

MNG3702

STRATEGY IMPLEMENTATION AND CONTROL

DISCUSSION CLASS

SEMESTER 1 - 2016

Presented by:

Francois Crafford

Tel: 012-429 4545

Email: MNG3702@unisa.ac.za



Programme

- **Administrative Matters – *myUnisa* orientation**
- **Module orientation**
- **Learning unit 1: Introduction to strategy implementation**
- **Learning unit 2: Strategy implementation as change management**
- **Learning unit 3: The importance of organisational learning in strategic change**
- **Learning unit 4: Aligning organisational culture, leadership and strategy**
- **Learning unit 5: Aligning strategy and structure**
- **Learning unit 6: Strategy deployment**
- **Learning unit 7: Managing implementation risk**
- **Examination preparation guidelines**

Administrative matters

- **Sign the attendance register**
- **Mobile phones**
- **Assignments:**
 - **Compulsory assignments**
 - **Self-assessment (*myUnisa* discussion forum)**

Module orientation

- **First read the “Overview” in the learner guide to understand the approach to the module and how to use the icons.**
- **Always work from the learning units to the sources indicated in each of the learning units. Do NOT work from the textbook to the learner guide. It will be confusing if you follow such an approach.**
- **The learner guide is a “wrap around” guide. Therefore the textbook is ONE of the resources used to develop the learner guide.**
- **The learning programme will require that you spend at least 120 notional hours on the module.**
- **Mastering all of the module outcomes requires a 15 week study programme. Therefore consider how family, work and other commitments will impact on your study programme.**
- **Note that you will be required to do self-assessment as well. Make use of the e-tutor and discussion forums as support mechanism. This does not mean that the lecturers or e-tutor will spoon-feed you questions and answers. It is important to attempt answering questions in order to get good feedback.**

Strategic planning (MNG3701)

Introduction to strategic planning (LU1)

Strategy implementation
as change management
(LU2)

Importance of organisational
learning in strategic change
(LU3)

Aligning organisational
culture, leadership and
strategy (LU4)

Aligning organisational
structure and strategy (LU5)

Strategy deployment (LU6)

Managing implementation risk (LU7)

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Learning unit 1

- **Important:** Learning unit 1 gives an overview of what is to follow in the other learning units. Learning unit 1 does NOT draw on any one chapter in the textbook. It gives an overview of the module. Furthermore the read, study and activity icons make reference to sections in the textbook (not chapters), open source books, websites and articles.
- Note each learning unit clearly states the outcomes that must be mastered and the key concepts in a learning unit.
- Key concepts are the building blocks needed to develop the strategy specific language used in writing essay type questions. Note strategy terms often have very specific meanings, which can be different from the general or natural explanations we hold (for example: organisational learning, strategy deployment, capabilities).

Strategic management process

Comprises of three phases:

- **Strategic planning (MNG3701)**
- **Strategy implementation (MNG3702)**
- **Strategic control (MNG3702)**

**“Strategy is a commodity, execution is an art.”
— Peter F. Drucker**

Overview of the essential components of the strategy implementation process

- **Strategy implementation requires managing change, and change initiatives. Strategy is not about conducting business as usual (Learning unit 2)**
- **Organisational learning is essential to creating change and a desired future. Organisations must be able to learn, unlearn and learn again (Learning unit 3)**
- **To create a cohesive strategy, the implementation components need to integrate well. This requires a “blueprint” of how all of the implementation components will come together as an integrated strategic response – organisational architecture (Learning unit 3)**
- **Creating change requires an organisational culture and leadership that aligns with the strategy (Learning unit 4)**

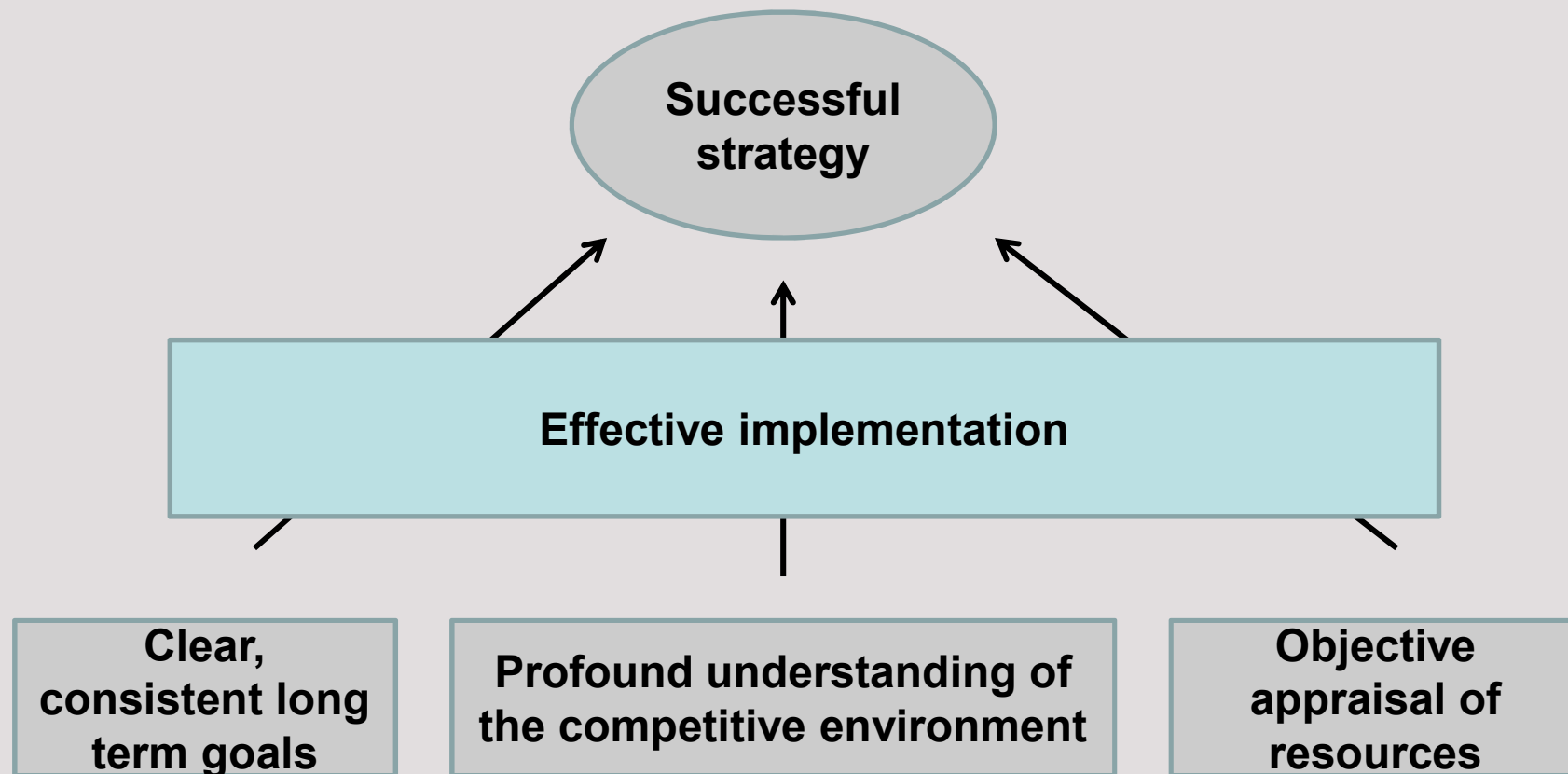
Overview of the essential components of the strategy implementation process

- **Organisational design (organisational structure) often must adapt to a selected strategy – “structure follow strategy” (Learning unit 5)**
- **Strategy deployment is the process of managing the strategy implementation process and the strategic initiatives – following a programme or project management approach to implement initiatives (Learning unit 6)**
- **Strategic controls or a strategic control system is needed to ensure both strategy implementation process and the content of strategy is reviewed (Learning unit 7)**
- **Good governance practice, strategic risk management and performance frameworks are essential to manage strategy implementation risk. Managing implementation risk gives an organisation a better chance of implementing strategy successfully (Learning unit 7).**

Four perspectives or approaches on strategy implementation

- Strategy implementation as **organisational architecture**. Organisations are viewed as a set of interrelated sub-systems, which must be aligned, in balance and consistent if a strategy is to be implemented successfully (LU2).
- Strategy implementation is about **managing planned change** (LU2).
- Strategy implementation as a **process** of selecting and managing strategic initiatives that contribute towards the achievement of strategic objectives (Strategy deployment, LU6).
- Strategy implementation as **organisational adaptation**. Organisations learn and adapt organically rather than a formal process (organisational learning, LU3).

