels of a com orders' and so, as discussed earlier, there can be resistance to the battle plans. S without implementation; without action, strategy is just talk and nothing change

> **Key term:**
> ***Strategic implementation*** – How an organisation manages its resources to a se its overall objectives

Effective strategies are the ones that deliver results, measurable results against a

Managing change is essential within a business, if it is to be carried out with the stakeholders and effective use of resources at the right time. Any failure in man could result in a business delaying the desired effect or not achieving it at all. Ho the leadership of change, which is different from the on-the-ground change man

The value of leadership in strategic implementation

There is an old Turkish proverb – 'the fish rots from the head down' – and the sa many organisations. Poor leadership will speed a company to disaster far faster t worker on the shop floor. Conversely, strong, focused leadership can implement have the support of the whole organisation and achieve the desired results far qu a lower level. Someone within the organisation must be able to keep their eye o a complex process and the job of leading is to always know how the pieces fit to strategy. A strategy is only as good as the steps taken to achieve the ultimate go the potential to encounter resistance and a leader will have identified those pote ways around them.

When the motivation to implement these steps falters, a leader will become inve importance of this strategy to the company's survival. At each level of leadershi desired result. So, a board of directors will agree on strategy and senior manage and responsibility for each aspect of this strategy. They, in turn, will involve the implementing the steps needed for the strategy to succeed.

The value of communications in strategic implementation

If a strategy is misunderstood or badly communicated it is likely to fail. Each leve understand the what, when, how and WHY of a strategy for goals to be ach

La Jolie Munch Patisseries want to expand in the next two years but ther across their growing chain of restaurants. Before they can expand they need to b agreed standards.

Strategy: Improve customer service across a chain of restaurants procedures.

Rationale: Falling customer numbers at 45% of the chain's restau customers on TripAdvisor and in questionnaires show t performing very badly in comparison to others.

Overall objective: Improve customer retur m s across the chain and restaurants in t t years.

Strategy in more det

1. Stan m u across the chain to eliminate supply chain differences
2. Reduc pliers to 50 to reduce variations in costs and ensure quality
3. Set waiting time targets – for customers at the door, when sat down, betw
4. New uniform for staff to make clearer identity to customers
5. New waiting procedures – greeting, laying and clearing tables, etc.
6. New training programme for waiting and bar staff

Etc.

What do the employees need to know?

1. **WHAT** new strategy is – improved customer service – measured by good Tr customer numbers
2. **WHAT** effect on head office – new contracts with suppli s, negotiations on
3. **WHEN** – timeframe for changes
4. **HOW** this will be imple d ew uniforms, training schedule, meetings assessed, etc.
5. **WHO** t cts – workforce customer-facing in all restaurants – but best p restaurants. Head office personnel who negotiate contracts, chefs who des
6. **WHY** the new strategy? Target for expansion – target for going public and e and bonuses – loss of earnings from 45% of chain portfolio in a competitive close the loss-making restaurants

The importance of organisational structure in strategic imp

The structure of an organisation must meet its strategic needs. Some organisation the global marketplace, while others are relatively small, working in a local or natio organisation's size or structure it must be fit for purpose; that is, meet the needs o capable of responding quickly to change in a dynamic business environment (i.e. a its structure if it needs to). Business structures are demonstrated using organisatio

Organisations are usually structured to meet their most pressing objective. A ma based structure so that within an overall organisation the structure may be product teams each acting as a separate profit centre. This allows the manufactu product ideas without affecting the whole business portfolio. Each product team and communication a sense of team identity. Again, new practices and proc product tea re implementing the strategy across the organisation.

Regional structures, where a company is organised into regional divisions which areas, allow a company to be closer to their end user and differentiate according mean countrywide, as in McDonald's' worldwide presence. In their case, there a that consider local religious and dietary requirements and preferences. What is their franchise training methods, their expected customer service standards and to support their branches, whether McDonald's owned or a franchise. Each outl McDonald's has established as being the most efficient to ensure their delivery a implementing their growth strategy, one of the aspects they included was a unif service; initially across the United States and then adapted to expand worldwide

However, in 2015 McDonald's changed its organisational structure to better imp return on investment more closely. This was a strategic decision and implement

1. Control of operational activities is centralised at HQ as a global hierarchy

2. Regional operations have been combined – so they no longer have USA/ various country operations are grouped by performance.

> *'After the reorganization, McDonald's used performance as basis for the new di structure: (a) U.S., (b) International Lead Markets, (c) High Growth Markets, an Corporate. The U.S. accounts for more than 40% of McDonald's revenues, and high-growth markets account for 10% of revenues.'*
>
> Source: **http://panmore.com/mcdonalds-organizational-structure-analysis**

3. The third organisational layer is functional – human resources, finance m control of the basic functions of the business.

The strategic implementation of this organisational change has allowed McDona where they are making their profit and to intervene in specific areas that are und performance targets. It allows them to set different timescales, for example, fo opposed to a high-growth market to deliver the expected returns.

As companies evolve so do their organisational structures and although a hierarc common, more and more companies are adopting a matrix structure as a strateg efficiency and a more responsive organisation adaptable to change.

Strategic advantages of matrix structures:

1. The project is staffed and implemented by employees who have been chose particular functional area and is, therefore, more likely to be successfully co
2. The project takes on board a wide variety of employees with different speci different decision-making thought processes, and so avoids the narrowness of selecting personnel from only one or two functional areas.
3. Projects are usually time-bound and must be completed within a specific tim restricted and must be completed within a specified financial budget. These motivational factors for both the leader and the team members.

3.10 Questions

1. Considering the new structure for McDonald's as explained above – what disadvantages of this structure for strategic implementation of change wit

The value of network analysis in strategic implementation

! Key Points Covered

- Network analysis to include:
  - understanding and interpreting network diagram
  - amendment of network diagrams
  - identifying the critical path and total float

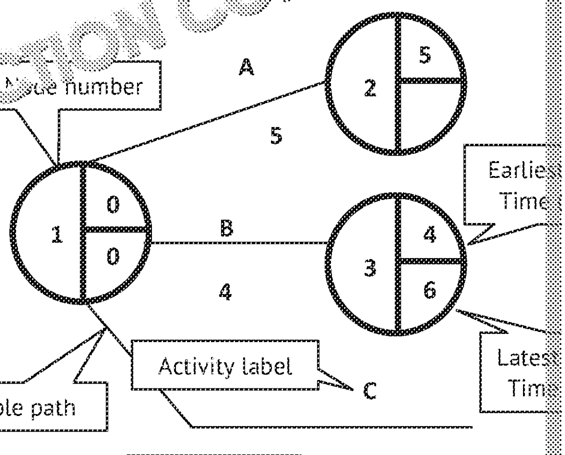
Nature and Purpose of Network Analysis

Network, or 'critical path' analysis is a method that managers use in order to org complex pr... a 'project' being anything from launching a clothing line to in such as overhauling a company's computer operating systems or moving an enti laptops.

