The Chartered Governance Qualifying Programme

Development of Strategy

Syllabus

Development of Strategy

Level 7, Part Two Programme

Total hours study time: 200

Introduction

As the pace and volume of change in the environment affecting organisations in all sectors increases, company secretaries/governance professionals must seek to understand what is happening and play their part in determining the organisation's response. All organisations are faced with the challenge of strategic direction either to grasp new opportunities or to overcome significant problems.

The aim of this module is to provide the elements, processes and techniques involved in the development and implementation of organisational strategy. As part of the senior management team, company secretaries/governance professionals have a significant role to play in ensuring that strategy fits organisational purpose, is acceptable in terms of risk, and is consistent with good governance as well as with stakeholder requirements and concerns.

The module explores the critical role played by company secretaries/governance professionals as part of the senior management team – ensuring the integrity of the policies, systems and processes that deliver the organisation's strategic purpose and objectives. The obligations of directors, officers and senior employees in the strategic planning and delivery of organisational responsibility are also considered. The module will help students develop an understanding of the ethical considerations raised by the development and implementation of strategy and its impact on reputation.

This field of study is potentially vast, and it is all too easy to be overwhelmed by the range of frameworks, tools and techniques in existence. They are important, but only in the political and cultural context of the organisation and as a response to the need for practical reaction and decision-making when confronted by the day-to-day problems with which organisations have to contend. This module focuses on the components of organisational strategy most relevant to the practice of company secretaries/governance professionals, enabling them to apply the concepts and principles of strategic management to organisations in order to protect their reputation and promote good governance and accountability to stakeholders.

Learning outcomes

After successful completion of this module you should:

1   Understand the nature and importance of strategy and strategic planning.
2   Be able to critically evaluate an organisation's environment within the context in which it operates.
3   Be able to critically evaluate an organisation's culture, governance and purpose, in order to advise senior management and the board, or other governing body, on appropriate strategic approaches that would ethically serve the purpose of the organisation and its stakeholders.
4   Be able to critically evaluate strategic alternatives available to organisations in order to advise senior management and the board, or other governing body, on appropriate alternatives.
5   Be able to critically evaluate the organisational impact of strategic choices in order to advise senior management and the board, or other governing body, on the appropriate structures and controls required for implementation of strategies.
6   Be able to critically analyse the challenges related to change management and develop appropriate tactics to manage change.

Module content

Section A: Strategy and strategic planning
15% – 30 Learning hours
LO.1: Understand the nature and importance of strategy and strategic planning

Topic area	Exemplification
The nature of strategy and planning	• The theory, meaning and purpose of strategy 　• distinguishing between planning and strategy 　• key terms related to strategy • Strategic planning: 　• purpose and process 　• understanding 'today' 　• visualising the 'future' 　• defining the boundaries or parameters 　• benchmarking the route 　• factors of success 　• limitations • Characteristics of strategic decisions: 　• long-term direction versus short-term survival: 　　− types of decision 　　− timeframe of a decision 　• values and expectations 　• strategic change as a critical component of strategy 　• complexity and the development of strategy • Perspectives of strategy: 　• Mintzberg (2008) – 5 P's theory 　• Spender (1979) – 4 paradigms 　• Maccoby (2017) – strategic intelligence 　• Argyris (1990) – inference and control • Levels of strategy and planning: 　• levels of planning and their purpose: 　　− operational 　　− intermediate 　　− strategic 　• levels of strategy and their objectives: 　　− corporate strategy 　　− business unit strategy 　　− operational/functional strategies 　　− individual/team

Topic area	Exemplification
Strategic management	- The evolution of rational strategy: - rational planning - objectives: - economic - non-economic - self-renewal - flexibility - core aspects of strategic management: - analysis - choice - implementation - control - crafting and intuition - competition - the learning organisation - chaos theory - limitations of the rational model - Perspectives of emergent (or intended/deliberate) strategy: - Mintzberg (1985) – 8 strategic management styles - Pettigrew and Whipp (1991) – Context-Content-Process (CCP) framework - Martin (2007) – integrative thinking - Rational versus emergent strategy - Other strategy models: - complexity and chaos theory - institutional theory - ecological view - the relationship between strategy and objectives - reasons for adopting a behavioural approach - human behaviour and strategic choice - incrementalism - competitive structures - co-operation and networks - game theories - innovation and knowledge-based theories - Organisational contexts: - sole traders and partnerships - private and public limited companies - multinational corporations - the public and third sectors

