UiO : University of Oslo

IN5431 – spring 2022

Strategy and governing documents: the management context

Dato	Tid	Aktivitet
Wed Jan 19	12:15–14:00	Introduction of course and seminar
Wed. Jan 26	12:15–14:00	Strategy, governing documents and other structural frames: what does it mean, and what is the importance of IT?
Wed. Feb 2	12:15–14:00	Introduction to relevant tools and frameworks
Wed. Feb 9	12:15–14:00	Tools and frameworks 2: concept selection and alternative analyzes with a business case
Wed. Feb 16	12:15–14:00	Tools and frameworks 3: projects (Prince 2 and "devops")
Wed. Feb 23	12:15–14:00	No lecture this week
Wed. Mar 2	12:15–14:00	Tools and frameworks 4: IT Governance.
Wed. Mar 9	12:15–14:00	Tools and frameworks 5: Process- and system modeling.
Wed. Mar 16	12:15–14:00	Designed for digital: Digital Business Design and Building Shared Customer Insights

Strategy and strategic context

Management tools and frameworks

Designed for digital

Platforms

Agenda

1. Practical info
2. What is strategy?
3. Strategy development and execution
4. Purpose

Practical info

1. We will publish all slides on the course page after the lecture
2. We *might* record some of the lectures and publish them
3. Canvas is currently not in use

Introduction

Different organizations

• Owners • Board	• Members • Board	• Citizens • Politicians • Board
Strategic goals	Strategic goals	Strategic goals
Private org. (commercial) *Administration*	Private org. non-profit *Administration*	Public org. *Administration*

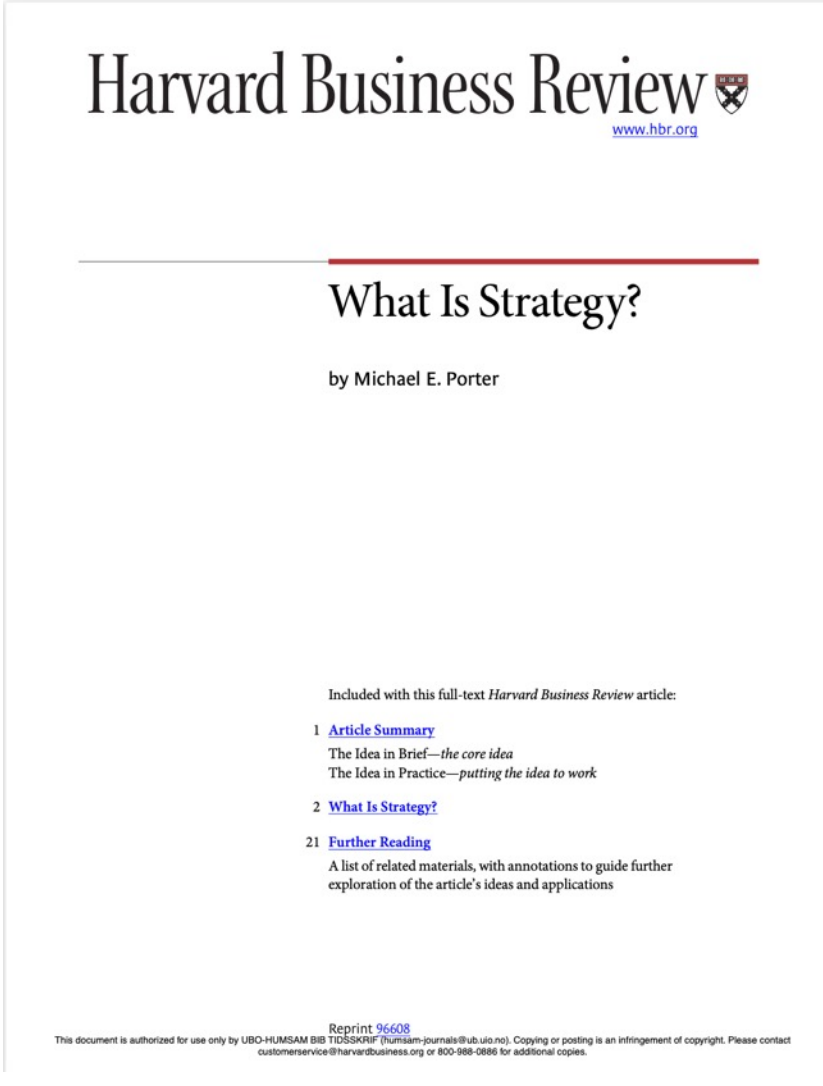
All organizations have goals, which are set by the Owners, Members or Citizens (through Politicians).