Common elements in successful strategies



Grant, R.M., 2016. *Contemporary Strategy Analysis*. Ninth Edition. John Wiley & Sons.

Strategy implementation failure

- **Implementation failure means a strategy planned was not implemented in such a way that the strategic objectives were achieved, not all strategic initiatives were completed successfully or implementation was unacceptable to the key stakeholders – strategy performance gap.**
- **Implementation failure is due to a set of factors and a set of conditions, rather than just one specific reason/s or list of reasons.**
- **It is important to understand not to reduce strategy implementation failure to a list of simple reasons or simple solutions – irreducible problem**

Strategy implementation failure

- It is important to recognise the complexity of strategy implementation (the rich interconnectedness, interdependence and diversity of interactions between parts in an organisation).
- Both hard (systems, structures) and soft components (social constructions) need to be considered
- The whole emerges, and the whole is always more than the sum of the parts. Therefore strategist should concentrate on the “big picture” (holism), as opposed to reducing the whole to parts (reductionism). Failing to do so, crucial interactions between parts are missed.

Strategy implementation failure

- **Strategy may fail may also be due to strategy formulation process (objectives too complex, vague, poorly translated or communicated). However it is more likely that strategy failure is due to poor implementation.**
- **Strategy may fail due to poor alignment between drivers of strategy (lack of a cohesive strategy/organisational architecture)**
- **Icarus effect, dominant logic and mental models**
- **Failure due to a long standing problem (path dependency).**
- **Ineffective implementation process (lacking a capability to implement strategy well)**

Activity

- **Reflection question: Is there a difference between a question that requires you to discuss, or evaluate and a question that requires you to critically discuss or evaluate?**
- **Critically discuss implementation failure.**
- ***Note critical thinking is required! Critical thinking implies that you must be able to judge decisions made in implementing strategy, as well as justify your judgement (you must be able to give an explanation of the evidential, conceptual, methodological, criteriological, or contextual considerations upon which YOUR judgment is based).***

Learning unit 2

- **Learning unit 2: Strategy implementation as change management**
- **Explain what strategic change entails.**
- **Explain what organisational architecture is.**
- **Identify the preconditions for effective strategic change.**

Strategic change

- **Strategic change is not normal change, but proactive change to achieve strategic goals. Strategic change involves changing strategic direction in light of internal and external factors.**
- **Decisions have to be made now by leaders to create a desired future.**
- **“The best way to predict the future is to create it”.**
 - Peter F. Drucker

Strategy implementation as change management

- **Strategic change may involve large scale changes or many small incremental changes. Therefore strategic change is often punctuated. Many small changes (incrementalism), with revolution in between (fast, sudden and disruptive change).**
- **Strategic change programmes therefore often have to deal with a large number of disruptive changes, and small scale changes - punctuated.**
- **Planned strategic change processes (as opposed to unplanned change): change model Kurt Lewin, change model of John Kotter – can be used to ensure the organisation stands a better chance of executing its chosen strategy**
- **READ: open source text on organisational change capacity (OCC) for preconditions for effective strategic change (see LU2, p.33) and Tutorial letter 201**

Types of strategic change

Nature	Scope	
	Current organisational setting	Fundamental changes
	Incremental	Adaptation
Revolutionary	Reconstruction	Evolution
		Revolutionary

Johson, G. Scholes, K., Wittington, R. 2005. Exploring corporate strategy: text And cases. 7th edition Pearson education. New Yersey.

Types of strategic change

- **Adaptation (incremental)**– only adapt to new situation, organisation can handle it. Change can be accommodated within the current business model and the current culture with the aim to realign the strategy.
- **Reconstruction (sudden and disruptive)** – a sudden alteration in the market conditions (which may require a turnaround strategy); rapid change related to reconstruct processes and policies (cost cutting) or structural changes
- **Evolution (incremental)** – fundamental changes over time. Change in strategy over time may require cultural change. There is no urgency to create change. Lack of urgency may create strategic drift
- **Revolution (fast and disruptive)** – fundamental changes as a result of sudden and fast-changing conditions. Circumstance may change that puts pressure to change. A takeover that threatens the existence of an organisation.

Contextual issues to consider during strategic change

- **Time** – How quickly the change is needed?
- **Scope** – How much change is needed. Is it dramatic revolutionary change or moderate change?
- **Preservation** – What organisational resources and characteristics need to be maintained?
- **Diversity** – How homogeneous are the staff group divisions within the organisation?
- **Capacity** – Does the organisation have the capacity in terms of the resources needed to change?
- **Readiness** – Are the employees ready for the change? Refers to the level of resistance to change.
- **Capability** – Do the organisation's employees and managers have the capabilities to implement the change?

Organisational Change Capacity (OCC)

- **Organizational capacity for change (OCC)** is the overall capability of an organization to either effectively prepare for or respond to an increasingly unpredictable and volatile environmental context. This overall capability is multidimensional, and it comprises three ingredients: (a) human skill sets and resources, (b) formal systems and procedures, and (c) organizational culture, values, and norms. As such, OCC is a dynamic, multidimensional capability that enables an organization to upgrade or revise existing organizational competencies, while cultivating new competencies that enable the organization to survive and prosper. More specifically organizational capacity for change comprises of eight dimensions:

Dimensions of OCC

- **Trustworthy Leadership.**
 - **Trusting Followers.**
 - **Capable Champions.**
 - **Involved middle management**
 - **Systems Thinking.**
 - **Communication Systems.**
 - **Accountable Culture.**
 - **Innovative Culture.**
-
- **See LU 2, section 2.6, and open source book and Tutorial letter 201**

