



UiO : **University of Oslo**


IN5431 – spring 2024


Strategy and governing documents: the management context



Planned lectures (subject to change)

Date	Time	Topic
Fri. 19. Jan	12:15–14:00	Introduction of course and seminar
Fri. 26. Jan	12:15–14:00	Strategy, governing documents and other structural frames: what does it mean, and what is the importance of IT?
Fri. 2. Feb	12:15–14:00	Tools and frameworks 1: Introduction + projects
Fri. 9. Feb	12:15–14:00	Tools and frameworks 2: concept selection and alternative analyzes with a business case
Fri. 16. Feb	12:15–14:00	Tools and frameworks 3: Business processes and IT architecture
Fri. 1. Mar	12:15–14:00	Tools and frameworks 4: IT Governance & platforms.
Fri. 15. Mar	12:15–14:00	Agile organizations

 Strategy and strategic context

 Management tools and frameworks

Agenda

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

Introduction

Different organizations

- Owners
- Board

- Members
- Board

- Citizens
- Politicians
- Board



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 activities within the organization.

Why do we need management?

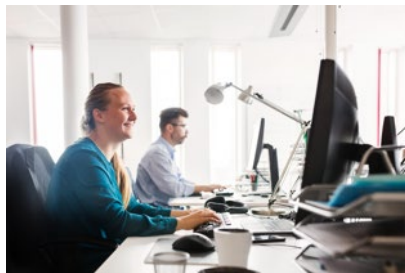
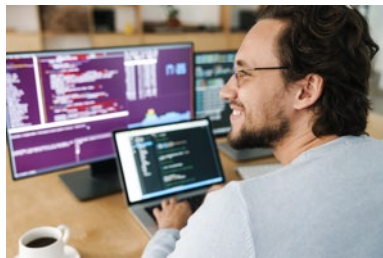


Prioritization is essential

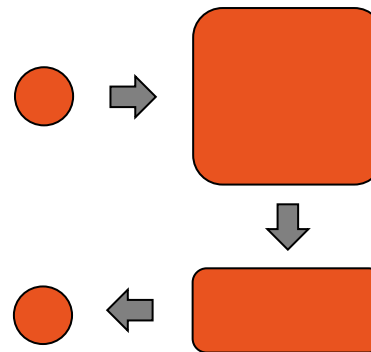
- In a typical organization, there is no shortage of good suggestions for improvement – both from internal and external stakeholders
- An important part of the responsibility of the executives of an organization is to:
 - Understand the current situation: how is the organization fit for current and forthcoming challenges?
 - Categorize and analyze possible options to improve
 - Prioritize these options and then initialize concrete initiatives to achieve the desired results



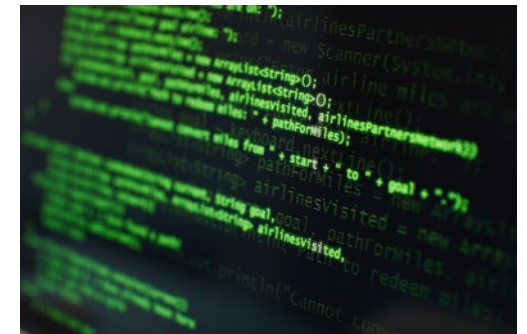
«How does the interplay between people, processes and technology affect the adoption and application of IT in an organization?»



People



Processes



Technology

Date	Time	Topic	What is it really about?
Fri. 26. Jan	12:15–14:00	Strategy, governing documents and other structural frames: what does it mean, and what is the importance of IT?	The really big decisions in an organization: what should we improve the forthcoming years? Important discussion before choosing strategy: what are we really working together for – and who are we competing with?
Fri. 2. Feb	12:15–14:00	Tools and frameworks 1: Introduction + projects	After deciding improvements, one needs to make some kind of sub-organization to coordinate the improvements. One typical sub-organization is a project. There are several frameworks to manage projects.
Fri. 9. Feb	12:15–14:00	Tools and frameworks 2: concept selection and alternative analyzis with a business case	Both while working explicitly on strategy and in the daily operation of an organization, important prioritization decisions must be made. There are established approaches for this as well – here we discuss some of them
Fri. 16. Feb	12:15–14:00	Tools and frameworks 3: Business processes and IT architecture	So far, we have discussed tools how to make important decisions and organize generic improvements. However, organizations needs to be able to analyze and change their IT-systems. Business process modeling and IT architecture are important topics when analyzing and changing IT-systems.
Fri. 1. Mar	12:15–14:00	Tools and frameworks 4: IT Governance & platforms.	In all but the very smallest organizations, there is tension between some central unit responsible for IT-organization and the different business units within the organization. IT Governance is concerned with the distribution of power to make IT-related decisions within an organization. We also briefly discuss <i>platforms</i> as a concept in this lecture.
Fri. 15. Mar	12:15–14:00	Agile organizations	Agility is important for most modern organizations. In this lecture, we give an example of how to implement agile organizations by forming digital product teams within an 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

