We would like to provide you with an opportunity
to make comments and suggestions on these course materials.
Please email your comments to coursematerials@agsm.edu.au
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Rose Trevelyan

Rose Trevelyan is a member of the School of Organisation & Management at the Australian School of Business. She teaches on a number of programs, including the AGSM MBA (Executive) Strategic Management Year, the AGSM Full-time MBA and AGSM Executive Programs, in the areas of strategic implementation, organizational design, leadership development and change management. Her current research explores the individual characteristics of entrepreneurs, in particular the role of optimism and confidence in decision-making and effort. Rose consults to Australian organisations (most recently CSIRO, News Ltd, P&O Ports, Rio Tinto and Qantas) on managerial development and organisational transformation.

Pre-Residential Activity list

<table>
<thead>
<tr>
<th>Strategic Management 2 – Pre-Residential Checklist</th>
<th>Done</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Read the Course overview.</td>
<td></td>
</tr>
<tr>
<td>2 Completed the required readings and associated exercises. To obtain the full benefit of the residential you need to have read the following readings: 1, 2, 3, 5, 6, 7, 8 and 9 before you arrive at the residential. Some readings have extensive exercises included in the introduction, for example in the introduction to Reading 4 you are asked to create an activity map. In the introduction to Reading 9 you are asked to do some analysis of the CommSec case (Reading 2). Make sure you have completed all the exercises.</td>
<td></td>
</tr>
<tr>
<td>3 Check whether you are scheduled to make your book review presentation (see eLearning).</td>
<td></td>
</tr>
<tr>
<td>4 Complete your Leadership self-reflection paper which is to be submitted on eLearning by 8am, Day 1 of the residential.</td>
<td></td>
</tr>
<tr>
<td>5 Access and printout your iPeer feedback report. To prepare for a coaching session at the SM2 residential you need to: a. complete pp. 37–40 of your Learning Journal; b. revise your SM Course Team Action Plan (page 19 of the Learning Journal) if appropriate.</td>
<td></td>
</tr>
<tr>
<td>6 Please review Reading 9 from SM1 on systems dynamics. This will be useful for the simulation on Day 4.</td>
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</tr>
</tbody>
</table>
Web Based Support

In the Strategic Management Year we use an online environment called eLearning. We hope this online environment will stimulate the sharing of ideas and understandings around the content of this course.

All your assessment work (individual/group assessments, one-page outline and course evaluations) will be submitted through the eLearning website.

You will have access to introductory videos to the SM Year from the Academic Director and to the individual courses from the Course Leaders.

The eLearning website contains information about your Residencies (e.g. timetable, book review allocation, pre-residential activities) as well as your course materials and Residential slides which will be posted online after each Residential.

The MBA (Executive) current students’ website (http://agsm.edu.au) also provides administrative and academic information. On this website you will find assessment & examination policies, the SM Year student handbook, confidentiality agreements, etc.

eLearning

To access eLearning@AGSM MBA, go to http://telt.unsw.edu.au/ and select Login to UNSW Blackboard.

Login to the web Single Sign On (wSSO) using these details:

Username: zNumber
Password: zPass

Should you have any difficulties accessing your course online, please contact eLearning Coordinator on:

Tel: +61 2 9931 9541
Email: elearning@agsm.edu.au

For after hours supports contact IT Service Centre.