Organisational architecture

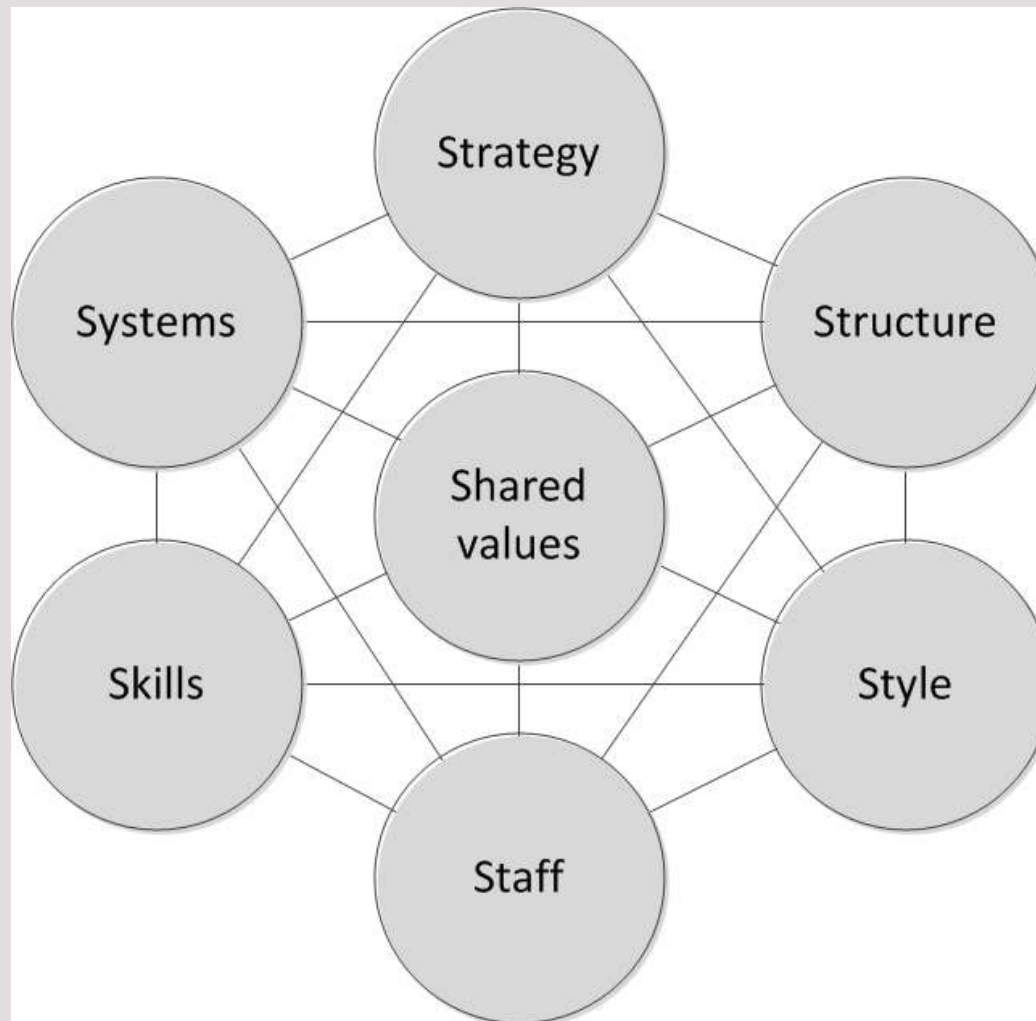
- **What is organisational architecture?**
 - Organisational architecture is an integrated strategic response (blueprint) that draws together the key dimensions and strategic planning and implementation components of the organisation, such as organisational structure, leadership, organisational culture, policies and strategies, to guide strategic planning and implementation.
 - Simply stated, it is a blueprint of the internal and largely invisible workings of the organisation.
- **Is organisational architecture the same concept as organisational structure?**
- **What are the components of organisational architecture?**

Organisational architecture

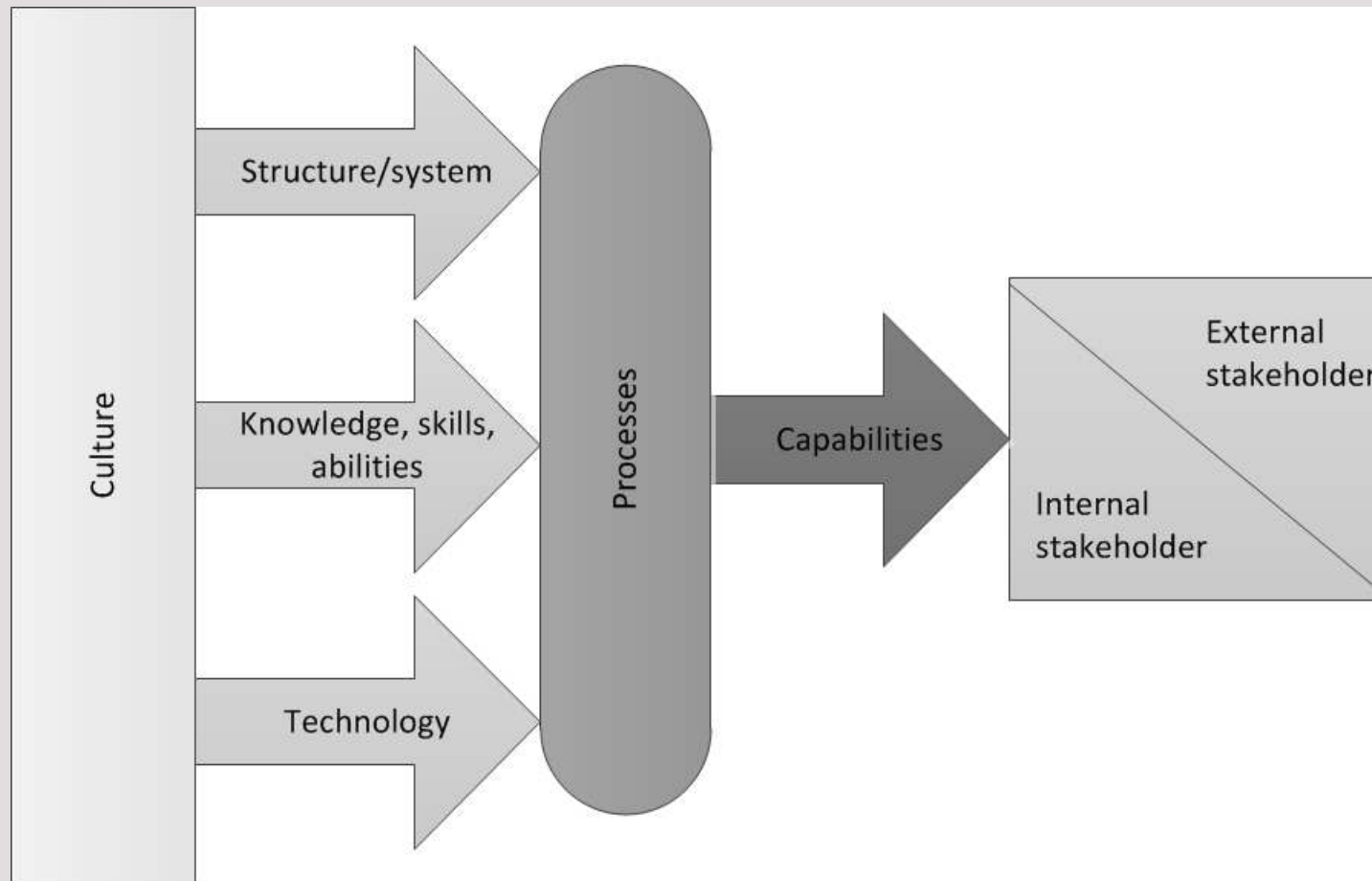
Why is organisational architecture important in building a cohesive strategy?

- The argument for using an organisational architecture framework (a strategy tool in the strategist toolkit) is that strategy implementation components and organisational subsystems should align with each other, **creating a cohesive whole**. Failing to do so will lead to strategy implementation components (and parts of the organisational system) pulling in different directions, which will reduce the chances of successful strategy implementation.
- Note that there is no one “right” organisational architecture or approach to developing a cohesive strategy.