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- 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.

”



Operational effectiveness

Perform similar activities better than rivals perform them.

"Best practice"

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

Strategic positioning

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

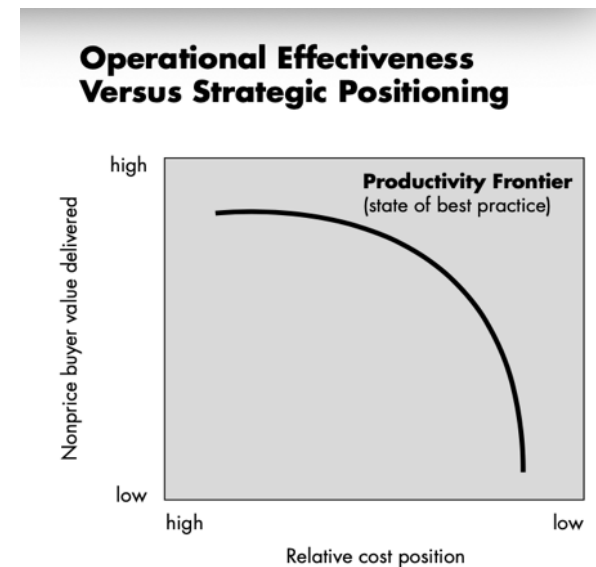
Examples are organizations, not activities:

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 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