Hours: Mon–Fri: 8am–9am; 5pm–8pm
        Sat-Sun: 11am–2pm

Tel: +61 2 9385 1333
Email: itservicecentre@unsw.edu.au
## Course Structure

### SM2 Calendar Dates Cohort X

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Activity</th>
<th>Assessment</th>
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<tbody>
<tr>
<td>Week 1</td>
<td>12 September</td>
<td>Pre-reading and eLearning orientation</td>
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<tr>
<td>Week 2</td>
<td>19 September</td>
<td></td>
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<tr>
<td>Week 3</td>
<td>26 September</td>
<td></td>
<td></td>
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<tr>
<td>Week 4</td>
<td>3 October</td>
<td>Residential 4 days (7 – 10 October)</td>
<td>Leadership self-reflection paper (7 October – Friday, 8:00 am)</td>
</tr>
<tr>
<td>Week 5</td>
<td>10 October</td>
<td>Book review (7 – 10 October)</td>
<td>Book review (7 – 10 October)</td>
</tr>
<tr>
<td>Week 6</td>
<td>17 October</td>
<td></td>
<td>Residential problem analysis (24 October – Monday)</td>
</tr>
<tr>
<td>Week 7</td>
<td>24 October</td>
<td>Strategy implementation outline on eLearning (Friday week 7)</td>
<td>Peer feedback (1 – 8 November)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review your team’s strategy implementation paper outline (weekend week 7)</td>
<td>SM2 Course evaluation (8 – 15 November)</td>
</tr>
<tr>
<td>Week 8</td>
<td>31 October</td>
<td>Teleconference</td>
<td>Strategy implementation paper (15 November – Tuesday)</td>
</tr>
<tr>
<td>Week 9</td>
<td>7 November</td>
<td></td>
<td></td>
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<tr>
<td>Week 10</td>
<td>14 November</td>
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</table>

All assessment submissions, unless otherwise stated, are via eLearning and due at 3pm EST on the due date.
## SM2 Calendar Dates Cohort Z

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Activity</th>
<th>Assessment</th>
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<tbody>
<tr>
<td>Week 1</td>
<td>19 September</td>
<td>Pre-reading and eLearning orientation</td>
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<tr>
<td>Week 2</td>
<td>26 September</td>
<td>Orientation</td>
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<tr>
<td>Week 3</td>
<td>3 October</td>
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</tr>
<tr>
<td>Week 4</td>
<td>10 October</td>
<td>Residential 4 days (14 – 17 October)</td>
<td>Leadership self-reflection paper (14 October – Friday, 8:00 am)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Book review (14 – 17 October)</td>
</tr>
<tr>
<td>Week 5</td>
<td>17 October</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Week 6</td>
<td>24 October</td>
<td></td>
<td>Residential problem analysis (31 October – Monday)</td>
</tr>
<tr>
<td>Week 7</td>
<td>31 October</td>
<td>Strategy implementation outline on eLearning (Friday week 7)</td>
<td>Peer feedback (8 – 15 November)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review your team’s strategy implementation paper outline (weekend week 7)</td>
<td>SM2 Course evaluation (15 – 22 November)</td>
</tr>
<tr>
<td>Week 8</td>
<td>7 November</td>
<td>Teleconference</td>
<td>Strategy implementation paper (22 November – Tuesday)</td>
</tr>
<tr>
<td>Week 9</td>
<td>14 November</td>
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<tr>
<td>Week 10</td>
<td>21 November</td>
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All assessment submissions, unless otherwise stated, are via eLearning and due at 3pm EST on the due date.
Welcome to Strategic Management 2: Developing Business Opportunities. In this document we give you an overview of the topics we’ll be discussing in the course.

Learning objectives

When you have finished this course you will be able to:

• evaluate business capabilities;
• select an appropriate organisational architecture;
• identify and demonstrate ways to engage internal stakeholders with the strategy;
• evaluate and manage risks associated with a given organisational architecture.

In this course, the overarching question we explore is ‘How do I develop business opportunities?’ In Strategic Management 1: Detecting and Selecting Business Opportunities, we learnt about how to analyse competitive positions in order to identify good business opportunities, and how to position the organisation within the external environment to successfully compete. Executing these strategies is often problematic, and so here, we consider ways of building an organisation that can effectively develop the opportunity into a profitable, or value creating, business.

Key questions

As a general manager, some key questions you need to answer in deciding how to build the right sort of organisation are:

• What organisational capabilities do I need to deliver my strategy?
• How do I design the organisation to deliver the required capabilities? What structures, systems, people, leadership and culture are most appropriate for my organisation?
• How do I engage internal stakeholders with my strategy so that they act appropriately?
• How do I evaluate and manage the risks associated with a proposed organisational architecture (or design)?

