Module 1 - An introduction to strategy and leadership

CPA Global Strategies and Leadership
2016 Notes

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Introducing strategy and leadership

What has strategy become so important in a globalised world? [p17]

- Strategy provides as set of techniques and tools for leading, managing, coordinating and making decisions in times of complexity and change

Why is strategy and leadership important for CPAs who already have accounting knowledge? [p17]

- Provide a focus on the future direction of the organisation as well as the skills needed to motivate, manage and lead employees.

What are some reasons for a strategy failing? [p18]

- Inadequate or misguided implementation, quick-fix formulas or solutions that do not take account of change, complexities and uncertainties in the marketplace.

What are some examples of literature in strategy and what do they say? [p19]

- Adam Smith (Invisible hand): Self-interested behaviour self-regulated the marketplace as the core developmental and structuring impetus (force) of modern business
- Alfred Chandler (Strategy and Structure):
  - (Visible hand) Capitalist function, administrative structure and managerial coordination is the core developmental and structuring impetus of modern business
  - Strategic planning involved the articulation of long-term goals and the allocation of resources to achieve those goals
- Michael Porter (Competitive Strategy): Firm's profitability was determined by the characteristics of its industry and by its position inside the industry, so these factors should determine the organisation's overall strategy of low-cost producer or differentiator in a broad market or a specific niche.
  - Operational improvements are required but not sufficient to provide long-term sustainability.
- Henry Mintzberg (Rise and Fall of Strategic Planning): Strategy should be flexible, develop continuously and emerge from 'intuition and creativity'.

What is the difference between operational effectiveness and competitive strategy? [p20]

- Operational effectiveness is to improve the performance of activities
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- Competitive strategy attempts to transform the activities performed

**Explain why the language and practice of strategy pervades the performance and operation of organisations? [p22]**

- An organisation's vision and mission articulate its strategy
- Organisation's performance relative to its strategy is discussed in performance reviews.

**What are the steps in the strategic planning process used to develop a strategy? [p23]**

1. Strategic analysis: where are we today?
   - Understand external and internal environment
2. Defining the future state: where are we going and by when?
   - Analysing and determining the most appropriate method of growth for the organisation
3. Evaluating options and developing the plan: how are we going to get there?
   - Chose growth strategy aligned with the purpose of the organisation
4. Implementation: how do we implement the strategy?

**What is the difference between management and leadership? [p24]**

- Managing involves planning, co-ordinating and organising
- Leadership focuses on influencing activity rather than forcing action

**What is the classical and socioeconomic view of ethics? [p25-26]**

- Classical view (Friedman): Organisation to maximise profits without fraud and deception for shareholders and pursuit of socially responsible goals are not justified.
- Socioeconomic view: leaders of organisation have a responsibility beyond profit imperative to the society that creates and sustains it so should include protecting and improving society's welfare.

**What are the two main approaches to strategy? [p26]**

1. Rational approach (planning) 1960s [p27]: Conception and execution of strategy are treated as discrete, sequential activities which starts with analysing the organisation’s situation, setting the basic, long-term goals, generation of options before implementing courses of action.
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2. Processual approach (crafting) 1970s [p28]: Practice of strategy occurred in an incremental, inconsistent and ad hoc manner; they are entangled activities of trial and error, constant revision and not separate stages,

3. Evolutionary approach 1980s [p30]: Market forces rather than managerial actions determine which organisations will survive and prosper and which will fail. Organisations should work on improving operational efficiencies and creating a range of innovative products in the short term so the market will select at least one of them and long-term strategies are inappropriate in an unpredictable environment

4. Systemic approach 1990s [p31]: Strategy is embedded in the cultural values, norms and rules of the organisation and of the society in which it operates and is the outcome of an organisation's culture and traditional values or the ways in which organisational members think that they should be operating and the types of goals that they should be aiming for.

Why is the rational approach the dominant approach that make up the orthodox language of strategy? This approach will be the focus of the course. [p32]

1. Provides a way of talking, analysing and organising a complex set of issues
2. Is a means of communication and legitimisation to stakeholders
3. Accords with the notion of rationality itself

What is strategic thinking? [p36]

- Linking concepts to operational practices and being able to understand and articulate the big picture in terms of an organisation's potential strategic directions and developments; concerned with developing a conceptual understanding of how the various parts of an organisation operate.

What is strategic fit and strategic stretch? [p37]

- Strategic fit is the match between your organisation and the current industry
- Strategic stretch is encouraging leaders and managers to explore different ways to imagine and develop new products or to provide existing products and services.

Strategy needs to be embraced by the whole organisation and so need to be considered at each level. What are the three levels of strategy? [p40]

1. Corporate strategy: all the organisation's business and determines how the scope of these businesses are managed and coordinated to contribute to corporate performance
2. Business strategy: Strategy at the business unit level - will be the same as corporate strategy for single business organisations.
What are the drivers of globalisation? [p42]

1. Competitive forces: internationalisation of economic activity leading to higher standards and lower prices.
2. Technological forces: breakthroughs in transport and communication leading to economies of scale and outsourcing of components to low-cost countries.
4. Political forces: Advances in world trade with tariffs and trade agreements and lower trader barriers.

What are the challenges of globalisation? [p44]

1. Competition: increase in competitors as more countries have opened up for trade.
2. Distribution: distributors will knowledge of regions and countries being entered with greater coordination and logistical skills.
3. Macro-economic: Understand and respond to different macro-economic environments including GDP trends, labour costs and consumption patterns.
4. Socioeconomic: interpreting the social and economic structure and practices of different economies and societies.
5. Financial: globalised economy means operating in different financial systems with various in interest rates, inflation rates and taxation systems.
6. Legal: complying with different laws and legal systems.
7. Physical: Integrating production across different time zones in different countries.
8. Political: working in different political systems with different government and international agencies.
9. Sociocultural: Respond appropriately to different cultures, values, beliefs and way of doing business.
10. Labour: Different employment and industrial relations.
11. Technological: Introducing new risks, unique challenges and market threats
12. Globalisation risk: Risks that were once highly localised can become a global phenomena.
13. Localisation: the need to localise products to local consumer preferences.

What are the benefits of globalisation? [p47]

2. Timing benefits: coordinated approach to product development and launching.
3. Learning benefits: higher rates of learning through coordination of more information transfer.
4. Arbitrage benefits: using resources in different subsidiaries in different countries to achieve maximum advantage.
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