The 'critical path' presents the key elements of a project that must be completed the critical path falls behind, the entire project falls behind.

Project managers use critical path analysis in order to identify each element, the the time that each should take to complete. Managers are then able to calculate amount of time that each element should take without causing the project itself

The overall goal of critical path analysis is to utilise the least resources (human a in the least amount of time.



Each node (circle) represents a milestone in the project that must be reached before later nodes (to the right) can happen.

The lines coming from each node indicate a **possible 'path'** through the project – the next activity that needs to happen.

Each activity that must happen in the project is given a **label** and time

In this example, activities A, B and C can happen simultaneously. So which do we amount of time it might make sense to start the longest activity, A, first. How happen before other activities can – so the critical path, which completes the pro time, might dictate that we start with B or C. We will not know until we look at t

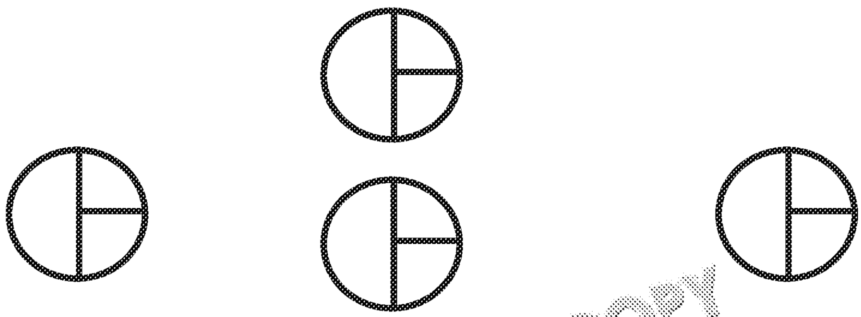
Using Critical Path Analysis

Let's construct an example diagram based on making a cup of tea – start simple!

The following information assumes that milk goes in the cup first then the sugar w
same time:

Activity letter	Activity description	Time activity takes to com
A	Boil kettle	3 minutes
B	Pour milk into cup	1 min
C	Put teabag in cup	1 min
D	Put one sugar* into cup	1 min
E	Pour boiling water onto teabag	1 min
F	Squeeze bag	1 min
G	Serve	2 mins

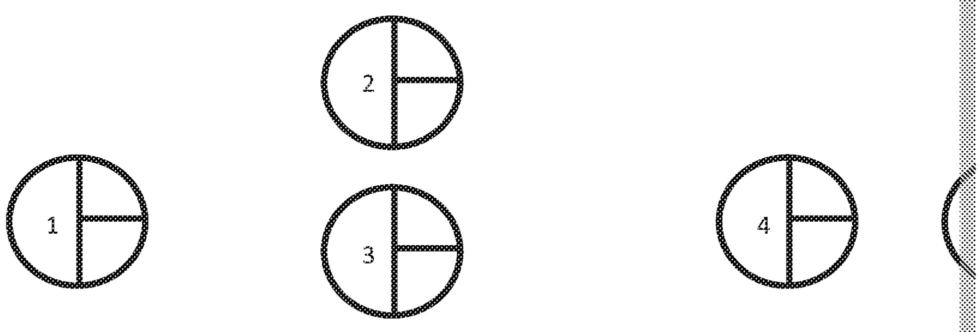
Now let's transfer this data to a CPA diagram:



Here are all the **nodes** in the diagram – the circles are nodes. Every activity or ev
node. You boil the kettle at node 1 and it stops boiling at a different node.

Step 1

Number the nodes. This is not necessarily the exact order of activities – you just
identification.

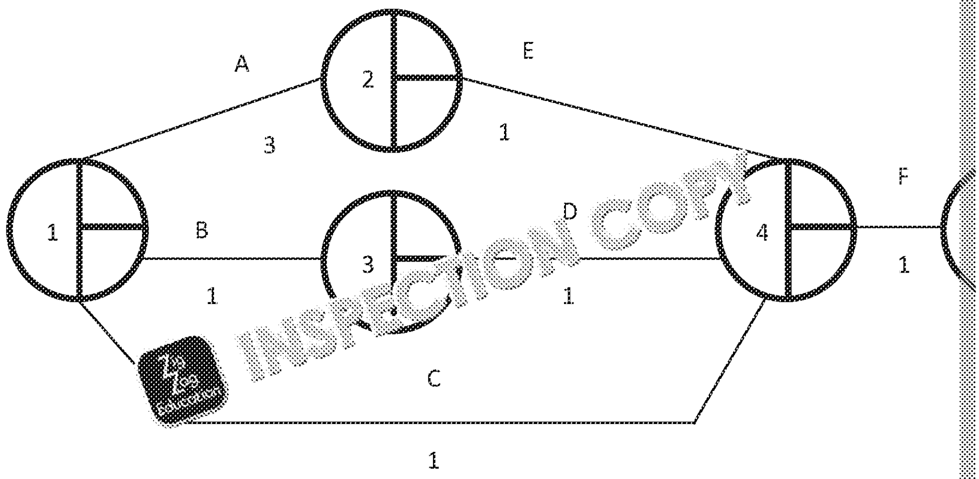


Step 2

Add in **lines** these are the **activities** in your tea-making project. Try that now wit
Remember three activities start at node **1**.

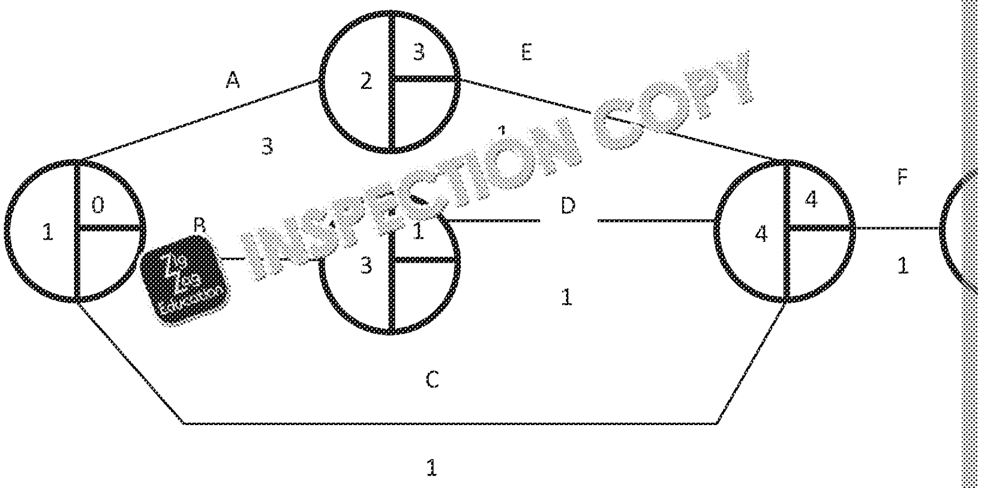
The answer to this example can be found on the next page.