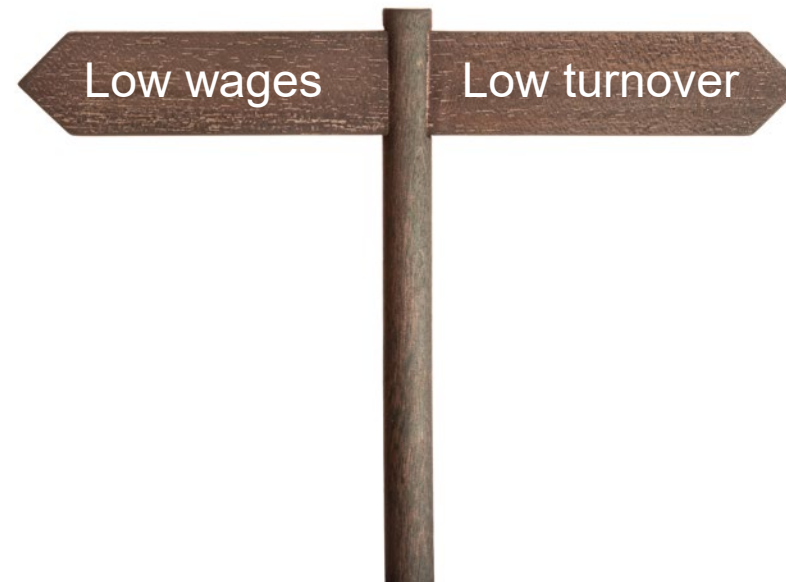


Strategic position: high cost, extreme service

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

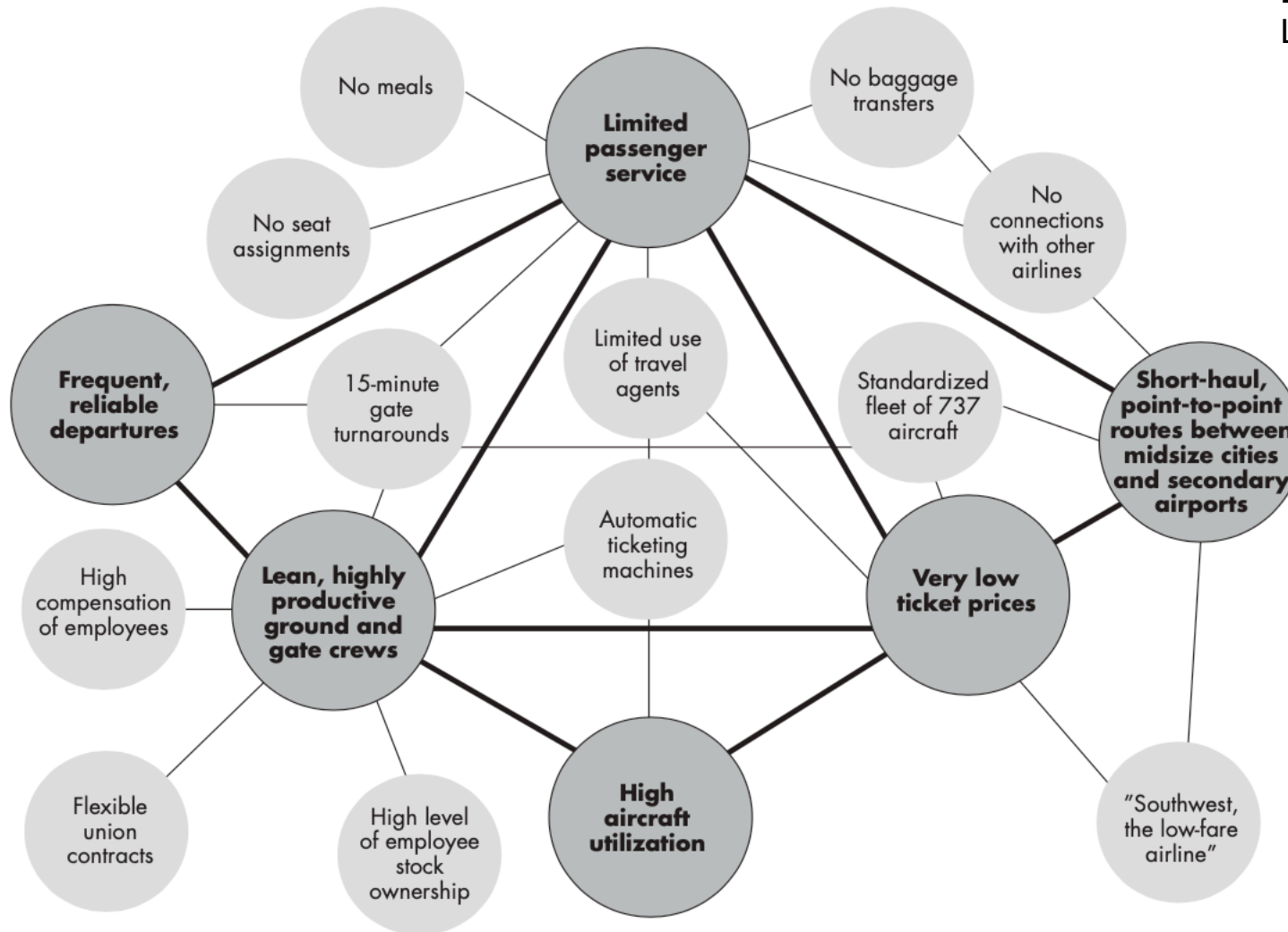
	Continental Airlines	Continental Lite	Southwest
Route options	Any	Limited	Limited
Airport type	Major hubs	Major hubs	Secondary airports
Route frequency	Limited	High	High
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Strategy is making trade-offs in competing. The essence of strategy is choosing 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?



