

Student Version

PART 3

**STRATEGIC
ACTIONS:
STRATEGY
IMPLEMENTATION**

PowerPoint Presentation by Charlie Cook
The University of West Alabama

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CHAPTER 12

Strategic Leadership

Strategic Management

Competitiveness and Globalization:

Concepts and Cases

Seventh edition

Michael A. Hitt • R. Duane Ireland • Robert E. Hoskisson

Strategic Leadership and Style

- Strategic leadership requires the ability to:
 - Anticipate and envision.
 - Maintain flexibility.
 - Empower others to create strategic change as necessary.
- Strategic leadership is:
 - Multi-functional work that involves working through others.
 - Consideration of the entire enterprise rather than just a sub-unit.
 - A managerial frame of reference.

Strategic Leadership (cont'd)

- Effective strategic leaders:
 - Manage the firm's operations effectively.
 - Sustain a high performance over time.
 - Make better decisions than their competitors.
 - Make candid, courageous, pragmatic decisions.
 - Understand how their decisions affect the internal systems in use by the firm.
 - Solicit feedback from peers, superiors and employees about their decisions and visions.

Managers as an Organizational Resource

- Managers often use their discretion when making strategic decisions and implementing strategies.
- Factors affecting the amount of decision-making discretion include:
 - External environmental sources
 - Characteristics of the organization
 - Characteristics of the manager

Top Management Teams

- Composed of the key managers who are responsible for selecting and implementing the firm's strategies.
- A heterogeneous top management team:
 - Has varied expertise and knowledge.
 - Can draw on multiple perspectives.
 - Will evaluate alternative strategies.
 - Builds consensus.

Firm Performance and Strategic Change

- Heterogeneous top management teams:
 - Have difficulty functioning effectively as a team.
 - Require effective management of the team to facilitate the process of decision making but ...
 - Are associated positively with innovation and strategic change.
 - May force the team or members to “think outside of the box” and be more creative.
 - Have greater capacity to provide effective strategic leadership in formulating strategy.

CEO and Top Management Team Power

- Higher performance is achieved when board of directors are more directly involved in shaping strategic direction.
- A powerful CEO may:
 - Appoint sympathetic outside board members.
 - Have inside board members who report to the CEO.
 - Have significant control over the board's actions.
 - May also hold the position of chairman of the board (CEO duality).

CEO and Top Management Power

- Duality often relates to poor performance and slow response to change.
 - CEOs of long tenure can also wield substantial power.
 - CEOs can gain so much power that they are virtually independent of oversight by the board of directors.
- The most effective forms of governance share power and influence among the CEO and board of directors.

Managerial Succession

- Organizations select managers and strategic leaders from two types of managerial labor markets:
 - **Internal managerial labor market**
 - Advancement opportunities related to managerial positions within a firm.
 - **External managerial labor market**
 - Career opportunities for managers in organizations other than the one for which they currently work.

Managerial Labor Market (cont'd)

- Advantages of internal managerial labor market include:
 - Experience with the firm and industry environment.
 - Familiarity with company products, markets, technologies, and operating procedures.
 - Lower turnover among existing personnel.
- Advantages of the external managerial labor market include:
 - Long-tenured insiders may be “stale in the saddle”—outsiders may bring fresh perspectives.

Key Strategic Leadership Actions: Determining Strategic Direction

- Determining strategic direction involves developing a long-term vision of the firm's strategic intent.
 - Five to ten years into the future
 - Philosophy with goals
 - The image and character the firm seeks
- Ideal long-term vision has two parts:
 - Core ideology
 - Envisioned future

Key Strategic Leadership Actions: Exploiting and Maintaining Core Competencies

- Core competencies
 - Resources and capabilities of a firm that serve as a source of competitive advantage over its rivals.
 - Leadership must verify that the firm's competencies are emphasized in strategy implementation efforts.
 - Firms must continuously develop or even change their core competencies to stay ahead of competitors.

Key Strategic Leadership Actions: Developing Human Capital and Social Capital

- Human capital
 - The knowledge and skills of the firm's entire workforce are a capital resource that requires investment in training and development.
- Social capital
 - Relationships inside and outside the firm that help it accomplish tasks and create value for customers and shareholders.

Key Strategic Leadership Actions: Sustaining an Effective Organizational Culture

- Organizational Culture

- The complex set of ideologies, symbols and core values shared through the firm, that influences the way business is conducted.

- Entrepreneurial Orientation

- Personal characteristics that encourage or discourage entrepreneurial opportunities.

- Autonomy
- Innovativeness
- ❖ Proactiveness
- ❖ Risk taking

Key Strategic Leadership Actions: Sustaining an Organizational Culture (cont'd)

- Changing a firm's organizational culture is more difficult than maintaining it.
 - Effective strategic leaders recognize when change in culture is needed.
- Shaping and reinforcing culture requires:
 - Effective communication
 - Problem solving skills
 - Selection of the right people
 - Effective performance appraisals
 - Appropriate reward systems

Key Strategic Leadership Actions: Emphasizing Ethical Practices

- Effectiveness of processes used to implement the firm's strategies increases when based on ethical practices.
- Ethical practices create social capital and goodwill for the firm.

Key Strategic Leadership Actions: Emphasizing Ethical Practices (cont'd)

- Actions that develop an ethical organizational culture include:
 - Establishing and communicating specific goals to describe the firm's ethical standards.
 - Continuously revising and updating the code of conduct.
 - Disseminating the code of conduct to all stakeholders to inform them of the firm's ethical standards and practices.

Key Strategic Leadership Actions: Emphasizing Ethical Practices (cont'd)

- Actions that develop an ethical organizational culture include:
 - Developing and implementing methods and procedures to use in achieving the firm's ethical standards.
 - Creating and using explicit reward systems that recognize acts of courage.
 - Creating a work environment in which all people are treated with dignity.

Key Strategic Leadership Actions: Establishing Organizational Controls

- Controls
 - Formal, information-based procedures used by managers to maintain or alter patterns in organizational activities.
- Controls help strategic leaders to:
 - Build credibility
 - Demonstrate the value of strategies to the firm's stakeholders
 - Promote and support strategic change

Key Strategic Leadership Actions: Establishing Balanced Organizational Controls

- The Balanced Scorecard
 - A framework used to verify that the firm has established both strategic and financial controls to assess its performance.
 - Prevents overemphasis of financial controls at the expense of strategic controls
- Four perspectives of the balanced scorecard
 - Financial ➤ Customer
 - Internal business processes
 - Learning and growth