Answer to example:



Step 3
Add to the lines the **name of the activity** (we use letters to make the diagram ea[sier]
below the line. So C/1 is 'Bag in cup' and takes one minute to execute.

Step 4
Now calculate the **earliest start time (EST)** of the project – we always assume th[e]
0 (zero), if you start at day 1 that would be wrong. We put it into the **top right** o[f]

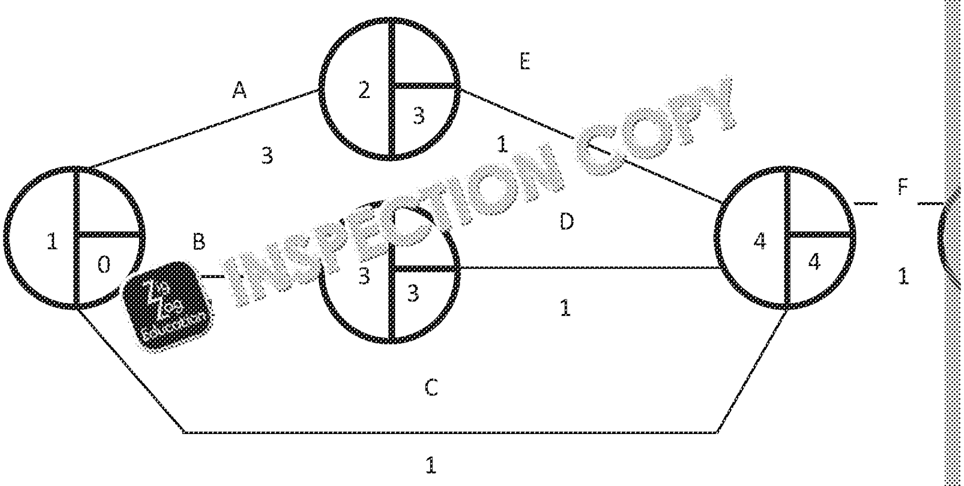


To get the EST figure add the activity times:
Node 2 = 3 minutes = 0+3
Node 3 = 1 min = 0+1
Node 4 = 4 minutes = 0+3+1
Node 5 = 5 minutes = 0+3+1+1
Node 6 = 7 minutes = 0+3+1+1+2

Notice at node 4 the EST is four minutes and not two minutes – you have to wait
completed before moving on ... example is waiting for the plaster to dry before
with no water on it. So activities just have to wait for others to be done first,
that kind of ... This tells a manager what is the earliest some project activities ca
plan for resources to arrive. It also gives a rough finish time if all goes well – in th
get a cup of tea.

Step 5

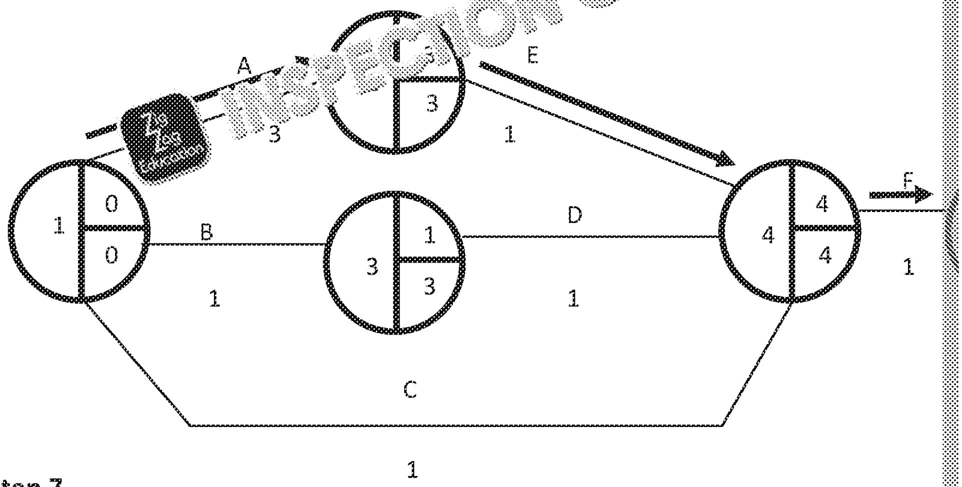
Now calculate the **LFT** or **latest finish time**. To make this calculation you need to
diagram. LFT times go in the bottom right of the node. Start at node 6.



Node 6 = Task G must be completed by the 7th minute
Node 5 = 7 – 2 = 5
Node 4 = 5 – 1 = 4
Node 3 = 4 – 1 = 3
Node 2 = 4 – 1 = 3
Node 1 = could have been 0 or 3 or 2 (we take 0 because we want the earliest tin

Step 6

Now put both LFT and EST together:



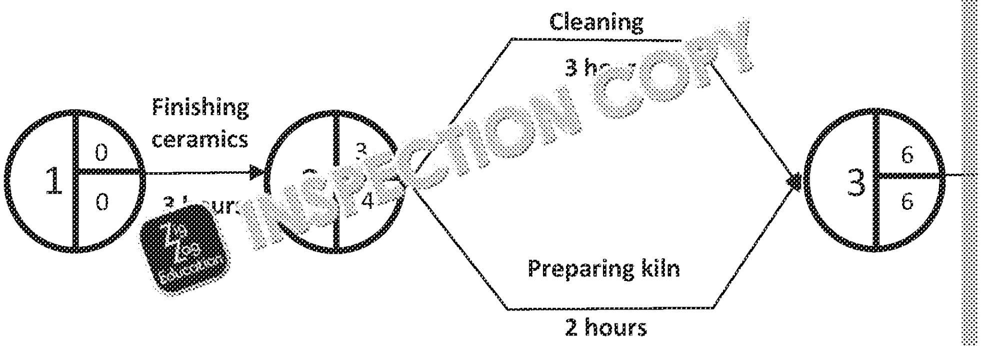
Step 7

The critical path is the one with the EST and LFT the same. This means there mu
activity before moving on to the next; if there are delays then the whole project
the critical activities are A, E, F and G. Let's go back to [illegible] original plan and see i

A	Boil ket[illegible]	**F**	Squeeze
E	[illegible] boiling water onto teabag	**G**	Serve

Total Float

The total float of a task shows how much delay is available for it (i.e. whether it c much time). The process of a ceramic vase manufacturer, for instance, might inc the vases ready for painting and glazing.