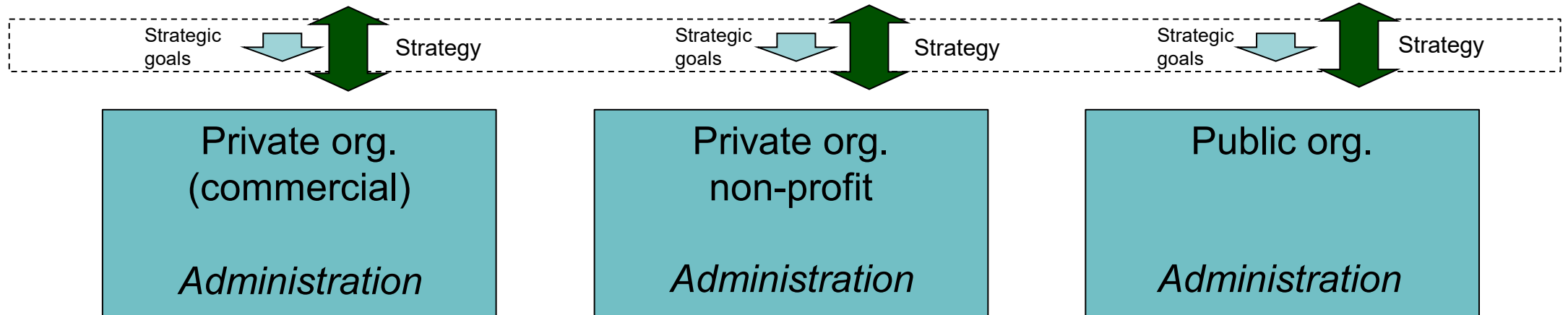
Strategy development and execution

Different organizations

- Owners
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- Citizens
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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

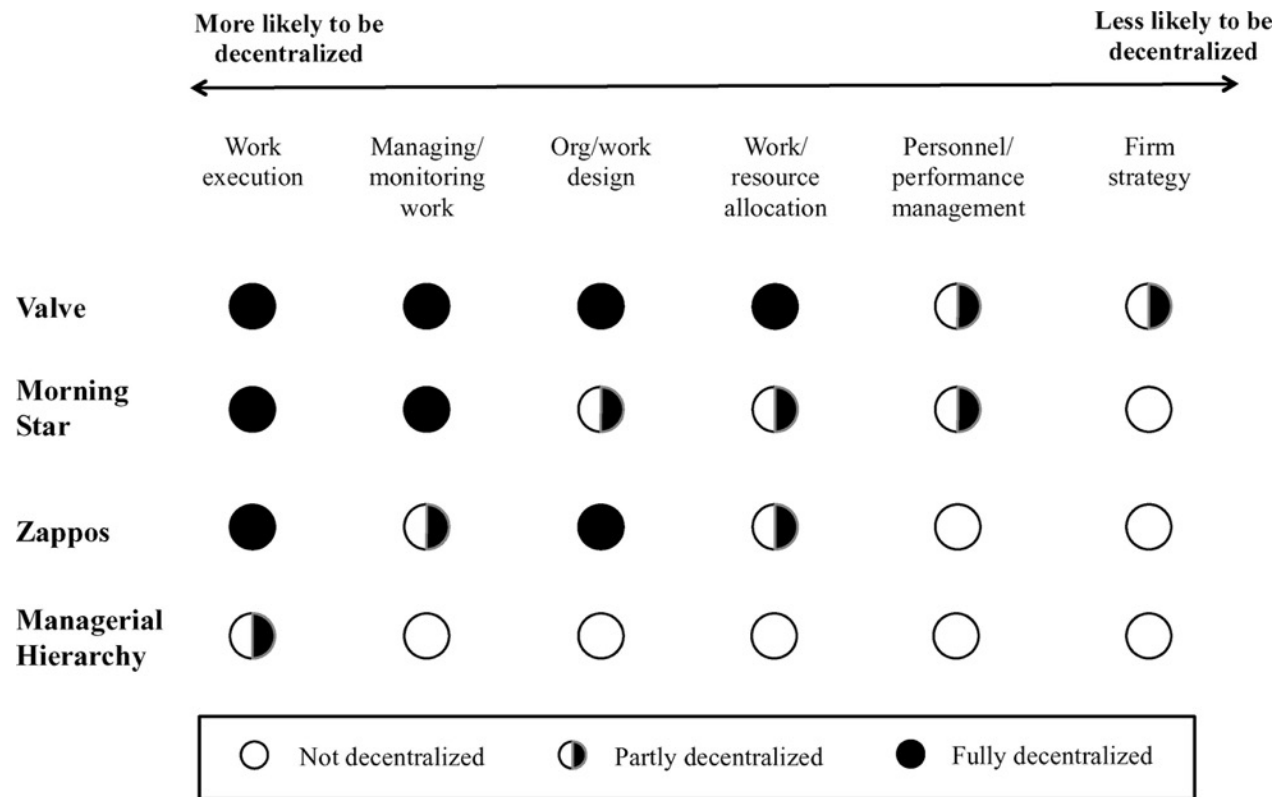
However, this is a big challenge: how should established, successful companies achieve sufficient agility to withstand small or large disruptions in their environment?

