Implementing strategies: Management issues

Learning outcomes

At the end of this module you should be able to:

- distinguish between strategic formulation and implementation;
- explain the role of organisational structure in strategic implementation;
- explain the importance of aligning culture and strategy;
- explain how to create an environment that is congenial to change;
- identify and explain the techniques for overcoming resistance to strategic change;
- explain the role of leadership in strategic change; and
- develop systems to reward and motivate people towards the achievement of corporate strategy.

Topics

7.1 From formulation to implementation
7.2 The eight rules of converting strategy into action
7.3 Types of organisational structures
   7.3.1 Functional structure
   7.3.2 Divisional structure
   7.3.3 Matrix structure
   7.3.4 Hybrid structure
7.4 Matching the structure with strategy

7.5 Key points to remember about structure and strategy
7.6 Organisational culture
   7.6.1 Aligning culture and strategy
   7.6.2 Culture in the maritime industry
   7.6.3 Cultural change
   7.6.4 Determining the degree of difficulty of making change
   7.6.5 How to create an environment that is congenial to change
   7.6.6 Overcoming resistance to change
7.7 Strategic leadership
   7.7.1 A transformational approach to leadership
   7.7.2 Influencing people
7.8 Designing strategy-supportive reward and human resource management systems
   7.8.1 Rewarding good performance
7.9 Global issues for the 21st century
Quotes of note

Never get in a battle of wits without ammunition.
American proverb

If I could see further than others it was because I stood on the shoulders of giants.
Isaac Newton

Introduction

To commence our examination of implementation issues, we shall shift our attention to the most important part of an organisation, its people and management issues related to them. Research shows that the implementation of planned changes is likely to run into trouble, if not altogether fail, if the people most likely to be affected by the changes are not given due consideration. After all, an organisation does not tick over by itself. It is the people who make it work – who get the job done.

This module is lengthy by necessity, but the issues covered are all interrelated and vital to the successful implementation of strategy.

Getting the job done (and done right!) is the tricky part of the equation. This is not always easy to accomplish, as many battle-scarred strategic managers will quickly tell you! In strategic management, it is widely recognised that for any strategic change to succeed, an organisation must have in place an appropriate match between strategy and structure, a supportive organisational culture, strong leadership, an appropriate reward system and suitable related human resource management activities.

In this module we will look at ways of matching structure and strategy. Is the present structure the best means of helping the organisation move in the desired direction? If not, then what organisational changes must be instituted? How can such changes be implemented without creating undue dissonance within the system?

When an organisation decides to undertake a strategic change, it has to ensure that the organisational culture – the prevailing norms of the place – will support the change. It also has to ensure that its leaders can provide a clear vision of where the organisation is headed and motivate people throughout the organisation to remain committed to that vision. In addition, the organisation must also set in place an appropriate reward system so that the right type of people are recruited into, and choose to remain with, the organisation.

Since an organisation’s culture largely dictates what happens in the workplace, we will train our eye on organisational culture, then see how leadership and a good reward system can foster a culture that is supportive of strategic change.
Trying to create the ‘ideal’ culture within an organisation has always been a major challenge for managers, and nowhere is this truer than in strategy implementation. As research shows, a strategy cannot be properly implemented if the culture does not support, or cannot be changed to support, a strategy.

In this section we shall examine precisely what organisational culture involves. In a manner of speaking, we will dissect the concept of organisational culture (like the poor frog in our biology class) so we can identify the essential elements that make it up. We shall also look at organisational culture within the maritime industry and see if this particular species is any different from the general business ones. Finally we shall study what the literature says about how cultures can be made more supportive of chosen strategies.

By now you will have realised that much of your work in the subject Principles of Management will provide a basis for our discussions on implementation.

To provide a backdrop to the discussion outlined above, we shall begin this section with a summary of the key issues in the formulation through to the implementation of a strategy.

Skim read through the Textbook chapter 7 before starting.

Reading


7.1 From formulation to implementation

In all labour there is profit. But more talk leads to poverty.

Proverbs 14:2

In this section we enter the land of hard work. Here, all that you said you want to do and want to be will be judged by what you actually do and achieve. Implementation is hard work. Making grand plans is one thing. Getting them done — and done right — is an entirely different matter. Many plans fail or remain unused because scant regard is given to implementation requirements.

As we have stressed in our previous section on strategic formulation, implementation and formulation must be seen as intertwined activities. As a strategy is formulated, issues affecting its implementation must be simultaneously addressed. After all, of what use is a brilliant strategy if it cannot be implemented properly? By the same token, think of the danger that a company can get itself into if it implements an ill-chosen strategy!

One common mistake that organisations make is to take a linear path of action: formulate first, then worry about the implementation later. Another is to have one group of people do the formulation and another to take care of implementation.
Either way, you end up with unhappy office politics and dissatisfied staff – planners whose brilliant plans are criticised as unworkable, and operations people expected to implement the impossible.

The literature on strategic management provides enough sobering lessons on what happens when implementation is given short shrift in strategic decision-making. As strategic managers, therefore, it is important that you become fully conversant with what effective implementation involves.