Total Float = Latest Finish Time (LFT) of task – Earliest Start Time (ES

The total float for preparing the kiln, therefore, can be ca

Total Float for Preparing the Kiln = 6 – 3 – 2

Total Float for Preparing the Kiln = 1 hour

The manufacturer has one hour of leeway when it comes to preparing the kiln. may decide to begin preparing the kiln up to one hour after they have started cle

Going f[illegible]e A grade:

- *You may have gathered that the diagram does not have putting a teaba as a critical activity so obviously there is some room for common sense t to the diagram.*
- *If the kettle is late boiling then the whole project will be delayed, usually that needs to be completed before the rest of the project can move on. of a shed needs to set before the rest of the shed goes up.*
- *The critical path is the longest route through the diagram.*
- *Activities not on the critical path can be delayed and not affect the who paint may not turn up on day 1, but it won't delay the finish time of th not needed until day 10.*

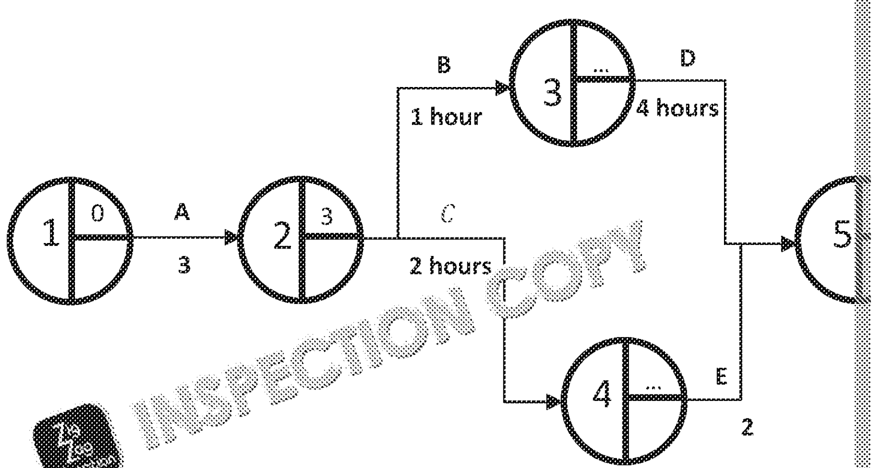
Advantages and Limitations of Using Critical Path Analysis

Advantages of Critical Path Analysis	Limitations o
Used as a management planning tool, useful for project based management.	Usefulness is limited in operations; the diagra be a useful tool.
Identifies at what point in the project resources are required – this includes perhaps skilled employe participation, e.g. a painter cannot pain the plaster has dried. Knowing this it the painter from being em day 1 and sitting around idl in if you have seen it or similar DI mmes on TV.)	Requires good resourc diagram, for example i and does not arrive th of the planning and pr
Estimates the minimum completion time of the project – which means that management can quote for a job and give an estimate of the finish date. Many building projects incur late finish penalties if they are late, so a planning tool like this can avoid a hefty fine.	Does not take into acc delay the project, such outside of a house.
Management are able to let the client know if there is a delay prior to it happening. If the critical path activities are delayed at the start of the project then management will be able to make useful decisions based on that knowledge. If tasks are likely to be delayed then management can move resources to try to reduce the delay – for example getting the painter in early to help with the plastering.	May be useful as a gui flexible document it w the project take place because of its rigidity. need to be constantly companies do use CPA antt charts.
Reduces waste as management can plan d; be wages saved from not having around (the painter) or just hav es arrive as and when they n e.g. a skip or a digger.	Staff are suspicious of use to micro manage a by. They may blame p use it as a scapegoat.

3.10.3b Questions

Please write your answers on a separate piece of paper or in an exercise book.

1. Ruth Maxton is a seller of used cars. The diagram below shows the tasks (has successfully sold a car to a consumer.



a) Calculate the earliest start times for Nodes 3 and 4.
b) Calculate the latest finish time for Node 6.

2. Ruth Maxton regularly follows the critical path analysis highlighted in ques for her in relying on this method.

3.10.4. Problems with strategy and why strategies

Difficulties of strategic decision-making and implementing

Key Points Covered

- Difficulties of strategic decision-making and implementing strategy
- Planned v emergent strategy
- Reasons for strategic drift

Before making strategic decisions and implementing strategy, top level managem purpose of the strategic process and how they communicate this with the rest o or a science? Entrepreneurial, risk-taking organisations may favour the art appr innovation as the driving force behind strategy. More conservative organisation as a science, backed up by empirical research and supported by statistics. It will culture of the company as to which approach is dominant. In either case a certa mathematical tracking is required; a company must know if its strategy is delive

The communication of strategy brings its own difficulties. If an organisation is in action, this knowledge may only be shared among senior management initially u formulated. Tough decisions, such as redundancy and outlet closures, will not b details have been carefully identified as the resultant demotivation could cause t When difficult and company-wide decisions need to be taken there will be a cert at the outset. An organisation can expect resistance to change as identified prev difficulty to any strategic decision. Implementing strategy requires cooperation f middle management level.

The commitment to a strategy brings with it a series of choices. In a rapidly chan proponents of a free-thinking strategic approach would argue that business need strategy. The downside of this is that without a reasonable period of time no str as good practice. Employees and investors become nervous if there is no clear d measurable targets. Flexibility should not abandon planning, but becoming too e opens the organisation up to risk from competitive activity that is more flexible. be missed if they don't fit neatly into a strategy.

Ultimately it is a balance between keeping the organisation on track but not bei action so that you miss out on potential opportunities to increase profit and/or m

Planned and emergent strategy

Two very influential academics in the field of corporate strategy are Michael Por they hold contrasting views on which is the better strategic approach. Porter fav approach while Mintzberg favours emergent strategy.