The McKinsey 7-S framework



Lee, Bates and Venter framework of organisational architecture



A model of business architecture

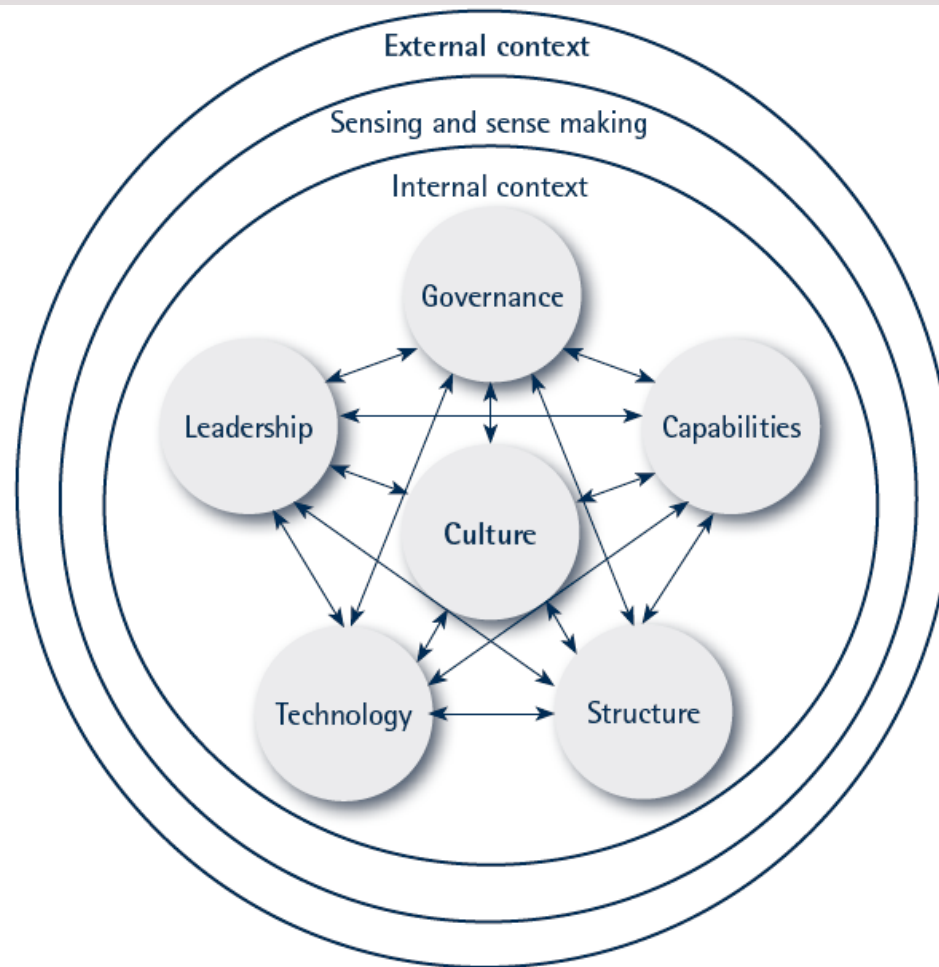


FIGURE 11.2 *A model of business architecture*

Activity

- **Use the preconditions for effective strategic change (organisational change capacity) as a framework for critically evaluating the strategic change efforts at...**
- **Explain what organisational architecture is.**

Learning unit 3

- **Learning unit 3: The importance of organisational learning in strategic change**
- **Explain what dynamic capabilities are and why they are important to organisational learning, and be able to identify dynamic capabilities.**
- **Make recommendations on how organisations can develop a learning organisation.**

Capabilities theory

- **What is an organisational capability?**
 - A capability is the complex network of processes and skills that determine how efficiently and effectively the resources of an organisation is used/exploited
 - The foundation of organisational capabilities often lie in the skills and knowledge of employees (tacit know-how)

Dynamic capabilities: What are they?

- **Teece (1997) define dynamic capabilities as :** *The firm's processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources — to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.*
- **Routines to learn routines (traditional view of dynamic capabilities)**
- **Dynamic capabilities are those capabilities that help organisations to learn new capabilities they require to adapt to environmental changes (Venter, 2014:120)**
- **Why is organisational learning a dynamic capability?**

How does an organisation become a learning organisation?

- **To modify behaviour deep seated mechanisms are needed, in combination, to become a learning organisation. These mechanism are:**
 - **Leadership commitment to learning**
 - **Building shared visions**
 - **Encouraging diversity**
 - **Encouraging double-loop learning**
 - **Legitimising dissent**
 - **Encouraging experimentation**
 - **Establishing communities of practice**
 - **Collaboration**
 - **Knowledge management**

Activity

- **Describe organisational learning and why it is of value to strategic change.**
- **Critically examine the role of organisational learning in implementing strategy and make recommendations on how an organisation can become a learning organisation.**

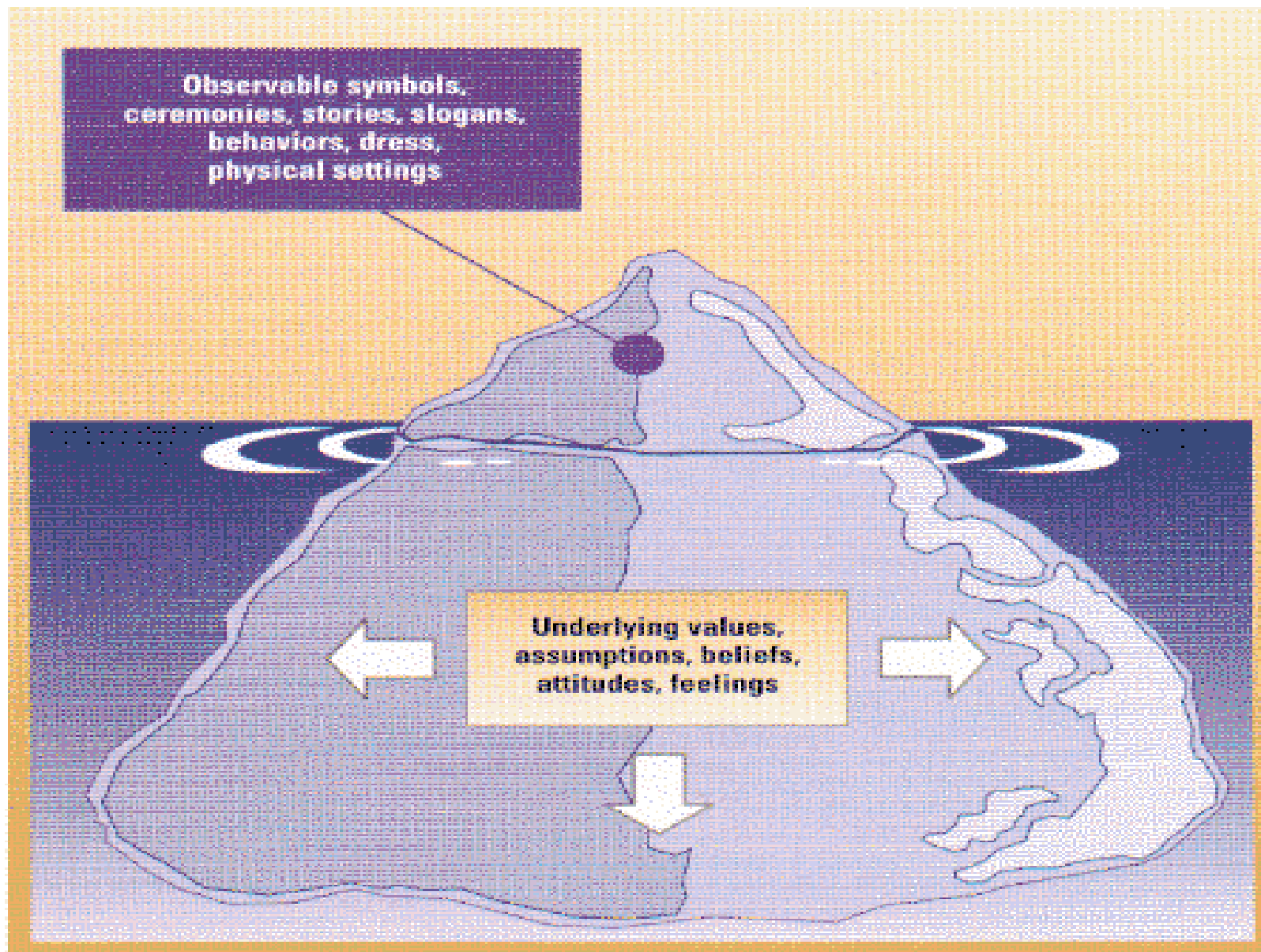
Learning unit 4

- **Learning unit 4: Aligning organisational culture, leadership and strategy**
- **Describe what is organisational culture.**
- **Explain how an organisational culture can be instilled that supports a chosen strategy.**
- **Identify the principles of strategic leadership.**
- **Critically evaluate the cultural change efforts in an organisation or case study.**

What is organisational culture?