Topic area	Exemplification
Strategic management (*cont.*)	- professional service organisations - membership organisations - Economic conditions: - stability and growth conditions - Content-Context-Process – Pettigrew and Whipp (1991)
Developing strategy	- Strategic leadership: - the meaning of and the need for leadership: - transactional versus transformational leadership - components of effective strategic leadership - models of leadership and organisation: - essential skills - Schoemaker et al (2013) – 6 skills of successful strategic leadership - Principle centred leadership – Covey (1992): - security - guidance - power - wisdom - The learning organisation – Senge (2006): - personal mastery - mental models - shared vision - team learning - systemic thinking - Systems – the process of making strategy: - modelling and challenging today, the future, and the route inbetween - use of internal analysis and external analysis, e.g. SWOT analysis (strengths, weaknesses, opportunities and threats): - building a SWOT analysis of 'today' - elements of the external environment: - micro-environmental factors - macro-environmental factors - evaluating strategic options/choices according to: - financial resources available - operational fit - typical components of strategic planning systems - the corporate strategic process

Topic area	Exemplification
Developing strategy (*cont.*)	- supply chain thinking: - inputs - transformation - outputs - systems thinking: - the whole and the parts - the connections between the parts - system structure, including boundary, elements and relationships - The people involved in developing and implementing strategy – participants and stakeholders: - the role of the board - executive directors and senior managers - other strategy makers, including: - middle managers - workforce - finance - human resources - consultants and experts - the role of the company secretary and other governance professionals - conflicts of interest - the 'agency problem' - information asymmetry - other stakeholders to involve in strategy, including: - owners - customers - employees - other supply chain stakeholders - Key strategic actions: - strategic analysis - determining strategic direction - alignment of appropriate resources - strategy mapping - communicating strategic decisions – communication and engagement methodologies: - why communication matters - the organisation as a collection of individuals - strategy workshops - strategy projects and project teams - holistic ownership and focus

Section B: Understanding the external environment	
15% – 30 Learning hours	
LO.2: Be able to critically evaluate an organisation's environment within the context in which it operates	
Topic area	**Exemplification**
The external environment	- Analysing the operational environment: - supply chain thinking - influences on strategic direction: - environment; technology; human - how organisations recognise boundaries between their environments: - the internal environment - the near/micro environment - the far/macro environment - Analysing the far/macro environment: - uncertainty - megatrends - changeability - predictability - PESTEL analysis: - political - economic - socio-cultural: - demographics - wealth distribution - technological: - technology push or market pull - people skill divergence - diffusion - environmental: - sustainability and stewardship - global warming - public conscience - legal: - labour and employment laws - environmental protection legislation and consumer regulation - finance, taxation and reporting requirements - ownership, merger and competition law - Forecasting and scenario planning: - single point forecasting - range forecasting - alternative futures forecasting

Topic area	Exemplification
The external environment (*cont.*)	- Analysing the near/micro environment: - economics dynamic: - monopolistic industries - oligopolistic industries - hyper-competitive industries - perfectly competitive industries - business lifecycle: - introduction - growth - maturity - decline - the competitive environment – identifying key competitive forces using Porter's 5-forces analysis: - existing competition - supplier bargaining power - customer bargaining power - potential new entrants - substitute products - Market segmentation - Behavioural forces organisations need to consider: - human influences - technology - media influence - game theory influence
Strategic capability and competencies	- Sources of strategic capability: - resources – physical, financial, human, intellectual - capabilities: - organisational capability: - integrative thinking – sensitivity and skill - core competencies - achieving competitive advantage: - cost advantage - differentiation advantage - Understanding, achieving and sustaining competitive advantage: - organisational structure, conduct and performance - horizontal and vertical integration - the recognition of VRIN/VRIO attributes: - value - rarity - inimitability - non-substitutability - organisational support