Firstly let's remind ourselves of Michael Porter's 'Five Forces' model. This analys next level: Porter describes the competitiveness (rivalry) of a market as determi The structure of a dynamic market is constantly changing and so, in order to ach have good information on each of the external factors. See overleaf for a remind

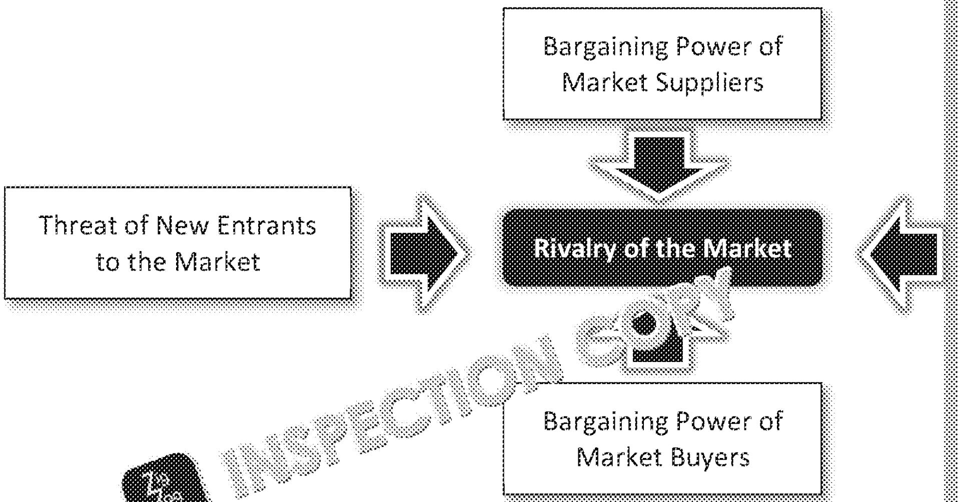


Diagram: Porter's Five Forces

By contrast, Mintzberg sees strategy as being an approach that evolves in respon encounters as its trades. It is a more responsive approach based upon an organi learns what works or is not working.

> Emergent strategy is a set of actions, or behavior, consistent over time, 'a reali expressly intended' in the original planning of strategy. When a deliberate stra matches the intended course of action. An emergent strategy develops when a actions that with time turn into a consistent pattern of behavior, regardless of strategies provide the organization with a sense of purposeful direction.' Emer organization is learning what works in practice. Mixing the deliberate and the e will help the organization to control its course while encouraging the learning p pursue ... umbrella strategies: the broad outlines ... deliberate while the deta them' (Mintzberg, 1994, p. 23–25; Hax & Majluf, 1996, p. 17).
>
> From Mintzberg, H (1994). *The Rise and Fall of Strategic Planning*. New York, NY: The F Hax, A C and Majluf, N S (1996). *The Strategy Concept and Process, A Pragmatic Approa* NJ: Prentice

One could argue that in the twenty-first century with the increase in communica more fluid than they have ever been.

There are plenty of emergent strategy examples where a company started off in a totally different product/idea or concept by responding to what the market sai away strategic thinking or decision-making, but not to be too tied to the outcom

Groupon founders started out as *ThePoint.com*, an online platform for petitione of causes. It attracted a lot of press as users came up with some crazy ideas but advertising revenue to be sustainable. However, some of the Point's most succe together in joint buying power and the founder began finding deals where they bought the deal... and so Groupon was born.

The pharmaceutical industry is full of research and development strategies that depression medication that had a side effect that the users stopped smoking – it cold medicine that kept putting people to sleep ... rebranded and sold as a night-ti

Emergent strategy has an element of planning but requires that strategists according to market response.

However well planned a strategy, an organisation cannot guarantee that it will w have their own strategies that can throw an organisation off course. The busine change, disaster, economic collapse in supplier countries, civil war, and political approach and analysing the industry they operate in no organisation can foresee even planned strategies need an element of contingency planning to mitigate ris change in environment.

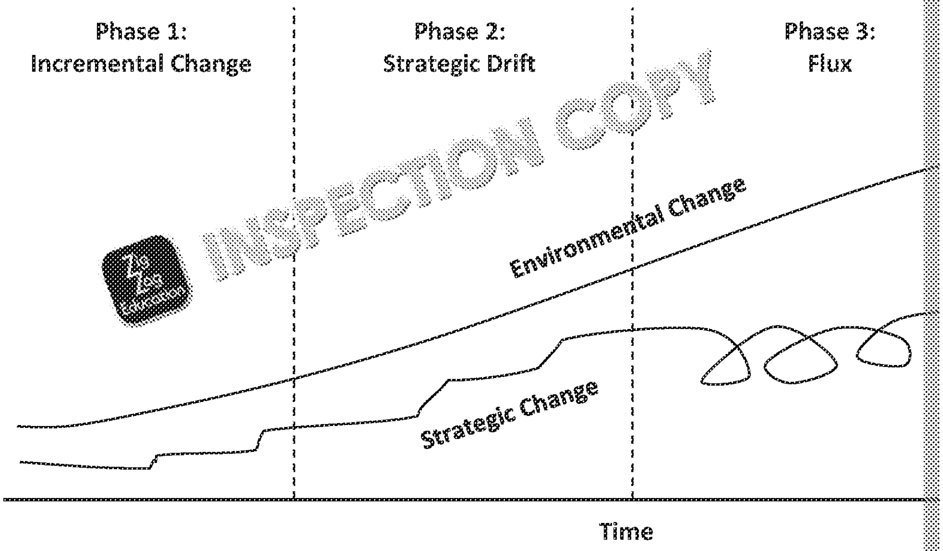
The emergent strategy is more flexible but can be difficult to monitor and requires
that may not exist in highly structured organisations. This is where the personality
people at the top of an organisation will have significant influence. Most academic
strategy is crucial and that the style of that leadership will tend to influence which

Reasons for strategic drift

Sometimes a business gets it wrong and a strategy fails, sometimes resulting in t
that the changes in its environment are small incremental changes at first and th
strategy. Then, the changes become more significant by which time it is too late
is strategic drift – a gap between its strategy and the change around it. Ulti
to make a radical shift in strategy, lacking the resource to do so, will fail. Block
strategic drift – failing to grasp the opportunity to rent online and its stores simp
had too few customers. Netflix plugged the gap and took advantage of this chan
is thriving as a result.

> **Key term:**
> ***Strategic drift*** – When a business's strategy cannot match its environment and
> resulting in failure

Strategic drift has four phases – the first is when small changes in the environme
matched by small changes in strategy; this is followed by a drift, followed by a st
its highest, and then, finally, the organisation either makes radical changes to re
fails. Small shifts in strategy will not work as you enter the drift phase as the incr
environment are accelerating and, to succeed, strategic changes must also accele



So why would an organisation leave itself open to the possibility of strategic drift
that believes there is only one way to conduct business could be one reason. An
success to date; where a previously successful company sees no need to change
environment is another reason; perhaps aggressive competitive activity is regard
technological change as a passing fad. Sometimes senior management simply w
change through stubbornness or clinging to tradition.

3.10.4a Questions

1. Identify four factors that may cause the business environment to change a
   organisation's strategy.
2. Considering previous learning on flexible organisations and structure, sugg
   could mitigate against strategic drift.