The administration (top management) of the organization is responsible for the day-to-day work to achieve these goals.

In this lecture, we are concerned with how to increase the likelihood of these goals being met, and in particular: what strategy is, and how it affects the activites within the organization.

Strategy

- Porter gives a good analysis of the differences between *strategic fit* and *operational excellence.*
- Furthermore, the article is a peek into the minds of business leaders



Harvard Business Review

www.hbr.org

What Is Strategy?

by Michael E. Porter

Included with this full-text *Harvard Business Review* article:

1 Article Summary
The Idea in Brief—*the core idea*
The Idea in Practice—*putting the idea to work*

2 What Is Strategy?

21 Further Reading
A list of related materials, with annotations to guide further exploration of the article's ideas and applications

Reprint 96608
This document is authorized for use only by UBO-HUMSAM BIB TIDSSKRIF (humsam-journals@ub.uio.no). Copying or posting is an infringement of copyright. Please contact customerservice@harvardbusiness.org or 800-988-0886 for additional copies.

- According to Harvard:

  Michael Porter is the founder of the modern strategy field and one of the world's most influential thinkers on management and competitiveness



"For almost two decades, managers have been learning to play by a new set of rules. Companies must be flexible to respond rapidly to competitive and market changes. They must benchmark continuously to achieve best practice. They must outsource aggressively to gain efficiencies. And they must nurture a few core competencies in race to stay ahead of rivals.

Positioning—once the heart of strategy—is rejected as too static for today's dynamic markets and changing technologies. According to the new dogma, rivals can quickly copy any market position, and competitive advantage is, at best, temporary."

- Porter, 1996



Operational effectiveness

Perform similar activities better than rivals perform them.

"Best practice"

Examples of similar activites: quality assurance, project management, HR

Strategic positioning

Perform different activites from rivals' – or perform similar activities in different ways.

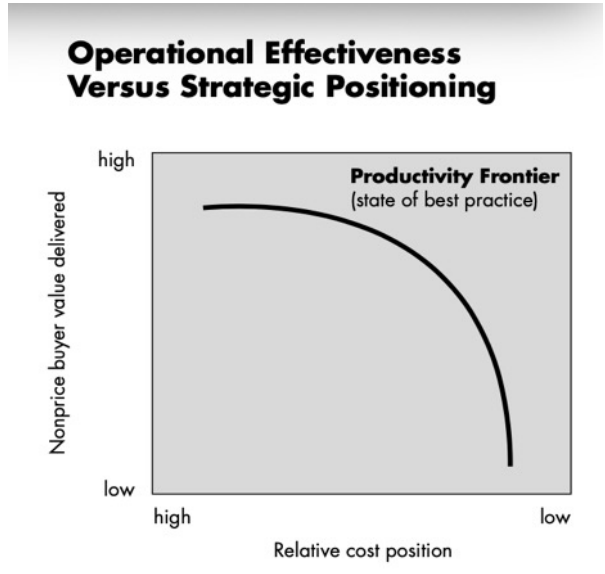
Examples are organizations, not activites:

IKEA, Southwest Airlines, BIC

Operational effectiveness is necessary, but not sufficient to achieve sustainable competitive advantage

Why is operational efficiency alone not sufficient for sustainable competitive advantage?

- Imagine, for a given group of activities, a productivity frontier with all best practices at a given time.
- The productivity frontier is constantly moving forward, seemingly allowing quality and cost improvements simultaneously
- However: little competitive advantage. Operational improvements diffuse rapidly – increasing the likelihood that someone (in the constant evolution) outperforms the best performer



Nonprice buyer value: value based on quality, workmanship etc.

Relative cost position: the providing company's cost (internal + suppliers) relative to competitors

Strategy rests on unique activities

- Competitive strategy is about being different – about choosing a different set of activities to deliver a unique mix of value
- Most managers describe strategic positioning in terms of their customers: "Southwest Airlines serves price- and convenience-sensitive travelers", for example
- However, the essence of strategy is is in the activities: **choosing** to perform activities differently – or performing different activities than rivals.