Topic area	Exemplification
Strategic capability and competencies (*cont.*)	- Assessing strategic capability through: - supply chain analysis - value chain analysis: - primary activities - support activities - benchmarking - gap analysis - the practical use of a SWOT analysis (strengths, weaknesses, opportunities and threats) - application of the McKinsey 7S framework: - hard elements - soft elements - Benefits and limitations of different methods used to assess strategic capability - Managing strategic capability: - methods to develop strategic capabilities - the learning organisation - people as a resource: - a skills and knowledge requirement matrix - recognition of individuality - targeted training and development - the risks associated with people as a resource - money as a resource: - income protection and projection - cost efficiency - financial literacy - the risks associated with money as a resource

Topic area	Exemplification

Section C: The impact of culture, governance and purpose on strategy

30% – 60 Learning hours

LO.3: Be able to critically evaluate an organisation's culture, governance and purpose, in order to advise senior management and the board, or other governing body, on appropriate strategic approaches that would ethically serve the purpose of the organisation and its stakeholders

Topic area	Exemplification

Strategy and organisational culture	• The importance of culture and history and their influence on current and future strategy:
	  • historical cultural drivers
	  • the meaning of organisational culture
	  • reasons for, and impact of, culture and strategic drift:
	    − incremental strategic change
	    − strategic drift
	    − flux
	    − transformation or death
	  • the influence of the past and the importance of recognising bias
	• Understanding culture:
	  • cultural frames of reference:
	    − national and regional cultures
	    − organisational fields
	    − organisational culture – mission, methods, principles, values
	    − organisational subcultures
	  • analysing culture through different models:
	    − Harrison and Handy (1993) – cultural types
	    − Deal and Kennedy (1982) four types of organisational culture
	    − Johnson et al (2017) – the cultural web
	    − Schein (1985) – three levels of cultural structure
	    − Hart (1992) – culture and style
	• The importance of culture:
	  • dominant cultures
	  • strong and weak cultures
	  • the influence of culture on strategy
	  • culture as a liability and the potential consequences
	  • the positive influence of culture on strategy
	  • the culture coalition/Financial Reporting Council (FRC) guidance on creating a healthy organisational culture
	• Creating, sustaining and changing culture:
	  • forces that create culture
	  • methods of developing and sustaining culture
	  • the challenge of changing culture:
	    − beliefs
	    − behaviour

Topic area	Exemplification
Strategy and organisational culture (*cont.*)	– direction – conformity – nudge theory – Thaler and Sunstein (2008) - Organisational culture and national culture: - dimensions within a national culture: – power distance – uncertainty avoidance – individualism versus collectivism – masculinity versus femininity – confucian dynamism - the importance of understanding cultural influences on strategy making - cultural convergence and variance: – Hofstede (1980) – the effect of culture on behaviour – cultural dimensions theory – Trompenaars (1998) – linking dimensions of culture to aspects of organisational behaviour
The governing body and strategy	- Corporate governance strategy: - the nature of corporate governance: – governance of assets - the governance matrix: – interaction between governance and operation – the significance of the principal-agent model in understanding governance relationships - strategy at the heart of governance: – the triangulation of strategy, risk and control – the focus of strategy, risk and control in governance – the governance of the future based on the realities of today - types of governance structure: – shareholder versus stakeholder and other models – advantages and disadvantages of different governance structures – national differences – monistic, dualistic and pluralistic governance structures - Stakeholder expectations: - definition and types of stakeholder - analysing stakeholder groups in organisations (stakeholder analysis) to identify input, expectations and power: - types of stakeholder: – members – employees – suppliers and customers