In answering these questions you should be able to develop an organisational strategy that specifies the most appropriate organisational architecture to implement your strategy, and which allows the organisation to adapt as market and environmental conditions change.
For example, if your position in the market is to provide a low cost product or service (like Jetstar or McDonald’s), you might decide that your organisational strategy requires capabilities around process control and efficient deployment of resources. A structure which has clear lines of authority and well articulated roles and responsibilities will enable these kinds of capabilities because there is no wasted time and effort in making decisions or working out where to allocate resources. Systems like budget reporting and performance management also guide behaviour towards efficiency. Recruiting the right kind of people who are skilled at developing, and working within, this kind of structure and systems is also important. Developing a culture of cost control is another effective way of getting people within the organisation to act in accordance with the low cost strategy. Leadership that is autocratic rather than democratic fits better with this strategy so that time and resources aren’t wasted on building consensus around decisions.

Another common strategic objective is to offer innovative products or services to the market. For this objective you might decide that your organisational strategy requires capabilities around idea generation and knowledge transfer. The architecture that enables this kind of business opportunity will look quite different from the architecture of a low cost business. For example, innovative firms such as 3M or ResMed have structures which are looser and which create slack in people’s time and reporting relationships. Slack allows for ideas to emerge through individual thought or sharing of ideas. Systems encourage new ideas to be developed and resourced, and creative skills are sought in recruiting and developing people. Innovative businesses might also create cultures that tolerate risk and ambiguity, and develop leaders that foster autonomy and creativity.
**Key terms in SM2**

**Organisational strategy** – how the organisation is configured to deliver its market position in a way that will satisfy its owners or primary stakeholders.

**Organisational capabilities** – the processes and activities an organisation uses to manage its resources and deliver competitive advantage. Organisational capabilities are skills which are shared across the organisation, i.e. they do not reside within one or a few individuals.

**Organisational architecture** – the structure, systems, people, culture and leadership that guide behaviour towards organisational capabilities and strategic objectives.

**Organisational alignment** – the interconnectedness of key elements within the organisational architecture. Effective organisations have good internal alignment, i.e. these key elements complement and reinforce each other. Effective organisations also have good alignment between these key elements and the positioning strategy.

**Structure** – The division of labour, the assignment of roles and responsibilities, and the informal networks within the organisation.

**Systems** – The collection of activities that include targets, measures, policies, and standard operating procedures.

**People** – The skills, attitudes, and personal goals of the organisational workforce.

**Culture** – The pattern of values, expectations, norms, rules and beliefs about the organisation that are shared and taken for granted by the members of an organisation or business unit.

**Leadership** – The characteristics and activities of key managers, including their management of the political arena.

In Strategic Management 1 we discussed how to evaluate opportunities. One question that needs to be answered is: ‘Can the strategy be executed?’ To answer this question you completed a Resources and Capabilities Audit to assess whether your company has the organisational capabilities needed to deliver the product or service. If you have these capabilities you will need to manage them effectively (invest in them) to ensure sustainable competitive advantage. If you don’t have these capabilities because you are building a new organisation, or implementing a blue ocean strategy that requires different capabilities from the ones you have competed on in the past, then you will need to build, borrow or buy them.

Now that the business opportunity is being developed we need to flesh out the details of how to execute the strategy and create an organisation that has these capabilities. What management practices can you design that enable the organisation to meet strategic objectives and also generate ideas for the future?
How can you enable the organisation to grow, respond and compete? What operational framework do you need that helps staff make the right decisions and which focuses their efforts?