THE
SIMPLE ANSWERS
TO THE QUESTIONS THAT GET ASKED
ABOUT EVERY NEW TECHNOLOGY:

WILL <input type="checkbox"/> MAKE US ALL GENIUSES?	NO
WILL <input type="checkbox"/> MAKE US ALL MORONS?	NO
WILL <input type="checkbox"/> DESTROY WHOLE INDUSTRIES?	YES
WILL <input type="checkbox"/> MAKE US MORE EMPATHETIC?	NO
WILL <input type="checkbox"/> MAKE US LESS CARING?	NO
WILL TEENS USE <input type="checkbox"/> FOR SEX?	YES
WERE THEY GOING TO HAVE SEX ANYWAY?	YES
WILL <input type="checkbox"/> DESTROY MUSIC?	NO
WILL <input type="checkbox"/> DESTROY ART?	NO
BUT CAN'T WE GO BACK TO A TIME WHEN—	NO
WILL <input type="checkbox"/> BRING ABOUT WORLD PEACE?	NO
WILL <input type="checkbox"/> CAUSE WIDESPREAD ALIENATION BY CREATING A WORLD OF EMPTY EXPERIENCES?	WE WERE ALREADY ALIENATED

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 achieve 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

Setting Overall Direction	Management Responsibility		
Designing the Team and its Organizational Context			
Monitoring and Managing Work and Progress			Team Responsibility
Executing the Team Task			
	Manager-led Team	Self-managing Team	Self-designing Team

The result of a strategy process

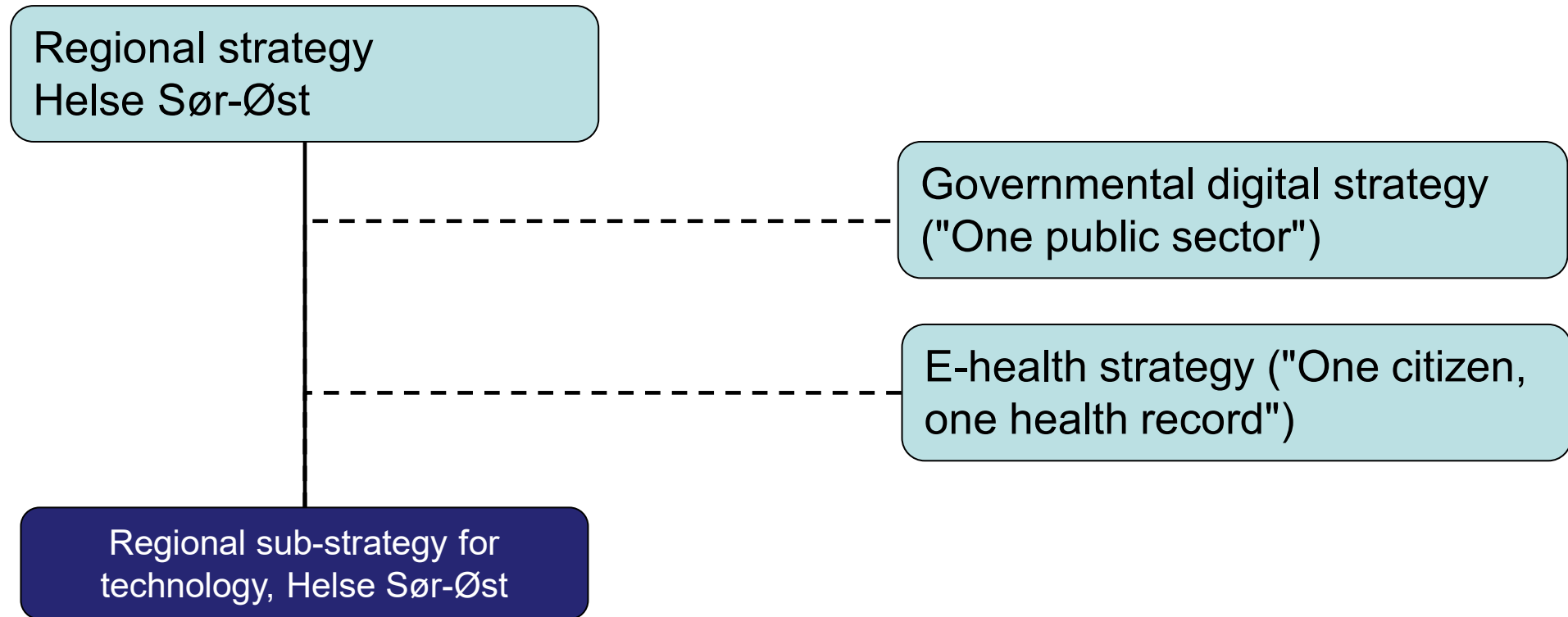
- Normally, the strategy is accompanied with an *action plan*
- This **action plan** contains:
 1. Activities to change or develop the current operation to meet strategic goals
 2. Assigned responsibility for these activities
 3. Expected ordering and timeframe for executing the activities (roadmap)
 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 clinical involvement in technology work