Evaluating strategic performance

Whatever strategies an organisation puts into place they are ineffective if not ev associated with strategic drift is lack of awareness that strategic change is not ke change. To avoid this happening an organisation needs to follow a process of ev

Initially it is important to set out the benchmarks for success. Broad strategies s and ineffective; they are also difficult objectives to achieve for lower levels of ma strategic objectives needs to be SMART – specific, measurable, attainable, releva difficult in times of turbulent economic change as the measures can change, influ changes, interest rates and exchange rates.

Broad strategies that have their roots in innovation, nevertheless, need quantify measured. Examples of benchmarks could be a 10% reduction in raw materials c productivity % increase in market share.

Breaking into a new market, for example, will take investment, an outgoing cost investment should be identified, e.g. recover investment in first 12 months and i next 12 months, etc.

Strategists need to ask themselves, 'What does success look like?' If the implem what the outcomes should look like they will be ineffective at implementation.

Once benchmarks are set they need to be constantly monitored. Built into any s points; checks on progress and plans to intervene if progress is not meeting expe strategic plans fall apart. The business environment changes so rapidly that a pla looking like a disaster by March. Blaming external factors will not set the plan ba organisation will have contingency in place and adapt to the changing circumsta

When measuring performance against the benchmarks there will be variance an attached to these variances. Judgments have to be made as to whether the over and expected or are there variances that ring alarm bells?

For example: a company outsources part of its operations and cost savings are e months. However, sales levels and customer numbers are reducing too. The co the quality of outsourced work or bring the work back in house. If there is a company doing the outsourced work can be penalised for quality failures, but, u customers return, the long-term effect is a reduction in revenue which may not b the company reputation is damaged. An actual example of this was in 2016 whe refuse collection and street cleaning which had previously been outsourced to a (See *http://www.liverpoolecho.co.uk/news/liverpool-news/liverpool-council-prep*

This was after numerous complaints by residents and poor management of the c previously been employed by the council. The result was an improvement in qu savings although they have also increased the number of on-the-spot fines for lit

Once strategic performance has been analysed, variances identified and weighting must decide on a course of corrective action. A common failing is too little action, Traditionally business reviews its performance annually with reports to sharehold times this annual review may not be timely enough. Especially crucial when imple more regular reviews are required and it may be a small tweak is needed to get ba rich nowadays so there is little excuse for not knowing' what is happening. Syste place to give regular feedback and take corrective action as soon as a problem is id

3.10 Questions

1. Identify how the different stakeholders within a company might react to a overseas to reduce costs. Explain why at least three different stakeholder what they might do about the plan.
2. Suggest three ways a company might evaluate its performance against stra technology. Explain how IT can support strategic evaluation.

The value of strategic planning

! Key Points Covered

- Corporate strategic plans
- Value of strategic planning

A **corporate plan** is a written document [illegible] summarises the following:

- internal and external bus[illegible] st[illegible] and areas of development
- corporate objec[illegible] [illegible] on the strengths and areas of development iden
- the m[illegible] o [illegible]g-term corporate strategies, which document how the cor

The corporate plan does not detail exactly what is to take place within each functi for the whole business, which influences the functional areas. Each functional are strategies based on the corporate plan. This ensures there is a common purpose t functional area focuses on achieving the corporate objectives through their own c coordination and cooperation between different functional divisions, as they work functional objectives and functional strategies require the support of other areas f

A corporate plan allows the business to identify the resources which are needed f and human relations. This can support any efforts to attract further financing, as t direction it is to take and how it is to get there based on a clear understanding of also the threats and opportunities that exist in the market. The corporate plan als resources on a functional level, as any area which is proposing a strategy which do wide approach will be required to review and amend their [illegible] in order to access

The corporate plan can also support dial[illegible] [illegible]tw[illegible]en the managers of function managers, as they discuss the [illegible] [illegible] functional objectives and functiona corporate plan provide[illegible] [illegible]ence point during these discussions to determi objectives a[illegible] [illegible]ct[illegible] strategies are clearly aligned with the corporate ones. this area w[illegible]r contributions should be working towards, thus prompting th functional objectives and functional strategies which are not conducive to the co

Once the corporate plan and functional ones are in place they are neither set in unchanged. The corporate plan should be reviewed on a regular basis and amen changing circumstances and this should be replicated at the functional level. Th judge business performance. It can be used to assess whether the strategy has h provides the mechanism to assess why. It may be the external environment has business was unrealistic in setting the corporate objectives, for example. If the p basis strategies may be pursued which are no longer viable and do not allow the achieved. Furthermore, without regular reviews a business may continue to inve does not provide the medium to long-term benefits anticipated.

The Value of Strategic Planning

A corporate plan provides direction for al[illegible] [illegible] of [illegible]usiness. It provides a comm towards. It communicates to both [illegible] [illegible] internal stakeholders that the bus targets it should focus on [illegible] [illegible]portantly how to achieve them. This builds and function[illegible] as [illegible] role has value, as it contributes to the business perf certain that [illegible]vestment is secure, as measures are in place to develop the bu

The corporate plan provides the framework on which each functional area will s may pursue their own personal goals, which are not to the benefit of the busine encourages communication between functional areas and with line manages, w there has to be some coordinating between them for the overall corporate plan it is not something which can be solely achieved by a board of directors or one p… requires collaboration and cooperation.

The corporate plan encourages a business to analyse its strengths, weaknesses, … realistic corporate objectives and strategies are detailed.

A corporate plan cannot be rigid and once constructed left to gather dust in the … be a live document which is reviewed and adapted on a regular basis, as both int… change over time.

A business operating in a market which rarely changes may consider a corporate … time, as objectives and strategies are likely to remain relatively unchanged. Som… analysis is required on a consistent basis, to ensure that the corporate objectives … appropriate as influences change.

Achieving an A grade

The degree to which a corporate plan is of value will depend on whether the … strategies set are realistic when considering the internal and external influen… share similar external influences, why might the internal ones lead to differe… strategies? To what extent have the leaders' attitudes, financial position or sk… for example, influenced the different approaches?

Do not fall into the trap that a company which does not produce a corporate … may exist in a market with very little competition, if any at all, and does no… one. However, there is a danger that a business could become complacent an… remain unchallenged, but in reality, a market leader can always be dethroned … form of a plan. However, the size of the business and time available may infl… within the corporate plan.

A corporate plan may be of little use to a business if it is not followed and d… the decision-making of the functional areas. In these circumstances it could b… through the process of producing one, if it is not to be used across the whole … leadership in place is no longer respected or it has been poorly communicate… organisational structure?