Reading


What all these differences boil down to is this: each main area of the strategic management process requires a very different set of skills. During formulation we need to be more conceptual and creative in our approach, to be ready to play with ideas as we decide on what is to be achieved. During implementation we need to be more action oriented: having decided on what we want to happen, we must now make it happen! The question is: How do we go about doing this?

7.2 The eight rules of converting strategy into action

One of the sad facts of life in many organisations is that quite a number of innovative strategies bite the dust as soon as they move out of the planning room and onto the work floor. As we noted in the section overview, this happens because strategies are often formulated without due regard to their implementation.

To help us avoid this fatal mistake, Tregoe and Tobia, who are well known writers on the strategic management field, offer eight rules of survival:

1. **The law of parsimony**: Keep the strategy clear, simple and specific.
2. **Strategy/operations continuum**: Think of strategy and operations as a continuum. On the left is the direction to follow. On the right are the operational plans and budgets of the business. Along the continuum, the strategy blends the two into action.
3. **The rhythm method**: Ensure that the strategy develops its own momentum so that people want to jump on for the ride.
4. **Critical issues**: Convert the strategy to a set of critical issues to focus on and to remain focused on.
5. **Strategy and operating decisions**: Ensure that the strategy actually guides decision-making within the organisation.
6. **Strategy and ecology**: Ensure that the strategy is blended into the culture of the organisation.
7. **People power:** People must embrace the strategy if it is to work. Strategy needs a very high level of people commitment.

8. **Rewards:** The reward structure is often the key to motivating people towards implementing the strategy.

If you want your strategy to be implemented successfully you must be able to meet eight criteria. In case the importance of these rules is overlooked, Tregoe and Tobia add this warning: ‘Too many elegant strategies have ended up as dust collectors in the desk drawers of the top management team – testaments to what happens when the basic rules of strategic action are violated’.

Formulation and implementation differ in four important ways:

<table>
<thead>
<tr>
<th>Formulation</th>
<th>Implementation</th>
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<tr>
<td>forces are positioned ahead of action</td>
<td>forces are in action</td>
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<tr>
<td>stress on effectiveness – an intellectual process</td>
<td>stress on efficiency – an operational process</td>
</tr>
<tr>
<td>requires intuitive and analytical skills</td>
<td>requires motivation and leadership skills</td>
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<tr>
<td>less people involved</td>
<td>all people involved</td>
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**Key strategic management concept**
Organisations do not implement strategies. People do.

### 7.3 Types of organisational structures

In strategic management, how well an organisation’s structure can support a selected strategy is another critical question requiring careful attention. Is the present structure the best means of helping the organisation move in the desired direction? If not, then what organisational changes must be instituted? How can such changes be implemented without creating undue dissonance within the system?

Structural changes are one of the most complex challenges facing organisations today. All too often we see organisations developing new strategies without attempting to see if their structure can support such strategies. Nothing could be more erroneous! Many a good strategy has been foiled as a result of this lack of attention to structure.

An effective structure is one that facilitates the coordination and control of all activities and people of an organisation. It does this by establishing (a) the degree to which activities are broken up or differentiated (b) the degree to which rules and procedures are applied and (c) where decision-making authority lies. It is in these three areas that structure becomes a vital component of strategy implementation. If the structure does not have the right type of coordination and control mechanisms it may be very difficult, even impossible, for the organisation to pursue a chosen strategy.
Organisational structures can be classified in different ways. The more common approach is to classify organisations based on job differentiation, that is, on the way work is divided and shared within an organisation. Another is to take a more theoretical approach and classify organisations in terms of their underlying structural design. In effect, the first approach differentiates organisations according to obvious surface features, while the second looks at deeper and therefore less obvious structural features.

Clearly, there must be a good fit between strategy and structure. The question is *which structure for which strategy?* How would we know which ones would be most appropriate for which purposes? To answer these questions we need to know the range of structures that are available, and then evaluate their appropriateness for a given strategy or mix of strategies. We covered structure in the subject *Principles of Management* so the general types of structure should be familiar. The following brief reading should refresh your memory on some of the terminology used in organisational design.

**Reading**


In so far as the maritime industry is concerned, the same structures apply. In general, four main types prevail in the maritime industry: functional, divisional, matrix, and hybrid.

### 7.4 Matching the structure with strategy

Consider these examples:

**Example 1: strategy and structure**

A company that operates five terminals in three different countries has decided to follow a cost leadership strategy. Using this strategy, the company needs a structure that seeks to find ways of ensuring a cost efficient operation. This type of structure would most likely have tighter lines of authority and control, clear job responsibilities and more frequent and detailed reporting on organisational efficiency and clear delineation of responsibility for budgetary control. Under these circumstances a divisional structure seems to be appropriate.
If a small entrepreneurial freight forwarding company were pursuing a differentiation strategy, it would need a structure that supports a high degree of creativity and innovation, and most probably one that is able to respond quickly to a changing environment. Its structure would need much looser controls on people and activities and greater encouragement of informality and innovation. It should be more decentralised but with a high degree of coordination among its various functions. The emphasis is more likely to be on groups than on functional areas. A matrix type structure would be appropriate.