Topic area	Exemplification

The governing body and strategy (*cont.*)	− community and environment
	• stakeholder mapping:
	    − internal, market, external
	    − primary and secondary expectations of stakeholder groups
	    − sources and indicators of power
	    − political priorities
	    − differences between expectations of commercial-, public- and third-sector stakeholders
	    − purpose, importance and benefits of effective stakeholder analysis
	    − governance forces: law, best practice, societal expectation, visibility
	• Risk, reputation and strategy:
	    • what is meant by risk, uncertainty and risk-taking dynamics
	    • risk management:
	        − key concepts – risk appetite, risk capacity, risk tolerance
	    • perspectives of different types of organisational risk:
	        − financial risk
	        − operational risk
	        − competition risk
	        − environment risk
	        − people risk
	    • different tools for the management of risk:
	        − key performance indicators
	        − risk register
	        − risk matrix
	        − balanced scorecard
	    • the governance requirement for internal control:
	        − identification
	        − evaluation
	        − mitigation
	    • reputation management:
	        − the strategic building and maintenance of reputation
	        − the risks of reputation management
	        − the benefits of effective reputation management
	        − the development of strategy with an awareness of reputational impact

Topic area	Exemplification

Expressing organisational purpose	• Strategy and organisational purpose:
	  • historic perspectives
	  • defining the strategic aims
	  • taking different time perspectives into account: past present and future
	  • determining the values and parameters of an organisation's strategic direction
	• Elements of organisational purpose:
	  • recognition of the tactical plan – strategic vision:
	    − reasons for developing a strategic vision
	    − difficulties in developing, measuring and communicating strategic vision
	    − reasons why vision statements can fail
	  • strategic mission – the rationale:
	    − characteristics of effective mission statements
	    − clarity, belief, ownership and example
	    − the internal message of a mission statement
	    − the external message of a mission statement
	    − using the Ashridge Mission Model (Campbell, 1991) to develop and evaluate the effectiveness of mission statements
	    − using the McKinsey 7s model to challenge the organisational mission
	  • strategic objectives – intentions and actions:
	    − aligning strategic objectives with organisational objectives
	    − the importance of developing measurable and achievable objectives
	    − understanding the different meanings of SMART objectives, e.g. Specific, Measurable, Attainable/Achievable, Relevant/Realistic/Timely
	    − role of the International Integrated Reporting Council (IIRC)
	    − problems that can arise with objectives
	  • strategic alternatives:
	    − building a robust challenge into the process of strategy making
	  • redefining the organisation's tactical plan – communicating what has changed, and why
	• Statements of purpose – benefits and issues:
	  • aligning the different elements of organisational purpose
	  • ensuring clear communication of statements to all stakeholders
	  • principles to help create effective purpose statements

Topic area	Exemplification
Business ethics and social responsibility	- Understanding the meaning of ethics, including: - ethics and decision making - virtue, expectation and rules - integrity and reputation - Business ethics in the development of strategy: - the scope of business ethics: - global - social - national - societal - organisational - professional - individual - dimensions of ethics: five different views – Chryssides and Kaler (1996) - the impact of ethics on strategy - the purpose of a code of ethics: - key areas: structural, practical, personal - Corporate social responsibility (CSR) as part of strategy: - the nature and emergence of CSR - Carroll's pyramid of CSR (1991): - economic responsibilities - legal responsibilities - ethical responsibilities - philanthropic responsibilities - different stances on CSR: - laissez-faire - enlightened self-interest - stakeholder interaction - shaper of society - social auditing and CSR: - employee welfare - job design - bribery and slavery - societal impact reporting and transparency - Sustainability as part of strategy: - relationship to CSR - long term viability - impact on strategy development - the benefits of incorporating sustainability into organisational strategy

Topic area	Exemplification

Topic area	Exemplification
Business ethics and social responsibility (*cont.*)	- Social business and creating shared value: - reasons for the rise of the social business/social enterprise since the financial crisis of 2007-8 - green strategy - types and purposes of social business, including: − charities − social enterprises − social businesses − not-for-profit companies − community interest companies (CICs) - measuring social value and triple-bottom-line reporting, including the social impact of organisational strategies - Porter and Kramer (2011) – concepts of shared value - Hatherly (2013) – strategy, stakeholders and business value - The role of individuals and managers: - ethical issues faced by individuals and managers in organisations - values based approach to organisational leadership – Hamel's pyramid (2012) - the potential conflict of personal, business and professional ethics - the benefits of applying principles of value-based leadership to address ethical issues

Section D: Assessing alternative strategies	
	15% – 30 Learning hours
LO.4: Be able to critically evaluate strategic alternatives available to organisations in order to advise senior management and the board, or other governing body, on appropriate alternatives	