Example: IKEA

	Typical furniture store	IKEA
Furniture presentation	Showroom	Warehouse
Configuration options	Many	Few
Delivery time	Long	Immediate
Self-assembly	No	Yes
Purchasing service	High	Low
Cost	Medium to High	Low
Child care	No	Yes
Opening hours	Regular	Long

Strategic position: target young, non-wealthy customers

Example: Southwest Airlines

	Full service airline	Southwest
Route options	Any	Limited
Airport type	Major hubs	Secondary airports
Route frequency	Limited	High
Fare price	Medium / High	Low
Meals offered	Yes	No
Business class?	Yes	No
Plane fleet	Varies	Boeing 737
Gate turnaround time	Long	Short
Employee salary	Medium to Low	High

Strategic position: low cost, convenient service

Example: Bessemer Trust Company

	Ordinary bank	Bessemer
Personal service	Limited	Extremely high
Service range	Limited	Very broad
Employee salary	Medium	Very high
Customization level	Limited	Very high
Cost	Low to medium	Very high

Including accounting services for racehorses and aircrafts

Strategic position: high cost, extreme service

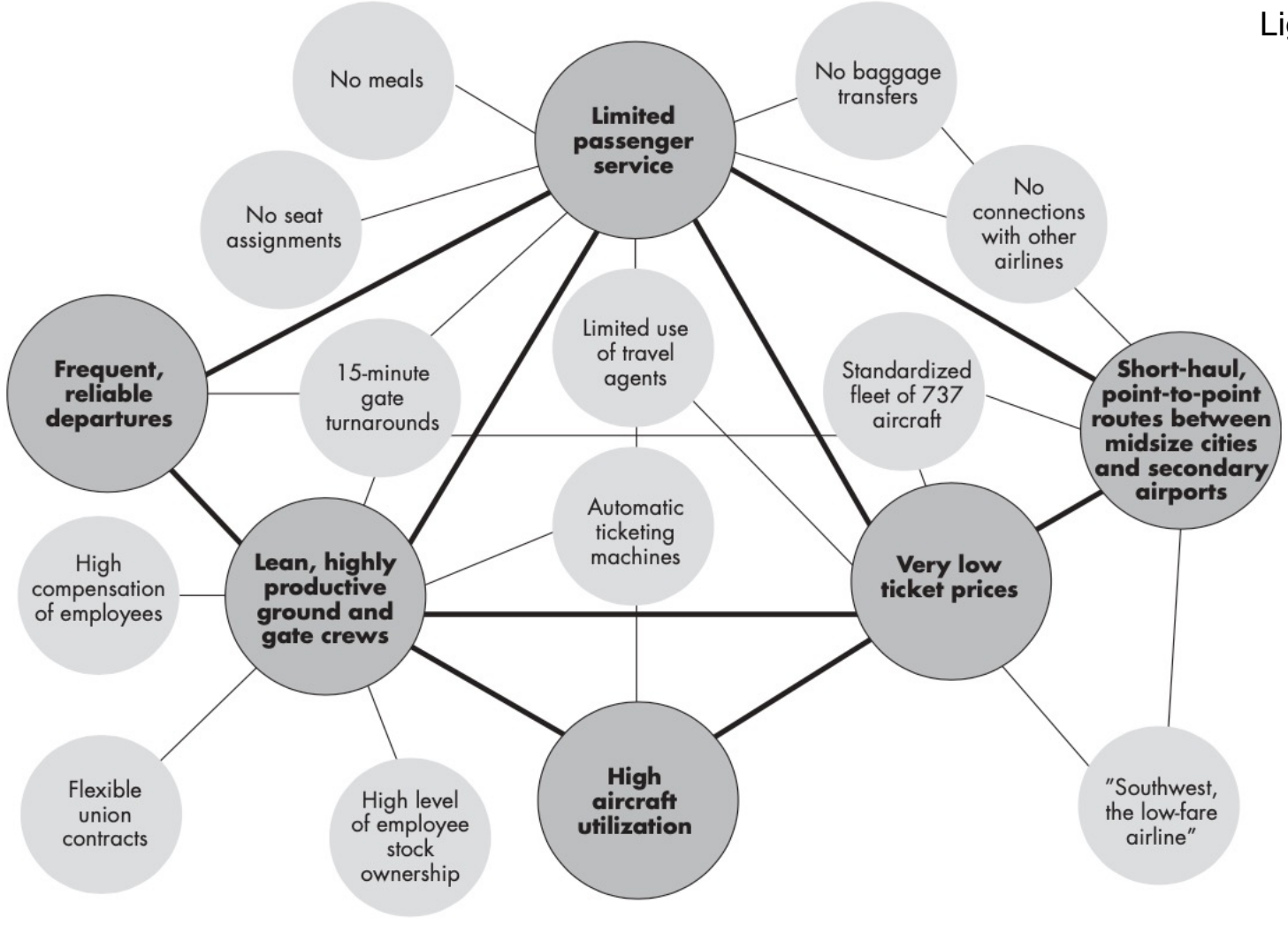
Strategy is ultimately about choice – to ensure a coherent *activity system*