These examples highlight the important point that there must be a clear match between the strategy and the organisation’s structure. If you like, strategy and structure must be intertwined.

**Consider this**

*Capabilities emerge from effectively coordinating the efforts of different work groups and departments, not from how the boxes on the chart are arranged.*

**An aside: Matching strategy and structure in ports**

Matching structure and strategy is a complex process requiring consideration of a number of different issues. Each port has a unique combination of natural features, such as exposure to wind, waves and currents and other factors such as water depth or breadth of the manoeuvring areas. Ports can either be developed as an extension of existing facilities and thus deal with the problems in the current situation, or ports may be developed in a new location that incorporates features mitigating current problems such as providing natural protected harbours and deep water.

Matching structure and strategy requires an interdisciplinary team approach.

**7.4.1 Evaluating techniques**

Structural choice is conceptually challenging. We can read a number of authors’ discussions on structure-strategy fit. However, from a more practical point of view, they often fail to explain how to match strategy with structure. Consider the generic five-step approach:

1. Which internal and external factors will affect how an organisation should be structured to implement its strategy?
2. Of these, which ones are the most critical?
3. Given these critical factors and the type of strategy to be implemented, what types of structural alternatives emerge as appropriate?
4. How feasible or workable are these structural alternatives?
5. What are the advantages and disadvantages of each alternative?
The overriding fact is that there is no ‘right’ or ideal structure. Although there are a number of identifiable clusters of structural types, there are still many more variations that do not fit neatly into any category. Remember that the ‘best’ structure is the one that fits the purposes and requirements of the organisation. We simply cannot emphasise this often enough. It seems to be forgotten all too often!

7.5 Key points to remember about structure and strategy

1. For the successful implementation of a strategy, it is critical that it must be supported by the appropriate organisational structure.

2. An effective structure is one that facilitates the coordination and control of all activities and people within an organisation. It does this by establishing (a) the degree to which activities are broken up or differentiated, (b) the degree to which rules and procedures are applied, and (c) where decision-making authority lies.

3. Structure can be classified according to the way responsibility is allocated within an organisation. Using this means of classification, organisations may be described as having a functional, divisional, matrix or hybrid structure.

4. A more theoretical approach to classifying structures is to group organisations according to their underlying structural design. According to this approach organisations are classified into five basic designs: simple structure, machine bureaucracy, professional bureaucracy, divisional structure and ‘adhocracy’.

Key strategic management concept

Attempting to carry out a new strategy with an old structure is senseless.

7.6 Organisational culture

Reflection point

Think about the factors that keep your organisation together:
What are the shared values?
Do you believe in the mission of your organisation? Why or why not?
Do you find yourself able to make decisions knowing that your values are the same as those of your organisation?
If you were to leave your job this week what would you miss (security, friends, regular hours, challenges…)?

Often, when we speak of an organisation’s culture, we refer to ‘the way things are done here’ or ‘the way people are supposed to behave’. However, we need a more
precise definition than this. Many people define culture differently, but underlying most definitions is the idea that culture, or more particularly, organisational culture, is a system of shared meaning held by members of an organisation; a shared meaning that distinguishes one organisation from the other.

We covered organisational or corporate culture in detail in the subject Principles of Management and we also mentioned it when we covered internal assessments. Therefore, read the text pages below and then we will move straight to our discussions on aligning culture and strategy.

**Reading**


### 7.6.1 Aligning culture and strategy

The next question is how can an organisation’s culture help to implement a given strategy? The following reading by Montanari et al should provide some enlightenment. Do not be put off by the age of the reading. It is quite short and whilst the text is a 1990 edition it is full of good insights.

**Reading (In the Library on closed reserve)**


From your reading, you should have gleaned the following key points:

- Corporate culture can be either a great supporter in implementing a strategy, or it can be a real detractor. The analogy of a balance sheet is appropriate in this case: it can either be an asset or a liability!
- To be successful, the right strategy must be aligned with a supportive culture.
- To align culture and strategy, managers must:
  - have a good understanding of the strategic plan and the current culture;
  - compare the strategy and the required behaviour with the culture in order to identify the gaps (if any); and
  - develop plans for changing/modifying the culture and/or adapting the strategy should it be totally unacceptable to the culture.
- Cultural competitive advantage is based upon three principles:
  - The organisational culture must enable the organisation to do things and behave in ways that lead to reduced costs and increased revenue.
  - It must have attributes that are not common to those of competitors.
It must not be subject to imitation.

- The Peters and Waterman study (*In Search of Excellence*) lists eight basic attributes of well run companies:
  - a bias for action
  - closeness to the customer
  - autonomy and entrepreneurship
  - productivity through people
  - hands-on value-driven approach
  - ‘sticking to the knitting’
  - simple form, lean staff
  - simultaneous loose-tight properties (staying flexible)

- Changing the culture usually follows the three stages of unfreezing, change and refreezing.
- Changing culture is not an easy task as it requires the total commitment and dedication of senior management.