Topic area	Exemplification

Strategic choices	• The scope of strategic choice:
	  • key areas for an organisation to consider:
	    − business strategy
	    − strategy methods
	    − strategic direction
	• Driving the business forward:
	  • a whole-business approach
	  • research and development
	  • strategic direction – the Ansoff Matrix (1957):
	    − market penetration
	    − product development
	    − market development
	    − diversification
	  • advantages, constraints and limitations of different directions for strategy development
	• Business-level strategy:
	  • the scope of business-level strategy
	  • recognition of strategic business units (SBUs)
	  • Porter (2004) – generic strategy options to help achieve competitive advantage, including:
	    − cost leadership
	    − differentiation
	    − organisational focus
	    − issues associated with combining generic strategies
	    − situations where a combination strategy is advantageous to organisations
	  • how organisations attempt to sustain competitive advantage over time
	  • value chain analysis
	  • business process re-engineering (BPR):
	    − principles of BPR
	    − issues associated with applying BPR to achieve cost leadership or differentiation
	• Corporate-level strategy and strategic models:
	  • the scope of corporate-level strategy
	  • blue ocean strategy:
	    − dimensions of realising and deriving value from a blue ocean strategy
	    − reality of the concept

Topic area	Exemplification

Strategic choices (*cont.*)	• corporate parenting, including ways that corporate parenting can add or destroy value
	• portfolio analysis and management using the Boston Consulting Group (BCG) matrix:
	  − dogs – low market growth, low market share
	  − cash cows – low market growth, high market share
	  − problem child – high market growth, low market share
	  − stars – high market growth, high market share
	• Internationalisation as a strategic option:
	• distinguishing between international and global strategy
	• drivers of internationalisation:
	  − market drivers
	  − cost drivers
	  − government drivers
	  − competition drivers
	  − Porter's Diamond (1990)
	• international strategies:
	  − simple export
	  − multi-domestic
	  − complex export
	  − global strategy

Strategy development	• Strategic pathways to strategy attainment, including:
	• planning the route
	• organic (internal) development:
	  − dealing with the known
	  − staggered investment
	  − minimised disruption
	  − self-reliance
	  − strategy focus
	  − culture maintenance
	• mergers and acquisitions, including:
	  − vertical; horizontal; conglomerate
	  − differing motives for merger/acquisition strategies, e.g. growth, financial, managerial, shareholder, stakeholder
	  − issues that can determine success or failure of a merger or acquisition
	  − the importance of effective due diligence process in merger/acquisition strategies
	• strategic alliances:
	  − rationale for strategic alliances
	  − collective strategy and collaborative advantage

Topic area	Exemplification
Strategy development (*cont.*)	− types of strategic alliance, including customer end networks, supplier end networks, partnerships, joint ventures − how organisations drive success from alliances − advantages and disadvantages of strategic alliances • aligning the strategic objectives with organisational structure and strategic pathway • Evaluating strategic options: • projecting performance: − key performance indicators (KPIs) − key evaluation criteria − key drivers − scenario building − decision trees − recognising the critical control points • evaluation criteria to assess viability of strategic options: − suitability − acceptability − feasibility • the staging of real options: − delay − abandon − lift − escalator − stairs • evaluation principles: − consistency − consonance − advantage − feasibility • the influence of the human psyche in comparing alternative strategic options • the drivers of consistency – stakeholder; owner; wider reputation • the importance of applying caution when evaluating strategic options

Section E: Implementing strategy

15% – 30 Learning hours

LO.5: Be able to critically evaluate the organisational impact of strategic choices in order to advise senior management and the board, or other governing body, on the appropriate structures and controls required for implementation of strategies

LO.6: Be able to critically analyse the challenges related to change management and develop appropriate tactics to manage change.