	Continental Airlines	Continental Lite	Southwest
Route options	Any	Limited	Limited
Airport type	Major hubs	Major hubs	Secondary airports
Route frequency	Limited	High	High
Fare price	Medium / High	Low	Low
Meals offered	Yes	No	No
Business class?	Yes	No	No
Plane fleet	Varies	Varies	Boeing 737
Gate turnaround time	Long	Short	Short
Employee salary	Medium to Low	Medium to Low	High

Strategy is making trade-offs in competing. The essence of strategy is choosing what *not* to do.



Southwest Airlines' Activity System



Dark gray = higher-order strategic themes
Light gray = activities/operational choices

Question for discussion

What are examples of strategic trade-offs from other private organizations (banks, retailers, airlines etc.)



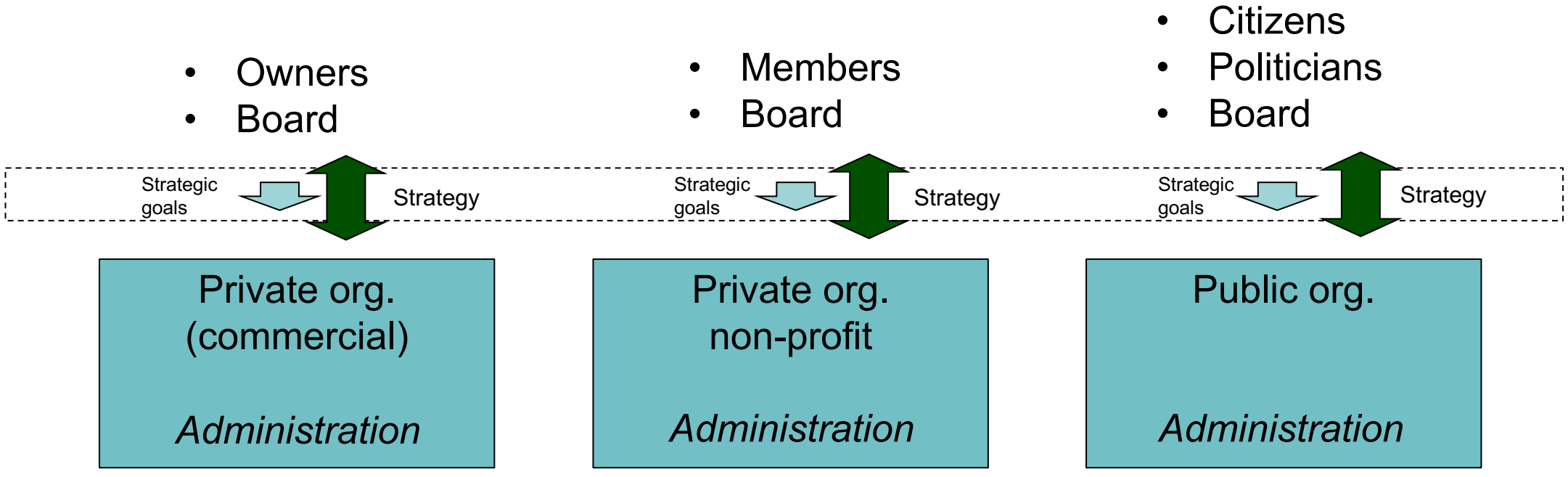
Question for discussion

- How is any of this relevant outside private, profit-seeking organizations sector?