Creating an organisation which can realise the business opportunity is hardly ever just about matching elements of the organisational architecture to the desired positioning strategy. The organisational strategy also has to support the adaptation of strategic initiatives, as conditions change in the marketplace. This is often referred to as strategic enactment. For many companies new strategies emerge because managers try something different, it generates positive returns, and subsequently the rest of the organisation embraces or builds on the new idea. In this way strategies emerge in a bottom-up way, rather than being defined at the top of the organisation and cascaded down. So the organisational architecture can be designed to maximise the possibility of new ideas emerging and being implemented by giving managers freedom and resources to try different things. For example, when managers at Lend Lease decided to build their own payroll system rather than outsource it, the organisational systems were sufficiently loose that resources could be allocated to building a payroll system. As it turned out the payroll system was such a success that Lend Lease starting selling their system and associated capabilities to other organisations through Lend Lease Employer Systems (later to become PayConnect). This prompted a new strategic objective for Lend Lease – of becoming an outsourcer of choice for other organisations.

In developing an appropriate architecture there is no perfect solution. Your decisions about how to build the organisation will involve making some trade-offs or taking some risks. An important part of the design process is to consider what these trade-offs are and assess the risks you take in implementing particular systems, structures etc. For example, building slack into the organisation structure helps generate creative ideas for new products. But when it comes to implementing those ideas, if there aren’t clear systems around allocating resources you may never get the right people and funding in the right place to develop the new product. So, with the decision about building slack into the organisation comes a trade-off – slack also generates inefficiencies. Your role as a general manager is to decide how much slack to allow, and where in the organisation to build it. This decision should be informed by the organisation’s strategic objectives and desired organisational capabilities.
Organisational capabilities

Organisational capabilities are activities which involve multiple people or groups within the organisation, and which the organisation uses to generate competitive advantage and create value. In SM1 we learnt that to generate and sustain competitive advantage, resources need to be valuable, rare, inimitable and organisationally embedded. But having valuable resources isn’t enough to achieve competitive advantage, those resources need to be used or managed in such a way that they can add value. Owning a fleet of quality aeroplanes isn’t enough for an airline to compete successfully, those resources (the planes) have to be deployed effectively. One airline may have a capability in maintenance that sets it apart from the competition. This capability is enacted not just by engineers, but also by schedulers who allow enough time between flights for proper maintenance, and by pilots and cabin crew who report and act on aircraft problems. Another airline might have a capability in aircraft utilisation. This, too, is enacted not just by schedulers, but also by engineers who do maintenance work within timeframes that suit schedules and utilisation rates, and by pilots and cabin crew who work to get planes where they are supposed to be on time and ready to fly. So, two organisations in the same industry can have different capabilities that are enacted differently.

These examples are about capabilities in managing physical resources, i.e. planes. Capabilities can be in managing human resources too. For example, Unilever has extensive induction programs for new managers, which see them exposed to many parts of the organisation with the aim of developing a community of employees that share knowledge and information freely. General managers at Unilever recognise that it is unlikely that they will see an immediate return on their investment in people, but they take the long-term view that the returns will come in the future, as managers are more effective at tapping the resources of the corporation than managers in other organisations.

Given the need to adapt and innovate faced by nearly all organisations, key capabilities are flexibility and renewal. Westfield, for example, has capabilities in opportunity recognition and evaluation. Their growth strategy is based on identifying new locations in which to build shopping centres, and thoroughly researching projected returns on investments made to build the centres. Westfield aims to be better than its competitors at these capabilities of identification and evaluation. Capabilities for adaptation are referred to as dynamic because they are not simply about extracting value from the current organisation in its current environment, they are capabilities in working within dynamic environments where organisations need to transform in order to survive and compete. Dynamic capabilities allow the organisation to reconfigure itself effectively.
Organisational architecture

In SM2 we identify different tools or levers the general manager can use to guide behaviour towards strategic objectives. These levers can be applied in different ways according to the choices made about how to compete or deliver value. There are a number of frameworks that identify and define these levers, for example, the MIT90’s model, or Galbraith’s STAR model. One that is widely used by academics and practitioners is the McKinsey 7S framework, and we have included a reading on this. In the SM Year we use our own congruence model, illustrated in the figures in this section. There is enormous overlap between our congruence model and the frameworks identified above.