There is one additional point raised by Montanari et al (1990, p. 234) which requires further elaboration here. They mention some of the criticisms levelled at the Peters and Waterman study. Indeed, ever since some of the so-called excellent companies have fallen prey to economic woes, the eight attributes we have listed have been viewed by some with scepticism. Yet they continue to be widely used. Why? Mainly because of the lack of alternatives. The choice is yours as to how much weight you wish to give to these attributes.

**Which culture – strong, weak or flexible?**

Talk about cultures always brings up the issue of strong versus weak cultures. The argument, widely held in the management field, is that the stronger (weaker) the culture, the greater (lower) the potential for long term success. But is this really true?

Before we answer this question, first let us clarify the difference between a strong and a weak culture. When we defined culture earlier, we said it meant a shared meaning within an organisation. If this shared meaning is both intensely held and widely shared throughout the organisation, then we have a strong culture. Conversely, if this shared meaning is neither intensely held nor widely shared, then we have a weak culture.

With this distinction in mind, let us go back to our original argument: *the stronger (weaker) the culture, the greater (lower) the potential for long term success.* While this view is widely accepted in the management field, there is growing evidence that this may not necessarily be the case. Recent research points to the fact that even though a strong culture is important for success, it does not necessarily lead to better
performance! The major criticism appears to be that a strong culture can become inflexible and create barriers against strategic change.

As you can no doubt appreciate, this finding has significant implications to industries like the maritime industry where continual change is the norm and where flexibility is critical for survival. If we take our cue from research, we should now shift our attention away from the strong versus weak debate and focus instead on the question of developing a flexible culture: one that is capable of learning from the past and the present, and of changing in consonance with its changing environment. We should be turning our energies towards creating a culture that learns from itself, is capable of change, and that draws strength from such change.

7.6.2 Culture in the maritime industry

Culture, as we have seen, need not be strong to propel an organisation to success. What is more important is that it should be flexible, and that it should adapt and change to support any strategic change the organisation may wish to pursue. Only when a culture can do this, can an organisation develop into a learning organisation.

How much of this is true of organisations in the maritime industry? In the main, are maritime organisations flexible? Are they learning organisations? If they are not, at what stage are they? Let us find out.

Embedded in any organisation’s culture is the social system upon which the company is operating, and the social system in which its people are experienced. A company which operates within one social system (for example, Australia) and whose people are brought up as a part of that system (for example, Australian-born) stands a much better chance of developing a cohesive organisational culture than one that is operating across a range of social systems (for example, Australia, USA, Japan) and whose people come from many systems (for example, Europe, NZ, Hong Kong). This is the classic distinction that is always made between operating nationally versus operating internationally or globally.

Most organisations in the maritime industry operate globally. Regardless of the type, size or market serviced, a typical maritime organisation is likely to be exposed to different social systems. A shipowner operating in Australia, the Far East and Europe, for instance, can be expected to have in its employ a wide array of nationalities. A terminal or a port can easily be in a similar situation, with personnel of different nationalities to maintain the right mix of experienced staff (for example, a port agent may belong to a group with agents in ten different countries).

The multicultural environment in which the maritime industry operates requires particular sensitivity towards cultural differences and achieving shared meaning in light of these differences is no easy task. As in any other international industry, maritime organisations must learn to be sensitive towards people from different cultures. The key word here is sensitivity. Although the word may be over-used (and abused) in today’s world, in the maritime world it is serious business.
Ethnocentric behaviour. There is one basic rule to follow to foster cultural sensitivity: avoid ethnocentric behaviour; that is, do not develop an organisational culture that is solely based on one social system. Let us take the example of a fairly common type of maritime company, one that operates ships and terminals in the main ports of call, and has a fairly extensive network of port agents. This type of company would clearly operate across a few different countries and employ people from different social systems. Say the organisation’s main area of operations is Australia and the Far East, but its head office is in Sydney, Australia. Ethnocentric behaviour would be to base the organisation’s culture on the social system prevalent in Australia and to ignore the social system in the Far East. The ethnocentric attitude would be that people from the Far East must adapt to the way things are done according to the Australian social system.

Ethnocentrism, polycentrism and geocentrism. If we are not going to adopt ethnocentric behaviour, what then? There are two alternatives: polycentric behaviour or geocentric behaviour. Let us put these three types of behaviour in context so that we gain the right perspective:

- When a business starts up, it typically espouses an ethnocentric type of culture – one dominant social system, with those from other social systems expected to conform to the dominant system.
- As the business grows and branches out internationally, it takes on what we call a polycentric type of culture, more multicultural in nature but not strong enough so that all members intensely share the same work values and beliefs.
- From a polycentric system, some organisations decide to move one step further and develop a geocentric type of culture. This type of culture actively fosters a multicultural environment. It is described as having a life of its own in that it is able to learn from its mistakes and to ‘self-correct’, and its members share a very high level of commitment towards the organisation.