04 Enhance technology governance in the region

05 Introduce new modes of delivery

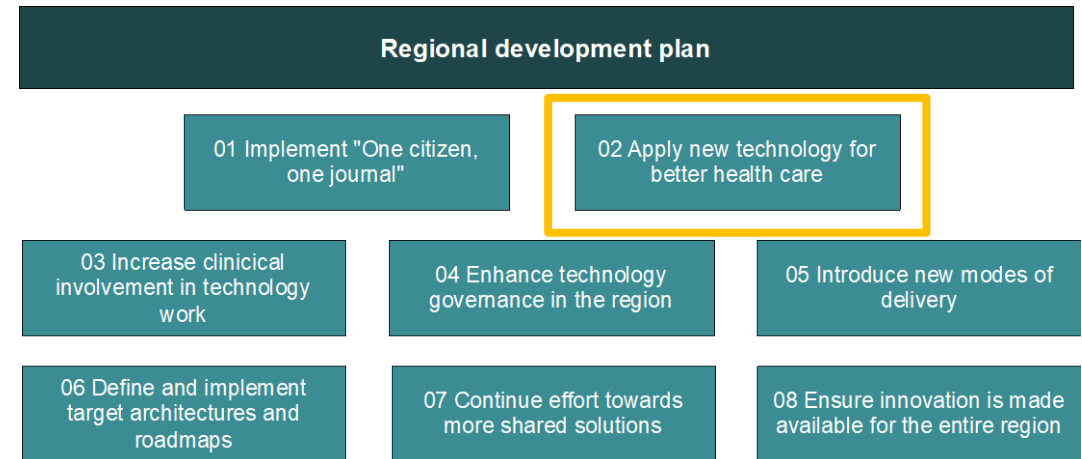
06 Define and implement target architectures and roadmaps

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 facilitate flexible use of data for analytics
- Continue effort to structure data to facilitate data driven analytics

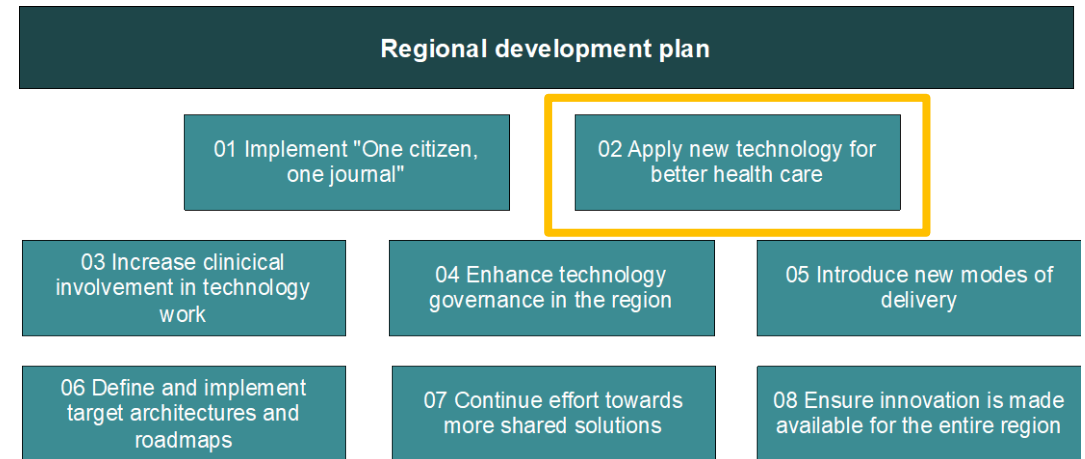


Apply artificial intelligence both for clinical and administrative areas

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

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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