Elements of organisational architecture

In SM1 we introduced you to our congruence framework. In this course we will spend some time discussing each element of organisational architecture in the congruence framework. As a reminder, here is a brief description of each element:

Structure: The division of labour, the assignment of roles and responsibilities, and the informal networks within the organisation. Formal organisational structures group individuals into units with shared common purpose, for example, by function, geography or customer. Informal structures also emerge where individuals form patterns of association that are not captured by the organisation chart. These social networks and shared interest groups are part of the political arena within which general managers work, and can both help and inhibit strategic performance. Organisational structures attempt to differentiate groups from one another so that responsibilities are clear and resources can be assigned. They also attempt to integrate groups to achieve coordinated action and informed decision-making. Common integration mechanisms are dotted line reporting, cross-functional task forces, job rotation and information transfer. Some organisations have very clear boundaries between differentiated units, while others have extensive interactions and porous unit boundaries. Organisational structures also determine where decisions are made (whether centrally or dispersed), and who has decision rights over what.

People: The skills, attitudes, and personal goals of the organisational workforce. These characteristics determine the organisation’s ability to implement key tasks and achieve organisational objectives. For example, staff may have technical or professional expertise, they may be diverse in culture, age and gender, and they may have skills in many different areas (e.g. creativity, entrepreneurship, customer service, critical thinking).
The goals of members of the workforce might be long tenure, personal development, job satisfaction or financial reward. Employees are selected, developed, protected and allocated using organisational systems (defined in the next paragraph) and structures.

**Systems:** The collection of activities that include targets, measures, policies, and standard operating procedures. Organisational systems guide behaviour and decision-making in the organisation by providing direction and incentive. These systems require staff members to follow routines and procedures, and to meet budgets, plans and targets. These plans and targets are not necessarily financial, they also include targets around customer service and retention, quality, employee satisfaction and organisational processes. Staff members are incentivised to act appropriately by offering rewards, recognition and opportunities. Managers use systems to monitor performance and processes, to diagnose organisational problems, and to discuss business plans and operational procedures. Information technology is an effective way of communicating targets and policies, gathering information on measures, and analysing data to inform decision-making.

**Culture:** The pattern of values, expectations, norms, rules and beliefs about the organisation that are shared and taken for granted by the members of an organisation or business unit. Values reflect beliefs about what is important for individuals and the organisation. Norms are the widely shared and strongly held social expectations about appropriate attitudes and behaviour. Compliance with the norm is seen as right and appropriate, and non-compliance is penalised in some way, and so individuals refer to norms in determining their work behaviours. Often seen as the ‘social glue that binds the organisation together’, corporate culture explains why and how people work together. Organisations with widely shared norms show great consistency in attitudes and behaviours. However, there are often differences between the espoused values and norms, and the enacted values and norms. These differences create weaker cultures and manifest in uncoordinated behaviours and decisions.

**Leadership:** The characteristics and activities of key managers, including their management of the political arena. Organisational leaders ‘set the scene’ for staff and stimulate action through the things they say and do, and the things they pay attention to. The stories leaders tell inform staff about what is important to the organisation, and the things leaders do demonstrate what is important. Leaders control behaviour in different ways: some leaders are directive, some empowering, some consultative and some laissez-faire. Leaders influence staff through their social interactions and they often create political networks to get things done. Leadership is distributed throughout the organisation, that is, not only those at the very top influence action and guide behaviour.
Followers pay close attention not only to the words but also to the behaviour of leaders to get an understanding of what leaders expect of them. Maintaining a consistency between words and actions is one of the great challenges of leadership.

In this course we will examine the different forms each element can take, that is, the different types of managerial control systems organisations use, different leadership styles, different organisational structures, etc. We will also discuss the interaction between these elements and identify signs of misalignment. An illustration of an organisation with poor internal alignment might look like this:

**Figure 1: Poor internal alignment**

![Figure 1](image1)

An organisation with good internal alignment might look like this:

**Figure 2: Good internal alignment**

![Figure 2](image2)
However good internal alignment doesn’t guarantee performance, because the elements of organisational architecture, while consistent with each other, may not support the positioning strategy.