- We can think of organisational culture consisting of three layers or levels (Schein, 1992):
 - Visible layer – includes all “artefacts”
 - Professed layer – shared values or statements of principles that the organisation subscribes to.
 - Tacit (unseen assumptions) – assumptions that are made, which are difficult to define or explain.
 - Venter (2014:194) describes organisational culture as an automatic, self-replicating “operating system” and can be thought of as the organisational DNA.

LEVELS OF ORGANIZATIONAL CULTURE



Shaping/instilling a strategy supportive culture

- **Is it possible to shape organisational culture? If so, HOW can a culture be instilled that support its chosen strategy?**
- **Leaders play an invaluable role in shaping and instilling culture** in an organisation (see symbolic and substantive actions that leaders may take, LU 4, section 4.5). Drawing on the work of Edgar Schein (1992), we see leadership as the source of the organisation's beliefs and values. The most central issue for leaders is to understand the deeper levels of organisational culture and to deal with the anxiety that sprouts from assumptions being challenged, for example during change programmes.
- **Organisational cultures spring from three sources:**
 - the values, beliefs and assumptions of the founders of the organisation (this is the most important source of culture)
 - the learning and experience of group members
 - new beliefs introduced by new leaders or other members of the organisation

Shaping/instilling a strategy supportive culture

- Leaders transmit and shape organisational culture by way of certain **embedding mechanisms**, which may include, what leaders measure, how they react to critical incidents, how they allocate resources, how they reward and allocate status, how they recruit, promote and “excommunicate” members of the organisation
- In addition to these embedding mechanisms, leaders can also use **structural mechanisms** (which exhibit some commonalities with organisational architecture and the cultural web), such as organisational structures and systems, procedures, rituals, physical spaces and other physical artefacts, stories and statements
- **Planned change programmes** are also undertaken to deal with cultural change.

Strategic leadership principles

Various studies have been undertaken to gain a better understanding of the skills required to be a strategic leader and how these skills can be mastered in a way that allows strategic leaders to think strategically and navigate the unknown effectively. The six principles of strategic leadership are:

- *Principle 1: Strategic leaders are future oriented and anticipate change*
- *Principle 2: Strategic leaders get things done*
- *Principle 3: Strategic leaders open new horizons*
- *Principle 4: Strategic leaders reach out to stakeholders.*
- *Principle 5: Strategic leaders are fit to lead.*
- *Principle 6: Strategic leaders do the 'next' right thing and learn from past experiences*

TB, Chapter 10, sect 10.4.1, p 207-209

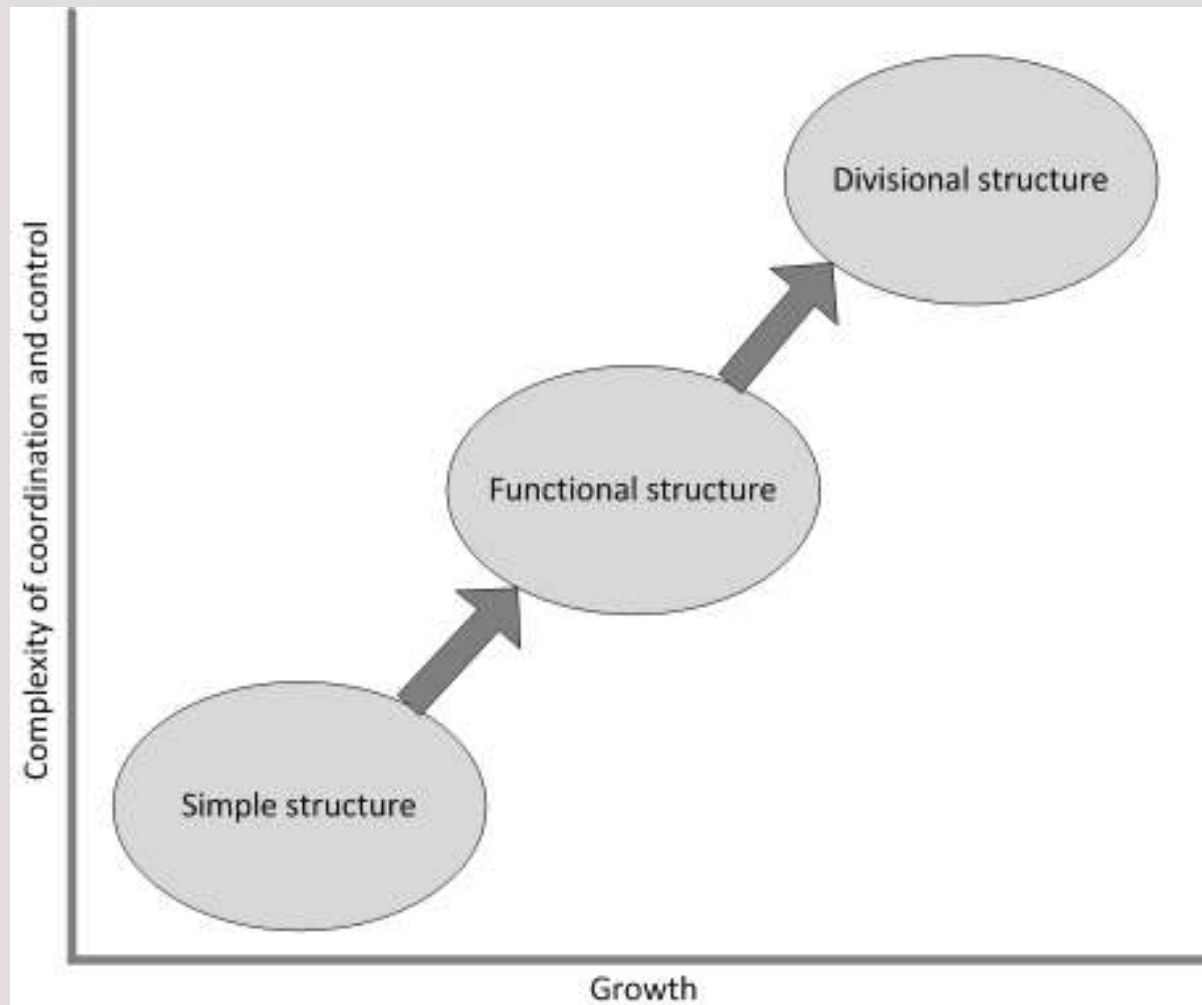
Activity

- **Critically discuss how strategic leaders can shape organisational culture to enhance and support strategy implementation.**
- **Discuss any five principles of strategic leadership.**

Learning unit 5

- **Learning unit 5: Aligning strategy and structure**
- **Explain the relationship between strategy and organisational structure**
- **Explain how organisational structures evolve**
- **Explain why organisational ambidexterity is important in a more complex and competitive business environments.**

Evolution of organisational structures



Strategy and organisational structure

- **Alfred Chandler suggested that “structure follows strategy”. Organisations adapt structure to suit strategy, rather than the other way around.**
- **Is Chandlers belief that “structure follows strategy” always true?**
- **Organisation often start out with simple forms of structure, however as more complex capabilities (being more agile and responsive) are needed, more complex forms of organisational structures are used.**
- **Which types of structures would be better suited to complex, fast-changing business environments?**

Organisational ambidexterity

What is organisational ambidexterity?