Strategy development and execution

Different organizations



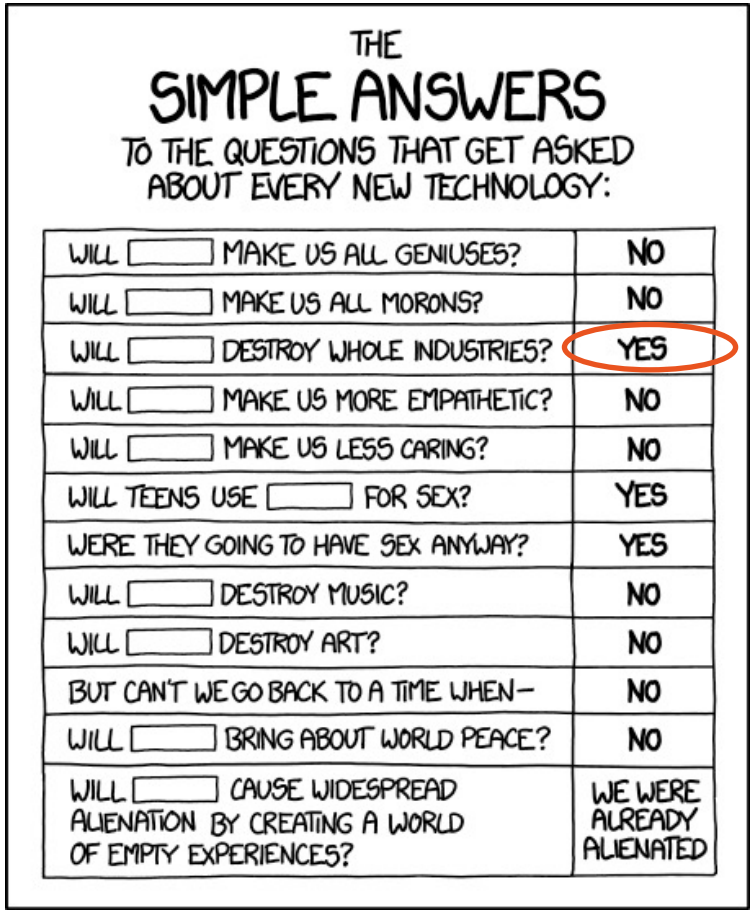
Although the owners/members/citizens decide the strategic goals, strategy must be detailed and developed cooperatively between the organization and the governing institutions.

Strategy in an ever-changing world

Porter:

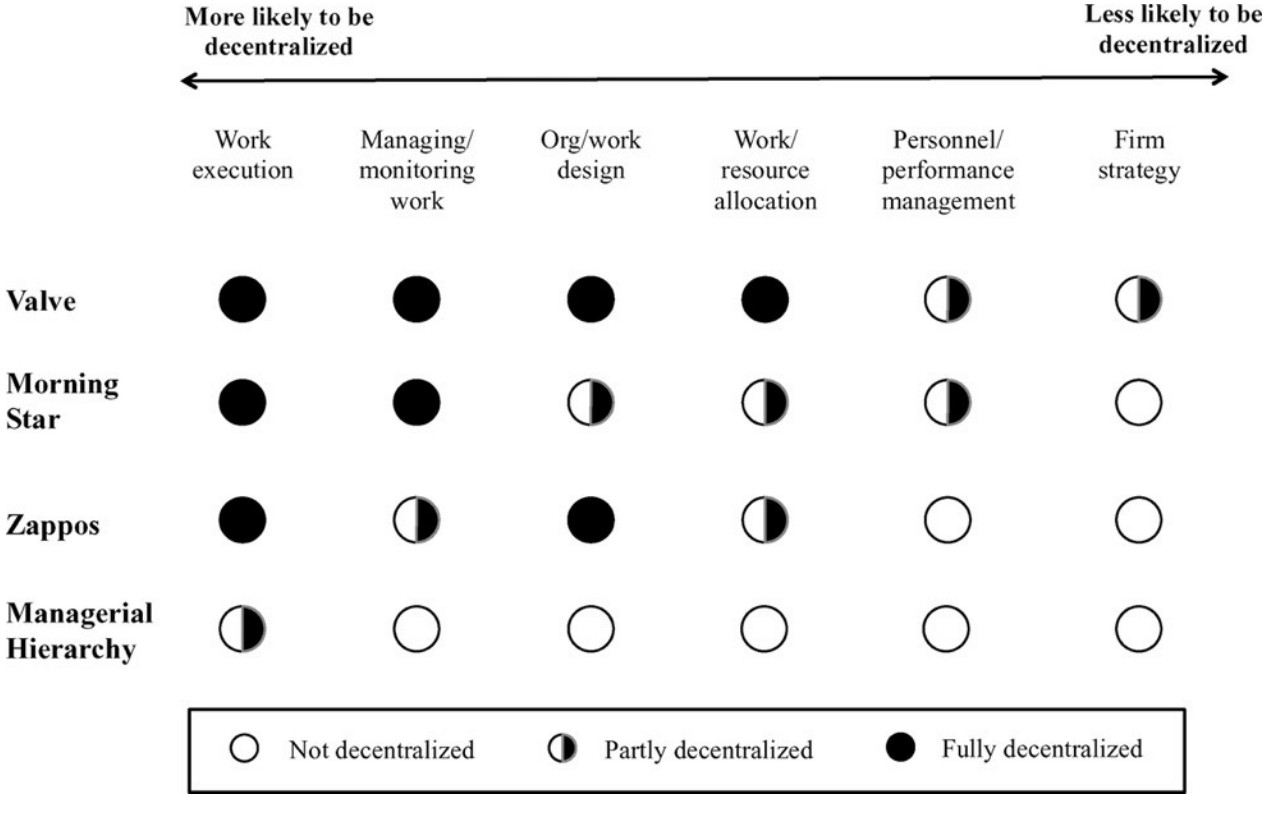
- A company may have to change its strategy if there are major structural changes in its industry
- In fact, new strategic positions often arise because of industry changes