**Figure 3:** Organisational architecture misaligned with positioning strategy

Further, as we discussed in SM1, the positioning strategy may not fit with the environment.

**Figure 4:** Positioning strategy misaligned with environment
Effective general managers attempt to design and align these elements of organisational architecture with each other, with the desired organisational capabilities, the positioning strategy and with the environment. Because the competitive landscape and environmental conditions are always changing this is a difficult task. One view of organisational strategy is to design the organisational architecture for adaptability. So, for example, a car dealership might recruit and develop staff to contribute to the key organisational capability of excellent customer service. It might also offer incentives to encourage experimentation with new products or services – selling motorbikes, or finance deals, for example.

The focus on organisational alignment is common to all the frameworks we could use to analyse organisational architecture. For an organisation to function effectively the elements within the framework need to be well aligned, that is, they need to support and reinforce each other, rather than contradict each other. Effective general managers seek alignment between the organisation’s structure and its systems, between the skills of its people and the norms of behaviour, between strategic objectives and performance management systems. Where there is misalignment we should look for ways to bring the organisation back into alignment.

But achieving organisational alignment doesn’t imply that there is one best way to be aligned. Organisations can look very different from each other but still be well aligned internally. For example, in the restaurant industry the organisational architecture of McDonald’s would look very different from the organisational architecture of a high-end restaurant, like Sydney-based Tetsuya’s. The congruence model in the figures below indicate the possible organisational architectures of these companies that have different value propositions. These architectures are each well aligned, yet they are different from each other. Theory predicts that both organisations would create value, as long as both strategies were viable in the external environment.
This raises an interesting question of how two organisations in the same industry can both succeed with very different organisational architectures. Their different value propositions are deliberate because they are targeting different market segments. It should follow that their organisational architectures are deliberately designed to support the different activities of each firm. It also follows that working at McDonald's should be very...
different from working at Tetsuya’s. As an employee you should have different KPIs, there would be different systems in place, there would be different cultures with different behavioural expectations, and you should have different developmental goals. These elements of organisational architecture are all levers, or tools, that managers use to get people to take decisions and act in certain ways.

Two fundamental issues for general managers

General managers design and implement the elements of organisational architecture to guide behaviour towards organisational capabilities and the enactment of strategic objectives. In applying these levers general managers attempt to address two fundamental issues. These are the issues of employee engagement, and coordinated action.

**The engagement problem** – For an organisation to function effectively, staff within the organisation need to be engaged with the organisation’s objectives. The problem faced by general managers is how to get staff engaged so that they act in accordance with those objectives. Several researchers claim that engagement predicts performance outcomes, organisational success, and financial performance (e.g. total shareholder return). The following extract provides some data to support these claims.

**Engaged Employees Help Boost the Bottom Line**

*ISR study reveals that employers with an engaged workforce deliver improved financial results.*

Leading global employee research and consulting firm ISR announced today the result of a new global employee engagement study showing a dramatic difference in bottom-line results in companies with highly engaged employees when compared to companies whose employees had low engagement scores.

The study, gathered from surveys of over 664,000 employees from around the world, analyzed three traditional financial performance measures over a 12-month period, including operating income, net income and earnings per share (EPS). Most dramatic among its findings was the almost 52 percent gap in the one-year performance improvement in operating income between companies with highly engaged employees versus companies whose employees have low engagement scores.

High engagement companies improved 19.2 percent while low engagement companies declined 32.7 percent in operating income over the study period. Other findings include a 13.2 percent improvement in net income growth over a one-year period for companies with high employee engagement, while seeing a 3.8 percent decline in net income over the same period for companies with low employee engagement. Companies with high employee engagement also demonstrated a 27.8 percent improvement in EPS growth, while companies with low employee engagement reported an 11.2 percent decline in EPS over the same period.