Topic area	Exemplification
Organisational structure and design	- The nature of organisational structure: - definition and purpose of organisational structure - using strategy to determine structure - using structure to determine strategy - key elements of organisation structure: - specialisation - departmentalisation - chain of command - span of control - levels of centralisation - formalisation - Traditional structural forms and their advantages and disadvantages: - simple structure - functional structure - divisional structure - matrix structure - multinational and transnational structures: - international divisions - local subsidiaries - global product divisions - transnational corporations - joint venture structure - focused project structure - Emerging structural forms and their benefits: - structural growth and change - flexible and innovative structures innovation: - functional, numerical and financial flexibility - boundary-less organisations: - vertical - horizontal - external - geographic - modular structures - outsourcing as part of a structure - virtual structures

Topic area	Exemplification

Organisational structure and design (*cont.*)	• Determining appropriate structures:
	  • comparing the appropriateness of different structures
	  • Handy's structural form (1993) – uniformity and diversity
	  • strategic appropriateness
	  • measuring and benchmarking success

Strategic control and performance management	• Strategy, risk and control
	• Implementation of strategy
	• Performance and effectiveness concepts, issues and approaches:
	  • taking an analysis perspective
	  • understanding and measuring effectiveness and efficiency
	  • deciding what to measure, and when – qualitative and quantitative data
	  • areas to evaluate and measure:
	    − financial measures
	    − productivity measures
	  • generic principles in measuring effectiveness:
	    − achievement of goals
	    − utilisation of resources
	    − stakeholder influence
	• The nature of management control:
	  • control methods:
	    − internal awareness – single loop systems
	    − external awareness – double loop systems
	  • organisational metaphors
	  • leadership and control:
	    − beliefs
	    − boundaries
	    − people interaction
	    − feedback monitoring
	  • power and control
	  • structure and control
	• Strategic control, concept and models:
	  • aligning control with strategy
	  • different types of control process:
	    − who and what
	    − when and where
	    − how and why
	  • hazard analysis and critical control points (HACCP)
	  • gap analysis
	  • key performance indicators (KPIs)

Topic area	Exemplification
Strategic control and performance management (*cont.*)	- ownership and control - ensuring the correct layers of control exist - The balanced scorecard as a strategic control method: - taking an assurance perspective - understanding the balanced scorecard approach - principles of the balanced scorecard - evolving the scorecard concept: - the Results and Determinants Framework (Fitzgerald et al, 1991) - the European Quality Framework Management (EFQM) model - aligning a scorecard with strategy and structure

Section F: Managing change	
	10% – 20 Learning hours
LO.6: Be able to critically analyse the challenges related to change management and develop appropriate tactics to manage change.	
Topic area	**Exemplification**

Managing strategic change – the process dynamic	• The cause of, and need for change:
	  • elements of change:
	    − understanding
	    − recognition
	    − awareness
	    − pressure points
	    − requirement
	  • circumstances of change:
	    − surprise
	    − incremental
	    − crisis
	    − strategic
	  • organisational drivers and forces of change:
	    − adaption
	    − reconstruction
	    − revolution
	    − evolution
	• Understanding the context and process of change:
	  • internal and external drivers of change:
	    − people
	    − technology
	    − economy
	    − competition
	    − social
	    − politics
	  • Lewin (1951) – 3 step force field analysis
	  • culture change
	  • economic and political change
	  • stakeholder communication
	  • risk and reputation

Managing strategic change – the people dynamic	• Roles in the change process:
	  • leadership of change:
	    − transformational
	    − transactional
	    − use and abuse of power
	    − dealing with people
	  • identifying the change agents
	  • using the team and building momentum
	  • using external leverage

Topic area	Exemplification
Managing strategic change – the people dynamic (*cont.*)	- Managing effective change strategically: - communication techniques - methods for managing change, including: - education - participation - facilitation - support - ownership - negotiation - force - manipulation - coercion - Levers for strategic change: - time intelligence - removing presumption - change of routines - change of operations - change of expected outcomes - Managing human resistance to change: - explicit and overt resistance - implicit, subtle and deferred resistance - Kübler-Ross (2014): 5 stages of grief - Kanter (1992): 10 reasons for resistance - using emotional intelligence - Managing strategic change effectively: - Mintzberg (2008) – Change Cube - Beer et al (1990) – 6 steps to effective change - Kotter (1995) – 8 stages of change - Pettigrew and Whipp (1991) – 5 factors theory - developing a change programme - keeping a finger on the pulse

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