Cultural sensitivity training. To get from one stage to the next is no easy task. Indeed, when we talk of changing culture, we do not mean months; we mean years! Effective communication is the key to starting the process. Many organisations run what is now commonly known as cultural sensitivity training sessions to promote a greater awareness of cultural differences. Some of these sessions are run by specialist centres like Farnham Castle in Surrey (UK). The use of culturgrams is also common. Culturgrams summarise the unique customs, values, traditions and lifestyles of people brought up in different countries. Owing to copyright regulations we are unable to reprint a culturgram here, but you should now at least be aware of them.
7.6.3 Cultural change

In the preceding discussion we noted how important it is for maritime organisations to develop a flexible and geocentric culture to secure their continuing survival in the global marketplace. However, we also acknowledged that changing an organisation’s culture is infinitely easier said than done! So where do we go from here?

Changing an organisation’s culture is admittedly a difficult and long-term undertaking. And although in the end each organisation must devise its own change strategy, the literature does offer some general guidelines. We covered culture and change in the subject *Principles of Management* so we will just highlight some of the most useful ideas below as a ‘refresher’.

7.6.4 Determining the degree of difficulty of making change

Say your organisation wishes to make a cultural change, and asks you, as strategic manager, to determine how easy or difficult it would be for the organisation to undertake this change. How would you go about it? One good practical way is to use the model shown in Figure 7.7.

![Figure 7.7 Introducing cultural change: measuring the degree of difficulty](image)


As the model shows, the ease or difficulty by which cultural change can be implemented depends on two factors: size and complexity of an organisation (number of employees, assets, departments, geographic locations etc), and cultural homogeneity (similarity of values and beliefs).

- The smaller the organisation, the easier it is to implement cultural change. The larger the organisation, the more difficult the task becomes.
- The less homogeneous the culture, the less problem there is in implementing change. The more the culture becomes homogeneous, the more difficult the task becomes.
Quadrant 3 organisations (large and highly homogeneous) are likely to have great difficulty in implementing cultural change. Those in quadrant 2 (small and not very homogeneous) are best able to bring about change. Since quadrants 1 and 4 rest in between these extremes, implementing cultural change for these organisations is expected to be moderately difficult.

To assist the transition from the existing to a new type of culture, the following three points should be considered:

1. Ensure that any changes are communicated in terms of achieving the organisation’s mission, goals and objectives. This informs members that such changes have a legitimate purpose.
2. Reshuffle key people to positions that are important in the implementation of the strategy. This helps to make the shared values more visible within the organisation and leads to cultural compatibility.
3. Reinforce the new value system by rewarding those that best achieve strategy implementation.

To help ensure good alignment between the strategy and the culture, the following two points are important:

1. Develop a strong vision and policies for implementing the new strategy and the shared set of values to make it work.
2. Look for ways of reinforcing and strengthening the existing culture.

The key will be in managing around the culture, without confronting direct cultural resistance. Companies should consider the following points:

1. Reinforce the value and belief system as much as possible.
2. Reshuffle key people to critical positions.
3. Change control mechanisms (for example, the budgeting process) and reorganise to influence changes.

Where the strategic change is important, but incompatible with the entrenched organisational culture, the risk of attempting to change the culture to suit the strategy may indeed be unacceptable. An organisation facing large scale change and a very high degree of cultural resistance to change must address one critical question: does the required change have an acceptable probability of success? If the answer is no, then it is more realistic to try to change or adapt the strategy itself so that there is a better fit or alignment with the existing culture. Failure to consider this properly may result in expensive and long-term undertakings that are simply impossible to achieve.

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**Key strategic management concept**

A strong culture is a valuable asset when it matches the requirements for good strategy implementation and a dreaded liability when it does not.

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14 Strategic Management
Newsbreak

Cultural change

Changing an organisation’s culture is extremely difficult, but cultures can be changed. For example, Lee Iacocca came to Chrysler Corp. in 1978, when the organisation appeared to be only weeks away from bankruptcy. It took him about five years, but he took Chrysler’s conservative, inward-looking and engineering-orientated culture and changed it into an action-orientated, market response culture.

Evidence suggests that cultural change is most likely to take place when most or all of the following conditions exist:

- a dramatic crisis
- turnover in leadership
- younger and smaller organisation
- weak culture

If conditions support cultural change you should consider the following suggestions:

1. [Provide] top management as role models who set the tone.
2. Create new stories, symbols and rituals to replace those currently in vogue.
3. Select, promote and support employees who espouse the new values that are sought.
4. Redesign socialisation processes to align with the new values.
5. Change the reward system to endorse acceptance of a new set of values.
6. Replace unwritten norms with formal rules and regulations.
7. Shake up current subcultures with job rotation.
8. Work to get peer group consensus through use of employee participation and creation of a climate with a high level of trust.

Cultural change is a lengthy process measured in years rather than months.


7.6.5 How to create an environment that is congenial to change

In addition to the points already mentioned about cultural change, you might also want to consider the following guidelines. They are tried and tested ways of influencing changes, not only in the maritime industry, but also in general business.

- **Change by example:** Senior managers put their beliefs into writing which are then communicated to the major stakeholders of the organisation (employees, customers, unions, shareholders, suppliers – and those aspects of the community most affected). They try hard to let people see this belief with their own eyes and they never miss an opportunity to demonstrate why certain changes must take place.