3.10.4c Questions

1. Outline the purpose of a corporate plan. (6)
2. Explain **two** benefits of a firm producing a corporate plan. (6)
3. Explain **two** reasons why a business may not produce a corporate plan. (6)
4. Discuss the extent to which all firms should produce a corporate plan. (14)

The value of contingency planning and crisis management

! Key Points Covered

- Contingency planning
- Crisis management
- Risk mitigation
- Business c
- Successio

Contingency planning is the anticipation of different business situations, emerge
decision of how to manage them. Businesses use risk and probability assessmen
trees (see 3.2), to decide which scenarios most apply to them and which of these

Natural disasters: most business owners understand that external factors pose a threat, though not every factor applies to every business. Farmers in the UK, for instance, are regularly affected by flooding and so must prepare for this eventuality. Some years, a farm may have only recently recovered from a previous flood before another arrives to cause thousands of pounds' worth of damage. Multinational corporations that own offices in locations around the world are susceptible to a multitude of disasters, such as earthquakes and volcano eruptions. In June 2016, Alberta, Canada was hit by giant wildfires that forced more than 88,000 people out of their homes. Not only that, but it suspended most of the businesses in the area, delivering a blow to the local economy.

IT systems failure: the majority of the world's businesses, small to large, are somehow entwined with computers. A small-time café on your local high street, for instance, will probably use a card reader in order to accept payment. Even *Big Issue* vendors can use card readers nowadays! A UK marketing firm may offer its customers various forms of payment, such as PayPal or credit/debit cards. All of these systems will be supported by the major banks where customers save their money.

IT systems make day-to-day processes quick and painless for the business owner. If any of these systems were to fall apart, however, there would be trouble. Businesses, therefore, need backup plans for this. The café, for example, can still take physical money, as can the *Big Issue* vendor. The marketing firm may have a greater problem with this failure as many of its customers will probably be based abroad.

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When it comes to IT, system failure is not the only issue, but security breaches, to
Dropbox was hacked via a third-party application in 2014, losing nearly seven mil
a result. The company was able to stabilise its systems and, in the end, return se
highlights the real dangers for all businesses that deal with IT on a daily basis.

Loss of key staff: no business wants to lose its key staff. A key member of staff c
managing director to a particular marketing executive who drove sales to levels p
member of staff might even be that IT manager who knows every business proce

A business needs to be ready for the eventuality of losing a key staff member. In
its most key staff member, Steve Jobs, to cancer. Steve Jobs led Apple, Inc. to so
computing products of all time, from the iPod and iMac to the MacBook, iPhone
is surely a different company, though one that would have had to prepare for if s
visionary leader came true.

Planning for Risk Mitigation

There are four main areas when it comes to risk mitigation:

- **Risk acceptance:** this involves a business, usually a small one, accepting tha risk is greater than the cost of the impact brought on by the risk.
- **Risk avoidance:** this is when a business decides to move away from a risk, p may remove its operations from one part of the world because of risk broug firm may stop producing a particular product becaus causing friction in
- **Risk limitation:** when a business accepts tha risk exists and then, rathe mitigate the effects of this risk. An might be the IT security of a bu way to lessen the effects of virus.
- **Risk transference:** a business handing its risk to someone else, part of

All of these methods of risk mitigation come into play when we talk about ***busine succession planning***.

Business Continuity

An important element of risk mitigation, business continuity ensures that a firm soon as possible following any disaster. A business continuity plan can help with

Example of Business Continuity Plan for a Computer Manufacturer	
Assess damage caused by impact	Systems are temporarily shut down so that the analysis tea have been affected. Other teams work offline in the mean
Agree a strategy	Company has various strategies already prepared in order types. Leadership discusses with key IT personnel in order for the situation.
Preparation	Employees are notified of the situa nd delivered an ac to the threat as efficiently a . Any equipment or b team is also notifie they can communicate with an

Succession Plannin

This eleme n enables a company to prepare itself should it lose help to thin s in terms of the monarchy: Queen Elizabeth II has reigned ov Charles is next in line to the throne and so has been in preparation for years. Th firm with a CEO should have a clear line of succession; this may include an alrea action as to how the company finds such a successor. A succession plan can hel

Example of Succession Plan for a Perfume Business in Event	
Job description	The business must already fully understand the role and stra therefore, what would be expected of the successor. This d change, too, so it is important for the CEO and firm's leaders
Find successor	Once the firm understands exactly what would be expected hunt for the successor, i.e. the person who would best fill th company or external). This should begin as soon as possible of a successor now or years in the fu
Decision and training	The business should have m one successor lined up way, if one option er available, there will still be ot choose fr . Th siness can prepare each potential succ an dowing, among other methods.
Infor	yone will eventually find out that the business has a ne beginning stages, it is most important to inform the compan These people can then feed any essential information down
Preparation	Once the key staff are aware of the change, it is then import programmes necessary. It is possible, for example, that emp successor take on particular tasks of the previous CEO. The strategies that everyone must follow.

3.10.4d Questions

Please write your answers on a separate piece of paper or in an exercise book.

1. Explain one reason why scenario planning is essential to a business.
2. Dyson is a designer and manufacturer of vacuums and hand driers, among
   The company's production factories are based in Malaysia. Complete a bu
   its Malaysian factories were to become unusable.

Business continuity plan for Dyson in event of Malaysian factories
1.
2.
3.
4.

Answers

3.10.1a

1. External:
   - Competition from Amazon
   - Growth of online shopping
   - Change in consumer expectation

   Internal:
   - Changes in staffing internally
   - Needing different skills
   - Retraining of staff
   - Changes in [illegible] might partner with others rather than do it themselve
   - C[illegible] of C[illegible] with a strategy to bring Walmart up to speed on IT

2. Three resistant forces to change internal to a company.
   - Lack of training so employees feel they cannot do new job
   - Lack of knowledge about what the change really means
   - Fear of losing their jobs or facing pay cuts, salary freezes, etc.

3. They underestimated the impact of new technology. They did not see the impac
   They could have utilised their financial and sales expertise in another high-ticke
   to a different area.

3.10.1b Questions

1. Lovely Town Private School
   Factors:
   - Is there sufficient demand for a new curriculum?
   - Would there be enough international students to make this work?
   - Do they need boarding facilities for the overseas students?
   - Will the unions need to be involved?