However, this is a big challenge: how should established, successful companies achieve sufficient agility to withstand small or large disruptions in their environment?



https://imgs.xkcd.com/comics/simple_answers.png

The role of management: Do we need managers to manage?

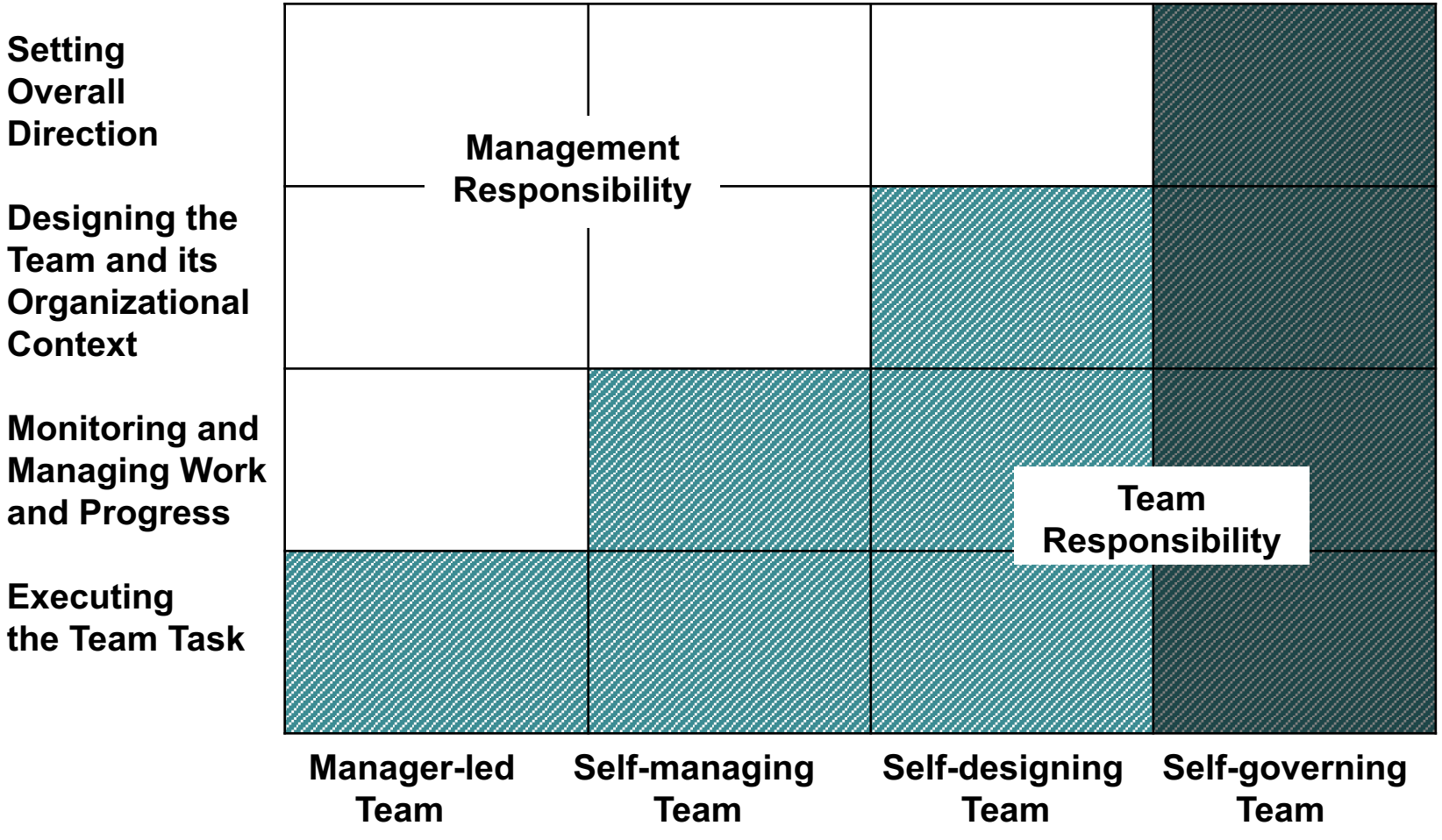


The level of (decision) centralization is an important strategy choice.