- **New blood:** This means hiring senior managers from outside the organisation. If the ‘right’ type of person is hired, one who is sensitive to the present organisational climate, then this person can bring in a host of new ideas and enthusiasm that can facilitate the change process.
- **Greater flexibility throughout middle management:** Initiate administrative mechanisms that ensure that more ideas are generated by middle management and passed on to senior management. This tends to get all managers more involved and in touch with the present organisational climate and the generation of feasible solutions.

- **Outside directors:** Appointing outsider directors on the board who do not know the organisation is a good way of ensuring a different perspective. Such appointees are also adequately removed from day-to-day operations to provide objective observations on any proposed changes.

- **Senior managers without a portfolio:** A useful device to support change is to appoint a senior manager without a portfolio to protect and fight for. The person is there to raise the difficult questions, to challenge the way things are done and to suggest new ideas.

Aligning culture and strategy is vital to organisational success. Indeed, a desired strategy change can only happen when the culture clearly supports the strategy. While this sounds like an obvious truism, it is astounding how many people still pay scant attention to it! What is your record (or your company’s record) on this?

From tools, techniques and processes, we now turn to another important aspect of strategic change: the people who must guide the organisation through its ‘change pains’. The following section should provide a good introduction into this topic. For any organisation to effectively develop a capacity to achieve successful change, its managers must have certain key skills. They also need to help their people cope with the pressures of change as well. It is these hard issues that were addressed in *Principles of Management*.

Getting people to change requires a learning environment. This means:

- addressing internal and external pressures for change, including declining performance and self-esteem;
- managing transitions effectively;
- dealing with the organisational culture; and
- managing organisational politics.

In such an environment, people tend to be more responsive to creativity, risk taking and learning, and they are better able to rebuild their self-esteem and perform. If this is achieved, then learning and change can follow.
7.6.6 Overcoming resistance to change

Influencing people involves change; and change, as we discussed in the previous section on culture, seldom comes easily. We covered managing the change process in *Principles of Management* ¹, so we will now cover some strategic implications.

For a general refresher on change read:

Reading


Strategic leaders who have successfully implemented change find that due consideration of the following points is vital to the change process.

1 People do not resist change per se; they resist being changed and feeling powerless to do anything about it.

2 People are more likely to resist changes that:
   − they perceive will lower their status
   − cause fear
   − affect their job situation
   − reduce their authority and freedom to act
   − disrupt established work practices
   − rearrange formal and informal group relationships
   − are forced upon them without explanation or any active employee participation
   − come at a time of mental and/or physical lethargy.

3 Barriers that increase resistance include:
   − failing to: be specific about a change
     show why a change is necessary
     allow those affected to have a say
     keep all employees informed about a change
     allay employees’ worries about possible failure
     deal with anxiety over job security
   − using personal appeal to gain acceptance of a change
   − disregarding a work group’s habit patterns
   − creating excessive work pressure during a change.

¹ Do you need a refresher on change management? Can you remember the reasons why people resist change, the signs of resistance and the strategies for overcoming resistance?
Some basic requirements for a change in attitude/behaviour include:

- awareness and acceptance of the need to change
- knowledge of how to achieve better results
- significant reward for the desired performance and/or punishment/disincentives for undesired performance.

A program for change would include the following:

- collect evidence which justifies the need for change
- plan to minimise the pain of change so as to avoid/limit employees losing face
- reward behavioural change immediately for all to see
- minimise the self-perpetuating tendency of present behaviour to counteract the influence of opposed groups
- present evidence of the need to change to individuals concerned and ask them for help in solving any problems associated with the change
- get them to take some ownership of the change by highlighting their contributions
- involve, involve and involve all employees throughout the whole process of change
- involve the person or group in establishing realistic goal-setting programs in order to successfully implement change
- continuously monitor and review the change process
- ensure that the following mix of power bases are used wisely on employees:
  - reward (giving incentives)
  - coercive (punishing)
  - legitimate (pulling rank)
  - expert (using superior knowledge)
  - referent (using personal relationships)
- arrange training if a person or group identifies ignorance as a barrier to change
- change will be more acceptable:
  - when results for it are understood
  - when those affected have helped create it
  - when it follows a series of successful changes rather than failures
  - when it has been planned rather than if it is experimental
  - to people new on the job rather than ‘old hands’
  - to people who share the benefit rather than those who do not if the organisation has been trained to accept change.

Knowing how and when to make what changes, and exactly how much change to make, requires good judgement. Strategic leaders must be intuitive and astute political animals in their attempts to influence people.
7.7 Strategic leadership

Have you ever watched an eagle hunt a rabbit? The eagle lurks high enough to see the lie of the land, to scan what opportunities and threats exist for hunting the rabbit, yet low enough to see sufficient detail, to spot the contours of an unsuspecting rabbit.

 Leaders in management are no different. They hunt their prey (in this case, the customers) by remaining far enough from day to day operations to see the ‘big picture’ and plot where the organisation should be going, and yet close enough to make sure that the right things happen at the right place at the right time. Good leaders give the organisation a clear sense of direction – a vision if you like – and take every opportunity to make strategic changes to improve day-to-day operations.