- Organisational ambidexterity refers to the ability to be equally good at exploiting existing opportunities using existing capabilities while exploring and searching for new opportunities and new capabilities
- In most organisations, the existing way of doing things tends to dominate management thinking, which makes it very difficult for them to be truly innovative and to develop new capabilities.
- O'Reilly and Tushman (2004) found that companies, which are successful at both exploiting existing opportunities and exploring new opportunities (i.e. companies that are ambidextrous), separate their new, exploratory units from their traditional, exploitative ones, allowing for different processes, structures, and cultures. At the same time, they maintain tight links across units at the senior executive level. In other words, they manage organisational separation through a tightly integrated senior team.

Organisational ambidexterity

- **Why is organisational ambidexterity important in a more complex and competitive business environments?**
- In a complex and highly competitive environment, organisations need to be more agile and quick to respond to business environment changes. Organisational structure plays an important role in organisations becoming more agile and responsive.
- Therefore, organisational structures often evolve from simple forms to complex forms as environments become more complex and competitive. More specifically, ambidextrous structures assist organisations in remaining agile and adaptive, which is crucial to quickly exploiting opportunities.

Activity

- **Explain how organisational structures evolve.**
- **Explain why organisational ambidexterity is important in more complex and competitive business environments. Give a practical example of organisational ambidexterity.**

Learning unit 6

- **Learning unit 6: Strategy deployment**
- **What is strategy deployment?**
- **Explain the relationship between strategy deployment and strategy implementation.**
- **Describe the components and enablers of strategy deployment.**
- **Critically evaluate strategy deployment efforts in a practical setting and make recommendations on strategy deployment.**

What is strategy deployment?

- **Traditional strategy implementation - the translation of a chosen strategy into organisational actions so to achieve strategic goals and objectives (translating, communicating and “cascading” strategy)**
- **There is no clear framework for managing the process of alignment (between implementation components such as culture, structure and rewards systems), and managers need and want a logical model to guide the process of alignment. Strategy deployment provides the “logical model” that manager need.**
- **Deployment is therefore a process of alignment (not “cascading”), both vertically and horizontally, between organisational functions and activities with its strategic goals and objectives**

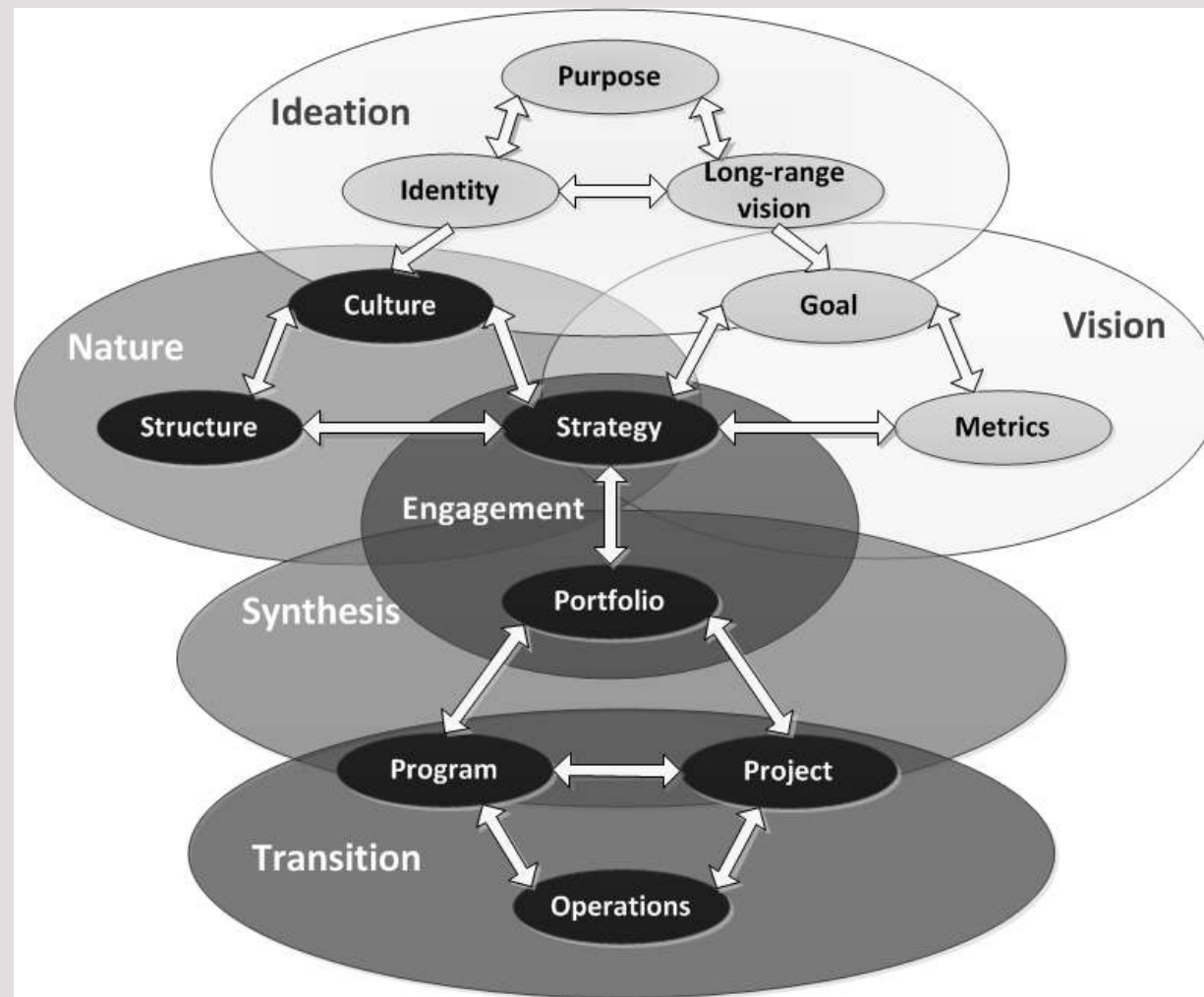
What is the relationship between strategy implementation and strategy deployment?

- **Strategy deployment is process within the strategy implementation process. The strategy deployment process focuses on the selection and implementation of strategic initiatives. These initiatives are not part of operations, but require projects or programmes to bring about strategic changes.**

Describe the SEF

- **The Strategy Execution Framework advocates a project management approach to implement strategy (see prescribed textbook, section 12.2)**
- **Once strategy has been formulated a portfolio of initiatives are identified**
- **Initiatives do not form part of daily operations, and have to managed as projects or programmes**
- **Once projects are successfully completed they become part of day-to day operations**
- **Mergers for examples may require a cultural change programme, and cost reduction programme.**

Strategy Execution Framework (SEF)



How does the SEF contribute towards strategy deployment ?

- Any formulated strategy may lead to the identification of a host of possible strategic initiatives. Strategic initiatives are those initiatives that are not part of the operations of the organisation, but are intended to permeate the strategy through the organisation.
- Typical strategic initiatives include the following:
 - specific initiatives to align culture, structure and systems with strategy
 - specific initiatives to ensure that a strategy is enabled (For example, if an organisation decides on a turnaround strategy, a strategy to reduce costs on a sustainable basis may be a specific initiative.)
 - specific initiatives to align organisational units and individual behaviour with strategy, for example, a campaign to implement a performance management system

How does the SEF contribute towards strategy deployment ? (cont)

- Although all the initiatives may have potential, the organisation has limited resources, and a key decision at this point would be which strategic initiatives to fund, and which initiatives to discard. From this perspective, resource allocation will thus only occur to fund selected strategic initiatives. It is in this regard that programme and project management can play a key role in strategy implementation. First, the project portfolio has to be selected. Then, programme management has to be established to ensure that all strategic projects are properly tracked and managed. Lastly, individual projects have to be managed to ensure that project milestones are achieved and that the project ultimately becomes part of the operation of the organisation.