‘Our research continues to show that a well-substantiated relationship exists between
employee engagement – the extent to which employees are committed, believe in the values of the company, feel pride in working for their employer, and are motivated to go the extra mile – and business results,’ said ISR Global Research Director Patrick Kulesa. ‘This data reaffirms the remarkable ability of an engaged workforce to impact a company’s bottom line.’

A previous ISR study of 41 companies over a period of 36 months revealed that the high engagement companies realized a 5.75 percent difference in operating margin and a 3.44 percent difference in net profit margin versus the low engagement companies. ‘These latest findings are consistent with ISR’s three-year study and demonstrate that both a one-year change and lasting performance gains are obtainable through an engaged workforce,’ said Kulesa.


Engaged employees, this study argues, clearly contributed to the bottom line of their companies. Engagement has an indirect link with organisational performance though. It has more direct relationships with intermediary outcomes such as employee trust, positive intentions, exerting greater discretionary effort, and intention to remain. Disengaged employees withdraw cognitively and emotionally from their work roles, display poor role performance and become effortless or automatic in their job. It is the presence of the positive outcomes of engagement, and the absence of negative outcomes of disengagement, which, in turn, affect performance outcomes through greater productivity and lower costs of development and recruitment.

The coordination problem – Another crucial determinant of organisational performance is coordination and collaboration between individuals and groups. Achieving strong organisational alignment requires that people and groups are aware of what each other are doing. They need to support and reinforce each other’s actions and adapt their own actions when groups elsewhere in the organisation change their activities. A well-coordinated organisation is one where information and knowledge flow across the company. Knowledge may be in the form of hard data (e.g. sharing data on targets, budgets, customers, competitors) or it may be soft (e.g. tacit knowledge based on experiences of working with people, customers and competitors). The means of transferring information and knowledge across the organisation depends on the type of information and knowledge. Common mechanisms for hard data transfer are IT systems, and common mechanisms for soft data transfer are meetings and collaborative projects. Communication of information and knowledge occurs through the formal organisational structure, but it also occurs through the informal, political networks within the organisation.
Changing organisational architectures

In this course, we will evaluate the appropriateness of different organisational architectures using real organisations, including your own. In many cases we will find that the architecture does not support the positioning strategy, or that the architecture doesn’t enable the organisation to grow and adapt through emerging strategies. What happens then?

For start-ups, where organisational architectures are rarely well defined or given much attention by founding entrepreneurs, the realisation that there isn’t sufficient internal fit may prompt the introduction of systems or structures, or a focus on providing leadership or developing an appropriate culture. For entrepreneurs the job is easier in some ways because they have a relatively blank piece of paper to start with. For more established organisations, however, changing the organisational architecture involves changing existing arrangements and practices. This is often a more difficult task because it involves not only establishing something new, but moving away from something old. Managers and researchers identify the need to unfreeze the current state, manage resistance to change, undo deeply entrenched habits, and reject the familiar. The extent of the unfreezing process depends on the longevity of existing arrangements, amongst other things. So for an organisation in the post start-up phase, this will be easier than for an organisation that has had systems and structures established for 50 years.

The process of transforming an organisation is something we will return to in SM4. It often involves clearly communicating the need for change, a vision of what the new organisational architecture will look like and what benefits it brings, and effective demonstration of making changes by senior, visible people. Effective change leadership is at the heart of successful organisational transformation.

Another important approach to the process of large scale organisational change is to ensure that recommended changes are mapped out across the whole organisation, so that the solution to a particular problem is integrated with other organisational arrangements. For example, if an evaluation of your organisation’s architecture shows that the structure of one business unit is too mechanistic to allow for effective sharing of information about customers, you may recommend de-layering the business unit. While this may fix the problem of information flows, it may create another problem because incentives for promotion, which had typically been a strong source of motivation for staff, are removed with the de-layering of the business unit. We read about the complexities of managing large inter-related systems in SM1, and one of the points made there was the need to be conscious of both the intended and unintended consequences of managerial
actions. This applies here, that is, if you make a change in one element of your organisational architecture, be sure to anticipate the knock-on effect in other organisational elements.