 What makes a good leader? What does a leader do to influence people to support organisational change? What leadership style is most appropriate for what situation? These are the issues we covered in Principles of Management, so we will only repeat them here enough to refresh your memory and highlight leadership in the context of strategic management. We will draw our discussions from various sources.

7.7.1 A transformational approach to leadership

Some key points on leadership:

- The average day of a general manager is very fragmented. Leadership tasks often have to take place during very brief episodes. This means that managers must be good communicators if they are to have any real effect.
- They spend a considerable amount of time and effort cultivating a network of persons who can provide them with pertinent information.
- They also use this network of people very effectively to get things done and to gain support and commitment from others. This is how they try to implement strategy.
- They use every opportunity to gain support for the strategy, but do it in very brief encounters where the tone of the conversation is always in concise, clear and explicit language.
- To achieve a high level of commitment and support from people and to get them to want to change requires a transformational leader.
- Good strategic leaders are those who use a transformational approach to influencing a group of people towards the achievement of the organisation’s strategic plan.
- Transformational leaders inspire confidence and energise their followers to enthusiastically achieve the organisation’s mission. They do this by focusing on three interrelated activities: providing a vision, gaining support and commitment to that vision and shaping the culture so that the vision becomes a reality.

7.7.2 Influencing people
How do strategic leaders influence people? By finding as many ways as possible to get the most out of people – to maximise their skills and ingenuity. Good leaders try to make people feel good about themselves, their colleagues and the achievements of the team to which they belong.

There are a lot of catchy witticisms that attempt to capture the essence of good leadership. Here are some of the more popular ones:

- The leader’s work is almost done when people say to themselves, ‘Haven’t we done well!’
- When things go wrong, the buck stops with me.
- When things go right, we all did well. When things go really well, you people have done a great job!

While we may chuckle at the differences between a boss and a leader; sadly enough, research shows that many leaders tend to be more boss than leader. ‘Bosses’ have now been branded as ‘traditional leaders’ by the literature, and as the following list shows, how a traditional leader behaves is vastly different from a good strategic leader. Which type of leader are you?

**The traditional leader**

- is always right
- stays separate from those he or she leads
- avoids being vulnerable: pretends to be confident and to know the answers
- is consistent to the point of rigidity
- does not admit mistakes
- expects to be attacked
- overworks, self-sacrifices to the point of being unfit and often unfit to lead
- manipulates to get things done
- relies heavily on criticism: short on praise
- believes there is a basic conflict between different groups: essentially win-lose situations
- pursues power rather than purpose.

In contrast, good strategic leaders follow a very different approach.

**A strategic leader**

- holds out to others an inspiring vision and encourages them to contribute to it
- creates a climate in which people will offer their full energy, vision and talents
- releases intelligence and initiative
- becomes a leader of leaders rather than a leader of followers
- welcomes change and upheaval
- accepts the idea of life learning and that he/she will never be a master
- develops high self-esteem
- appreciates other people well and often
- develops the skill of asking empowering questions and listening with complete respect
- develops support for him or herself: creates warm supportive relationships with team and colleagues
- decides to see the whole situation and see to it that everything goes well
- gives up complaining, blaming and criticising and instead takes responsibility: teaches others to do the same.

An aside: Who was this courageous man?

He drifted through his 20s. When he turned 21 he thought: ‘I’ve got to get myself going and do something!’ He formed a partnership and went into business, but in 18 months he was bankrupt. Then he decided, since he was broke anyway, he would go into politics. In his first local election he lost badly. Two years later, aged 34, he went back into business. Bankruptcy again. A year later he thought things were improving when he fell in love with a beautiful women. She died. At 36 he suffered a nervous breakdown and was confined to bed for six months. He recovered and went back into politics, running for another local government post. He lost again. He started another business with little more success this time. So at 43, he decided to run for Congress. He lost. At 46 he ran for Congress again, and he lost again. At 48 he ran for Senate and lost that as well. When he was 55 he tried for his party’s nomination for Vice-President. He was badly defeated. At age 58, he ran for Senate again, and again he lost. Finally, at 60 years of age, Abraham Lincoln was elected to his first office – President of the United States...Lincoln was a fighter, a man of courage...a winner.

_The Leader has courage and persistence._ Mark Twain noted that courage is resistance to fear, mastery of fear – not absence of fear.


### 7.8 Designing strategy-supportive reward and human resource management systems

So far in this module we have said that implementing a strategic plan requires a good strategy-structure fit, a supportive culture (a value and belief system and behavioural standards that all subscribe to) and a good strategic leader (one who is able to influence others by providing a vision and gaining commitment to it). Another requirement of successful strategy implementation is a supportive reward system and attention to other related human resource management (HRM) concerns.

#### 7.8.1 Rewarding good performance

Our current knowledge of motivation tells us that people do what they do to satisfy their needs. Before they do anything, they look for the rewards first – the _what’s-in-it-for-me_ syndrome. The types of rewards that an organisation can give are a lot more complex than is generally thought.
In essence, when it comes to rewards, people tend to look for three key things:

- **Pay me:** a healthy salary that is full of generous benefits
- **Give me:** work that is enjoyable, stimulating and that I will be challenged by
- **Let me:** do the things that provide meaning to my job.