Components and enablers of strategy deployment

- **Components of strategy deployment:**
- **Aligning organisational units with the strategic direction:** Organisational units must be meticulously aligned with the strategy so that the entire organisation and all its parts move in the same direction. If parts of an organisation “pull” in different directions, the organisation is less likely to build a cohesive strategy, which is crucial for closing the gap between planned and realised strategy.
- **Aligning individual behaviour with the strategic direction:** Individual behaviour can be aligned with strategy by communicating the strategy and then using tools such as the recruitment process, policies and procedures, cascading of objectives and reward systems.
- **Identifying and managing strategic initiatives.** Strategic initiatives refer to the key projects or programmes that are selected to achieve specific objectives or to improve performance. The organisation must make a decision on the portfolio of initiatives it will pick. It needs to have adequate processes for identifying and managing these strategic initiatives.

Components and enablers of strategy deployment

- **The enablers of strategy deployment are: communicating the strategy, organisational learning and adaptation and resource allocation.**

Activity

- **Critically discuss how strategy deployment can contribute to the management of ... strategy implementation. In your discussion make specific reference to the components and enablers of strategy deployment.**

Learning unit 7

- **Learning unit 7: Managing implementation risk**
- **Explain the meaning and importance of strategy control**
- **Explain Simons' control levers and the role they play in strategic control**
- **Explain the role of the Balanced Scorecard in managing organisational performance**

What does strategic control mean?

- **Strategic control is the phase in the strategic management process that concentrates on evaluating the chosen strategy in order to verify whether the results produced by the strategy are those intended.**
- **Strategies focus on the long-term future of the organisation, and time elapses between the formulation and implementation of a strategy and the achievement of the intended results.**
- **Strategic control is the phase during which managers ensure that the implementation activities are performed effectively and efficiently, and identify deviations from the strategic plan in order to take corrective action.**
- **Strategic control is not operational control (business as usual aspects), the role of strategic control is about managing strategic risk (not business as usual aspects).**
- **Strategic control is important in light of high risk, high reward and low accountability organisational cultures.**

What does strategic control mean? (cont)

- **Strategic control has two foci: to review the content of the strategy (proactive controls) and to evaluate and control the implementation process (reactive controls).**
- **See table 7.1: Elements of strategic control (LU 7, p.97)**
- **Strategic control identifies and interprets critical events or changes (triggers) in the external environment that require a response from the organisation (proactive controls).**
 - There is no reason for any individual to have a computer in their home (Ken Olson, President of Digital Equipment Corporation. 1977).
 - It is an idle dream to imagine that...automobiles will take the place of railways in the long distance movement of ...passengers. (American Railroad Congress, 1913)
- **Strategic control should also initiate managerial questioning of performance, assumptions and expectations in order to determine to what extent the organisation is achieving its long-term objectives.**

Simon's strategy control levers

With regards to control levers, four constructs must be analysed and understood for the successful

- **implementation of strategy: core values, strategic uncertainties, critical performance variables and risks to be avoided. Each construct is controlled by a different system or “lever” that has different implications**
- **(Simon, 1995:6). These systems or control “levers” are: belief systems, interactive control systems, boundary systems and diagnostic control systems.**
- **These four levers create opposing forces (Yin and Yang) of effective strategy implementation. The belief systems and the interactive control systems create positive and inspirational forces. The other two levers, namely, boundary and diagnostic systems create constraints and ensure compliance. These opposing forces are used by managers to achieve dynamic tension that allows the effective control of strategy.**

Simon's strategy control levers



Role of the BSC in managing organisational performance

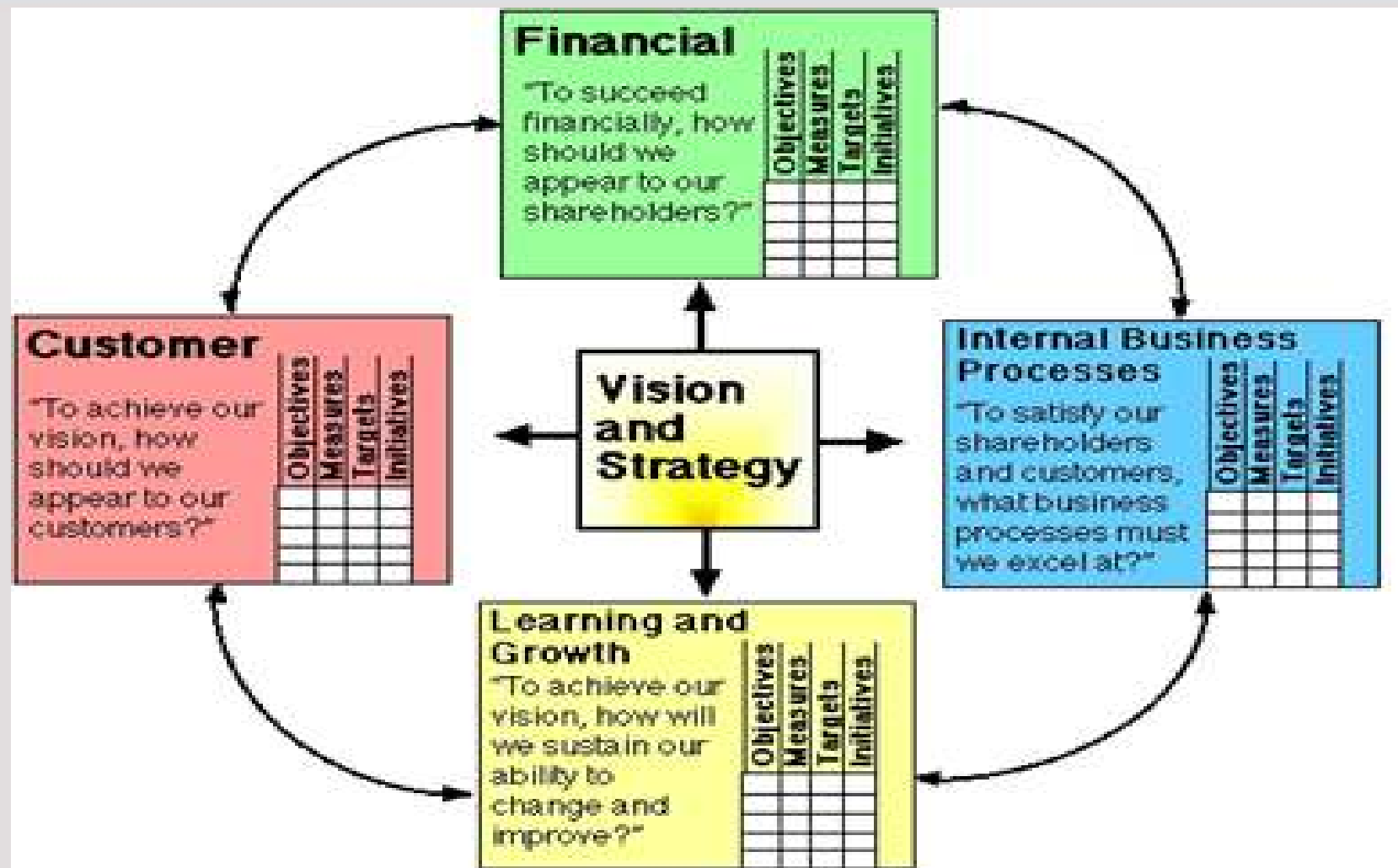
- The balanced scorecard plays a crucial role in the management of performance across the organisation, as each goal and target can be broken down into functional objectives, measures (often also referred to as key performance indicators or KPIs), targets and initiatives, which are ultimately reflected in the performance targets of individual employees. At the top, the executive team will focus on the few key measures identified by the BSC, often designed in the form of an executive "dashboard."
- Links strategy formulation and implementation
- "...where the rubber meets the sky" – Kaplan and Norton (in HBR's: Must reads on strategy)

Using the BSC as a strategic control system

Example:

For example, an organisation might have the long-term objective of "increasing customer lifetime value". As a measure, average customer lifetime value can be used, which is the net present value of all future cash flows generated by a customer. The customer lifetime value (CLV) depends on customer retention (the longer you have a customer, the more they will spend), the profitability of a customer and the amount of money a customer spends. Therefore, typical strategic initiatives may include a customer loyalty programme, a programme to increase sales to customers (for example by bundling products) and ways to increase customer profitability, for example by increasing online sales.