To achive coherency, either
- efficient alignment
- hierarchical management

Michael Y. Lee, Amy C. Edmondson, *Self-managing organizations: Exploring the limits of less-hierarchical organizing*, Research in Organizational Behavior, Volume 37, 2017, Pages 35-58

Hackman's authority matrix



Hackman, JR. The design of work teams – i Lorsch, Jay W., ed. The Handbook of Organizational Behavior. Englewood Cliffs, NJ: Prentice Hall, 1987.

The result of a strategy process

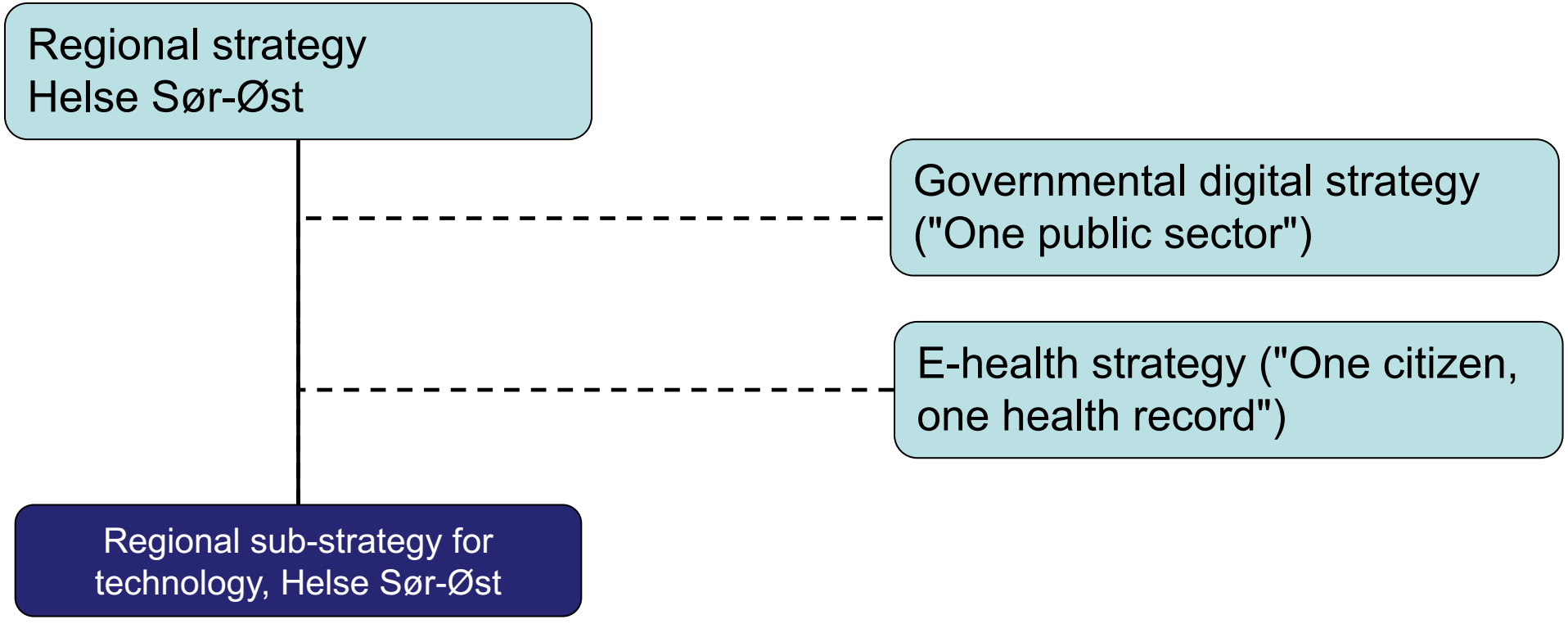
- Normally, the strategy is accompanied with an *action plan*
- This **action plan** contains:
  1. Activities to change or develop the current operation to meet strategic goals
  2. Assigned responsibility for these activities
  3. Expected ordering and timeframe for executing the activities (roadmap)
  4. Estimates/budgets
- Note: in modern organizations, there is a huge debate regarding what level of detailed planning one should perform. This can have a great impact on the action plan with respect to the level of detail, e.g. whether the activities are detailed in advance or simply outlined – and how precise the estimates are expected to be.
- However, it does not change the fundamental requirements for a working plan.
- Actions to implement strategic change could be projects, reorganizations or simply other priorities in day-to-day operation.