   Possible steps – and others that show an understanding of the issues
   - Audit existing experti[illegible]
   - Identify departments that could be combined – decide on incentives for ex
     alternative [illegible] or if close to retirement an incentive to leave
   - R[illegible] popular curriculum subjects not offered by the competing acade
   - Establish links with overseas schools and education providers
   - Employment contracts – temporary 12 months for language teachers until
     support – may also consider part-time as may not need them full-time
   - Education consultant on fixed-term contract

2. McDonald's
   Advantages:
   - Organic structures would allow a more local service according to cultural n
   - Encourages innovation, such as new menus and offerings, that may find a m
   - Can adapt to the competition more quickly

   Disadvantages:
   - May lose the branding feel of it being a McDonald's
   - Local managers not as well versed in the economics of making profit – fran
     wrong decision
   - Loss of control for McDonald's

3. Capturing and sharing knowledge

   Internal communication systems such as intranet – training courses online but
   internal [illegible]te containing policies/procedures can be added to with reports o
   number[illegible] Feedback system for employees to request training. Systems and
   by experts. New processes – flow diagrams freely available in staffrooms / new

3.10.1c

ABC Company performance appraisal for their employees

1. Fear it means a loss of job if they don't perform – don't think their job can be se[…] they will be seen as failing – feel it will worsen relations with their boss – worry […] absent staff in areas that they are not expert at.

2. Any from – staff meeting to explain why this system [is being introduced] – training […] target setting – involving employees in identifying [targets] so not imposed by ma[…] on micro training so they get a taste [of what to expect] – explain how they will ge[…] departmental meetings to bra[instorm targets] – pilot the system with a positive […] the system

3.10.2

1. A task c[ulture] is linked to a particular task or project, which brings together a ra[…] is empowering as the team has responsibility for the completion of the project a[…] complete it, as their different skills and expertise are used at different stages of […] encourages employees to focus on being specialists in the specific part they play[…] advantages in efficiency but offers less flexibility compared to task culture).

2. An organisational culture can be difficult to change due to staff resistance, comm[…] organisational structure which exists and lack of funding.

3. Answers will be individual to students.

3.10.3a

1. McDonald's' structure

   Disadvantages:
   - Grouping countries by performance an issue if environment changes
   - Regional difference
   - Cultural and social
   - Still large groups so one size cha[nge may] not fit all
   - Different pace of growth [may hinder] a change that is needed across the w[…]

   Advantages:
   - C[an be] [more] strategic and tailor strategy to growth pattern
   - C[ommona]lities between groups allow for a more uniform approach to cha[…]
   - Can manage change better per unit group as they are smaller than compan[…]
   - Can decide where to put effort in for best return as have performance mea[…]

3.10.3b

1. a) Node 3 = 4 hours. Node 4 = 5 hours.
   b) Node 6 = 11 hours.

2. Reasons why Ruth Maxton should not rely on critical path analysis include (not […]
   - Critical path analysis looks only at the business's predicted expenses. If an e[…] will be set back.
   - Related to the previous point, once the process is set back, the diagram is no[…]
   - Ruth needs to have everything organised and ready to go exactly when the c[…] Ruth has not had time to organise everything becaus[e she]'s been busy selling[…]
   - Critical path analysis can get complicated q[uickly], [at] which point the diagram[…] most businesspeople.

3.10.4a

1. • Changes in country alliances, such as BREXIT
   • Changes in political leadership, such as TRUMP
   • Changes in economic strength, such as exchange rates
   • Affecting cost of raw materials or revenue from exports
   • New technologies, such as rise of apps and mobile use

2. • Contingency planning
   • Good research of factors
   • Incremental changes but abil[illegible] up built into system of change
   • Regular feedback fro[illegible] stakeholders
   • Flexible struct[illegible] change to accommodate new ideas

3.10.4b

1. Local po[illegible] anger over job losses – local shareholders feeling the company ha
Shareholders wanting higher dividends may support it because they can see inc
Employees angry about losing their jobs – forced/voluntary redundancy – or m
as business was not able to pay them more – unions would react and get involv
as possible. Shareholders could try voting against the plan at AGM. Employees
might intervene to incentivise company to keep jobs local for fear of unemploym

2. IT can track costs/revenues on a per project/product or regional basis to give m
information. IT can be used to facilitate communication across the organisation
automating some processes and/or manufacturing and design. Social media an
market response to a change in strategy. It can also identify competitor activity
real time so response and corrective action can be taken quickly.

3.10.4c

1. A corporate plan is a document which summarises the stre[illegible]hs and weaknesses
corporate objectives and the medium to long-term [illegible] p[illegible]ovides an overview
influences the functional divisions' objective[illegible] [illegible]gies. This helps to ensure
common purpose; achieving the co[illegible]ctive and strategies. It also assists
providing it to those areas [illegible] [illegible]ves and strategies support the corporate

2. A corp[illegible] [illegible]icates to stakeholders the direction a business will ta
be mot[illegible] for staff who can see their department functional objectives an
the ach[illegible]nt of the corporate plan. Shareholders may be confident their inv
the business has a clear plan with strategies identified. It is based on the assess
weaknesses, so any corporate objective and strategy should be realistic, if these

3. A business may not produce a plan if they operate in a market which remains r
They see no purpose for one, as the direction they choose to take is unlikely to
business may not also produce a plan, as it is believed the limited time available
running, rather than constructing a plan which does not express anything differ

8. For – reduces the risk if there is a clear plan to be followed in the event of a par
business to think through all possible eventualities, which means it can be prep
the continuity of the business being threatened. It gives employees and relevan
business is prepared for most situations, which gains their full commitment to i
competitors who see no purpose for a contingency plan [illegible] the event of an un
likely to continue operating, whilst competitors [illegible] [illegible]n if it is short term
for all unexpected events. It is very time co[illegible] costly, especially if an e
Some businesses will never exper[illegible] [illegible]xpected event, so their time and
elsewhere within it.

3.10.4d

1. Scenario planning is essential to business because it allows firms to prepare for h damaging events. Planning can involve anything from moving business locations particular item to doing nothing at all. Each plan is suited to the particular scenar

2. Example business continuity plan might be:
   1. Assess why the Malaysian factories can no longer be used. If it is equipmen fixed. If it is more related to external factors, e.g. political, Dyson may be fo elsewhere.
   2. Dyson should have various strategies ready in the event of normal busines being how to manage production without the Malaysian factories. Leaders moving production to another outsource firm in the meantime while Dyso st[illegible] is [illegible]eed, Dyson should be in communication with alternative th[illegible] arise.
   3. Employees are split into teams and trained on how to use the equipment i outside Malaysia, Dyson may need to recruit new employees. The business efficiently find new workers and train them in what is required.
   4. Leadership and press team are briefed on how to respond to requests for n production to Malaysia was already a big news story in 2011 because it ma This news story, if handled incorrectly, could also negatively affect the com