Balanced scorecard

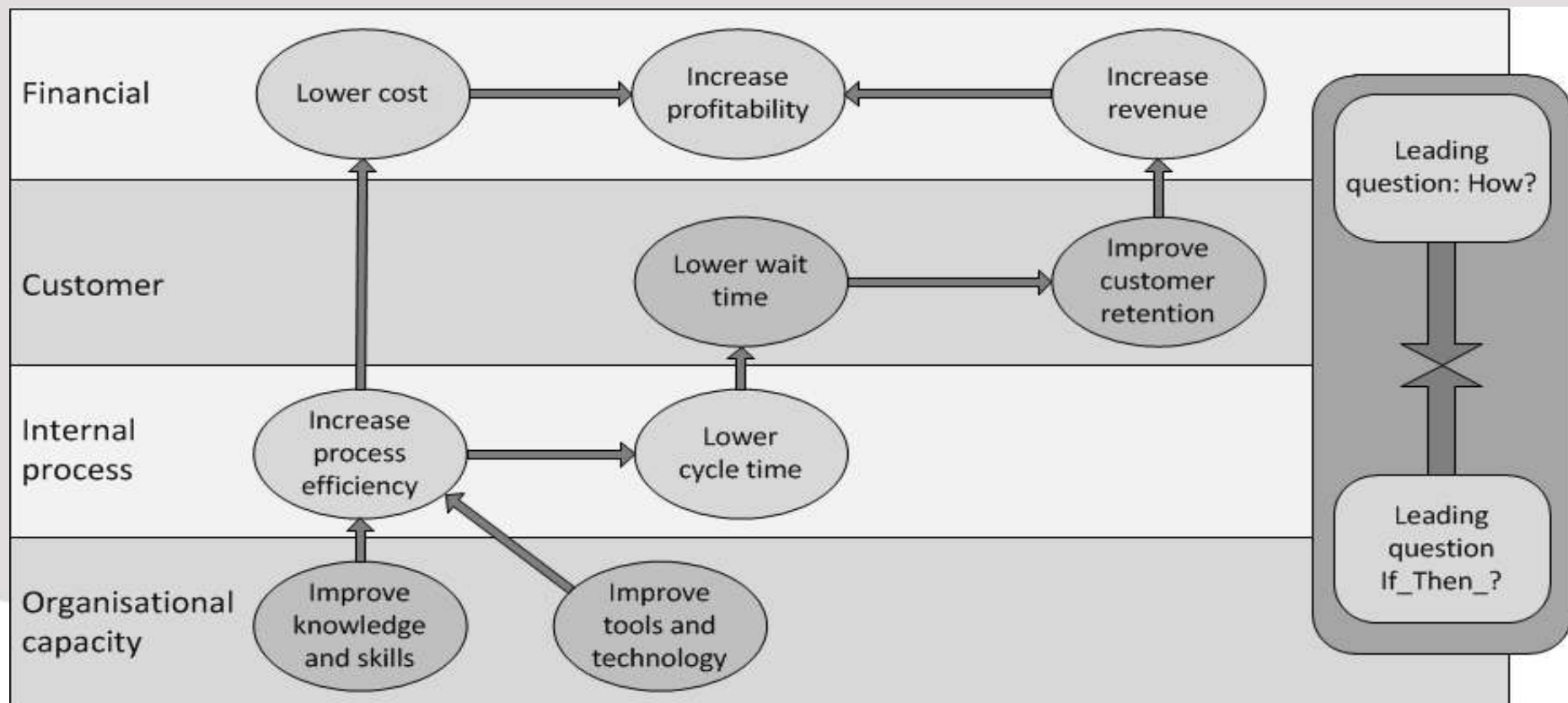


Using the BSC as a strategic control system

- You can see how these initiatives then become functional objectives:
 - Marketing may now have the objective of increasing customer retention, for example by launching a loyalty programme.
 - Operations may introduce a programme to increase customer satisfaction by shortening delivery times.
 - The sales function may be given the goal of increasing the sales value per sale (for example by cross-selling insurance products).
 - The IT function may introduce an initiative to improve the e-commerce capability of the organisation and to increase online sales.
- These initiatives will also have an effect on the individual performance management of individuals. For example, salespeople may now be measured and rewarded on the net profit they generate per transaction and the size of the transaction, whereas previously they may have been rewarded purely on the basis of transaction volumes.

Using a strategy map to improve organisational performance

- In addition to cascading performance measurements down to lower levels, the BSC also offers the opportunity of developing strategy maps. **Strategy maps** show how the objectives of the organisation are connected and how value is created for the organisation. This, in turn, helps the organisation to understand how improving performance in one area will lead to improved performance in another area.



Activity

- **Explain Simons' control levers and the role they play in strategic control.**
- **Explain the role of the Balanced Scorecard in managing organisational performance. Make use of a strategy map example to support your discussion.**

Examination preparation guidelines

- **Master all of the learning outcomes**
- **Understanding what needs to be demonstrated is important**
- **Do you understand the verbs used in questions: critically discuss, explain, evaluate, compare, recommend (99% of the effort is about understanding the question, whereas the answer is the 1%. The answer becomes self-evident if the question is well understood)**
- **All of the activities in the learner guide should be part of preparation**
- **Review learner guide, tutorial letters 201, 202, 102 and prescribed book (and other sources indicated in the learner guide)**
- **Self-assessment questions are useful to PRACTICE how to write better essay type question. The act of writing is a thinking mechanism!**
- **Previous exam papers, only May/June 2015 and Oct/Nov 2015 papers are available for “new” syllabus.**

How to approach essay type question?

- **Avoid writing cryptic and telegraph style answers.**
- **As a rule of thumb, one mark is allocated for a full, relevant and meaningful argument made**
- **Is it important to understand the level questions are “pitched” at in order to obtain good marks?**
- **Is there a difference in the questions below, in terms of the cognitive level (domain) they are “pitched” at?**
- **Verbs used in questions gives an indication of the cognitive domain a question falls within.**
- **Did you address the HOW or WHY aspects of a question? Often only WHAT aspect are dealt with (describing as opposed to explaining, evaluating, comparing or recommending)**

How to approach essay type question?

- **In section A, read the questions before you read the case study. This enables you to identify the parts in the case that apply to the questions.**
- **Use the mark allocation as a basic guideline to decide how much you need to write.**
- **Plan the structure of your answer before you start writing – a mind-map is useful in this regard.**
- **Write one argument or idea per paragraph**
- **Avoid making the same argument**
- **Your understanding of strategy implementation is assessed, as opposed to merely assessing your knowledge of strategy implementation.**



"It may be wrong, but it's how I feel."

MNG3702 examination paper

- **Format of paper.** Paper is comprised of two sections. Sections A and B
- **Section A** comprises a case study and **three (3) compulsory paragraph-type** questions. You must answer all three questions in this section on this fill-in examination paper. The total for this section is **40 marks**.
- **Section B** comprises **three (3) essay-type** questions. You must answer **any two (2)** of the three questions on this fill-in examination paper. Each question **counts 15 marks**. The total for this section is **30 marks**.
- **70 marks in total**
- **2 hour paper**
- **Closed book examination**