Quite a catchy slogan, isn’t it? Many people like quoting it because it captures the essence of a good reward system, but putting it into practice is an entirely different matter! A growing body of research suggests that certain organisational rewards significantly influence the level of commitment and motivation in people.

These rewards are:

- **Personal importance:** the feeling of being considered a valuable member of an organisation increases commitment and motivation towards achievement of the strategic plan
- **Realisation of expectations:** managers who are able to fulfil expectations of the organisation show higher commitment levels than those whose expectations are unrealistic or too easy
- **Job challenge:** challenging, interesting and self-rewarding tasks appear to increase people’s commitment levels.

These results are by no means conclusive, but nonetheless they highlight one important principle: to be effective leaders we must seek to find out what really motivates people, and then provide an appropriate reward system. Since organisations do not have a limitless supply of funds, reward systems need to be targeted: we need to identify the most important issues requiring implementation and change and then direct rewards in those areas.

- Which aspects of the strategic plan should rewards be most concerned with?
- Should reward systems focus on company, department or individuals, and should performance be based upon effort, results or capability?
- What type of rewards would really work on our people in order to achieve high performance levels?
- What disincentives, if any, should be in place for poor performance?
- Is there a sensible balance between the rewards offered and the objectives to be achieved (that is, cost/benefit)?
- Are there any political factors that are likely to get in the way of providing performance-based rewards?

An aside: Not negative is not positive!
‘If you don’t hear from me, assume that you’re doing a good job.’ You might have said something like that to your staff? You’re busier than ever and don’t have the time to give people much feedback. Besides, they should be working on their own; they’re empowered. Right? ... Telling people that they will only hear from you when they have gone wayward isn’t positive ... or encouraging.

Leave-them-alone management doesn’t reinforce good performance and won’t inspire greatness. To encourage employees to produce their best...you’ve got to let them know that working that way matters more then just doing enough to keep you from chewing them out.

Adapted from Blohowiak, D (1995). Lead Your Staff to Think Like Einstein, Create Like Da Vinci, and Invent Like Edison. Irwin Professional Publishing.

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Reading


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Consider this

Now that you have covered the management issues in implementation, go back and review the eight rules of survival covered at the beginning of this module. You can probably appreciate and elaborate more on these rules.

7.9 Global issues for the 21st century

- As more industries become increasingly global and hypercompetitive, fewer companies will survive unless they are able to adapt to changing conditions. This will increase the complexity of reward systems and make logistics and communication especially important.

- As more companies become involved in international operations – like strategic alliances and other options – it is likely that corporate culture and human resources will increase in importance in a highly competitive global industry. New products and new technologies are easier to duplicate than the intangible aspects of corporate culture and human resources. This has implications for the maritime industry, which is service (as opposed to product) orientated. Even if an organisation is not planning to enter an international market, many of its suppliers and customers will be located in other nations.

- Consider the difficulty of merging two companies – not only because of differences in corporate, but also in national culture. With the number of cross-border mergers and acquisitions increasing, expect companies to value international work experience more highly.

- Improvements in communications (satellites, mobile phones, Internet) are making it easier to interact. As more industries become global, nations do, however, want to keep some of their differences, yet to be part of the world
community. The British want to remain British. The same is true of the Chinese, the Italians and the Canadians. Multinational corporations will be forced to deal with this paradox so long as different peoples want to be part of a larger community, yet have their differences respected.

Conclusion

It is people who give life to an organisation. They must therefore be given due consideration throughout the strategic management process. For the successful implementation of a strategy, a supportive culture, strong leadership and a sound reward system are required.

For the successful implementation of a strategy, it is critical that it be supported by the appropriate organisational culture. An effective structure is one that facilitates the coordination and control of activities and people within the organisation. Structural changes are one of the most complex challenges facing organisations today. This is particularly true given the multi-national nature of the maritime industry.

Culture refers to a system of shared meaning held by members of an organisation. This shared meaning distinguishes one organisation from another. The success of a strategy depends on the extent to which the organisational culture supports it. The more aligned a strategy is to the culture, the greater its chances of success are. Having a strong culture is no guarantee for success. At times, the stronger the culture, the more inflexible and resistant to change it becomes. A culture that is flexible, that is capable of learning from experience, is more critical to strategic success. Being internationally based, the maritime industry must carefully deal with the issue of cultural differences in the formulation and implementation of strategic changes.

A good leader is a transformational leader – one who provides a clear vision for the organisation, knows how to gain hearts and minds in support of this vision, and creatively shapes the culture so that the vision can become reality. A transformational leader is also a ‘situational’ leader – one whose style of leading and managing changes according to the needs and requirements of the situation and to the type and mix of people involved.

A sound reward system ensures that an organisation recruits the right people, keeps them in the right jobs, and provides a system of motivating and rewarding good performance. Which rewards mean the most to people? According to some research, it is when people feel they are most appreciated and valued by the organisation, when their work expectations are met, and when they find their jobs challenging.
References