Non-competitive strategy - example

Example of non-competitive strategy: Regional sub-strategy for the technology area in Helse Sør-Øst



Strategy hierarchy



Key goals, Region øst



Better health in the population through coherent efforts from prevention to specialized health care



Quality of patient care, with good user experiences



Good working environment for employees, with opportunities for professional growth and more time for patient care



Sustainable health services for the society

Regional development plan

01 Implement "One citizen, one journal"

02 Apply new technology for better health care

03 Increase clinicical involvement in technology work

04 Enhance technology governance in the region

05 Introduce new modes of delivery

06 Define and implement target architectures and roadmaps

07 Continue effort towards more shared solutions

08 Ensure innovation is made available for the entire region

Example: Apply new technology for better health care

"New technology can facilitate new health services and more efficient patient care. It is necessary to set goals and define rules to ensure safe and efficient use.



Establish remote patient monitoring

- Prioritize remote patient monitoring in this time frame
- Develop services to facilitate home hospitalization, internet assisted care, electronic surveys and video consultations

Support the development of personalized medicine

- Establish necessary infrastructure and technology to support personalized medicine
- Establish technology necessary for research on personalized medicine

Establish analytical tools as a foundation for new insight and knowledge

- Establish a technical platform to faciliate flexible use of data for analytics
- Continue effort to structure data to facilitate data driven analytics

Apply artificial intelligence both for clinical and administrative areas

- Establish a unified community to share experiences and apply artifiical community
- Identify which clinical and administrative areas which could benefit from the application of artifiical intelligence
- Start using artificial intelligence within specific areas, and gauge the results

Example: Apply new technology for better health care

"New technology can facilitate new health services and more efficient patient care. It is necessary to set goals and define rules to ensure safe and efficient use.



Establish remote patient monitoring

- Prioritize remote patient monitoring in this time frame
- Develop services to facilitate home hospitalization, internet assisted care, electronic surveys and video consultations

Support the development of personalized medicine

- Establish necessary infrastructure and technology to support personalized medicine
- Establish technology necessary for research on personalized medicine

Establish analytical tools as a foundation for new insight and knowledge

- Establish a technical platform to faciliate flexible use of data for analytics
- Continue effort to structure data to facilitate data driven analytics

Apply artificial intelligence both for clinical and administrative areas

- Establish a unified community to share experiences and apply artifiical community
- Identify which clinical and administrative areas which could benefit from the application of artifiical intelligence
- Start using artificial intelligence within specific areas, and gauge the results

Activities

Question for discussion

- What is the relationship between strategic position and IT portfolio – how does the choice of IT systems affect strategy, and vice versa?



Purpose

Purpose and strategy

For many employees, the key motivator is a sense of purpose—and yet more than half of those surveyed say they're not even "somewhat" passionate about their jobs. If organizations want to inspire their workers, they must clearly communicate why they're in business and what value they provide. When employees understand and embrace those things, their companies thrive: Survey results show that more than 90% of companies with a well-defined purpose deliver growth and profits at or above the industry average.

An effective purpose statement, the authors say, answers several questions: Why does our organization exist? Who are we serving? What value do we offer, and why are we uniquely capable of providing it? But a powerful statement is not enough; firms must also deliver on their promises to customers. That requires putting the right people in the right roles, breaking down silos to facilitate cross-functional collaboration, investing in the areas that matter most, and ensuring that leaders demonstrate every day, through their words and actions, their commitment to the firm's articulated goals

Source: https://hbr.org/2019/11/why-are-we-here

Summary

Summary

- All organizations have goals
- A working strategy to meet these goals must make explicit trade-offs and choices – it is not sustainable to excel at everything
- Activities must be aligned and coherent with the overall strategy
- Ensuring a focused, strategically aligned activity system combined with sufficient agility is a huge challenge for many organizations
- Nevertheless, executing a strategy is always about communication, involvement and alignment – and finding the right level of pragmatism