**Strategic Management Year cross-cutting themes**

In SM2 we explore the four cross-cutting themes of the SM Year in the following way:

**Economic Logic Evaluation:** We explore whether organisational architectures support the economic logic of the venture. Do they drive the right outcomes for the business to make money or capture value? Value comes through the attainment of targets on key performance drivers, so an organisational architecture has to guide activity and decisions towards attaining those performance driver targets. Are staff motivated towards achieving performance driver targets? Do your systems measure and monitor performance driver targets? Do your leaders communicate the importance of performance drivers? Does the culture or structure inhibit actions required to attain performance driver targets? Alternatively, we should ask whether the existing organisational architecture suggests a different economic logic that is more profitable or value capturing. For example, with the human resources we have would we be better off competing in a different market?

**Entrepreneurship:** The organisational architecture of a start-up is typically different from the architecture of an established firm. Culture and climate are very important means of gaining commitment from key staff, and incentives are often equity and options, rather than cash, which is in short supply. Staff are also often employed on short-term contracts and hired on an 'as needed' basis. Entrepreneurs have a clean slate on which to build their ideal architecture, but they don’t have the knowledge about what works well because they have no corporate history to learn from. General managers in established organisations are constrained by the organisation’s history and architecture to date, but they have the advantage of some knowledge about what works. Start-up organisations are more likely to have emergent strategies, rather than strategies that have been deliberately formulated over a long period of time. For entrepreneurs, the environment in which they operate is unfamiliar and often highly dynamic, and so the organisation needs to have the capability to adapt. As a result the leadership role evolves over a relatively short period of time.

**Leadership:** Leadership is one of the five key elements of organisational architecture that we will discuss in some detail in this course. We ask, what role do leaders play in building organisations that possess a sustainable
competitive advantage? How do leaders engage people to make the right decisions and to take appropriate actions? How do leaders ensure coordinated action?

**Decision-making**: Designing organisational architectures requires a big picture view of the organisation, and so effective decision-making requires the general manager to understand how the five core elements of organisational strategy interact with each other and drive the positioning strategy. Good decision makers understand the causes and consequences of misalignment and know how to realign the organisation, and assess the risks with alternative architecture. We also ask how the general manager can design the organisation so that other managers make effective decisions that help the organisation achieve strategic objectives. What systems should be used to guide managers towards effective decision-making and the development of ‘rules of thumb’ that enhance, rather than constrain, performance?
Assessment

All assessments, essays and project reports should conform to the standard assessment format detailed in the course overview and on the AGSM website. Inadequate documentation or careless presentation of assessment items may result in marks being deducted. Assessments must meet prescribed details of length, submission dates and any special provisions. All assessment submissions, unless otherwise stated, are via eLearning and due at 3pm EST on the due date.

Assessment policy

The assessment process plays two roles: it provides feedback to you on your progress, and is a means of testing and grading your performance. All information on assessment is provided in the Policies and Forms section of the AGSM website. Please refer to these policies for details on how to present your assignments.

http://www.asb.unsw.edu.au/currentstudents/agsmmba/academicinformation/assessmentsandexaminations/Pages/default.aspx

In order to pass this course, you must:

• Achieve an aggregate (overall) mark of at least 50; and
• Make a satisfactory attempt at the final piece of assessment.

Assessment 1: Leadership self-reflection paper

(individual submission)

Due: SM2 residential (Day 1, 8:00 am, via eLearning)

Weight: 10%

Maximum length: 6 pages

As a general manager or entrepreneur, your effectiveness in developing and implementing strategy is influenced by your capability to manage your own behaviour, as well as understanding and leading others’ behaviours. This paper is an opportunity to set your self-development goals through a rigorous process. This paper is 6 pages in length and covers the following 3 areas.
1. **General management/entrepreneurial competencies related to my career goal/s**

Identify the general management/entrepreneurial competencies that are important in your career. Justify your selections by drawing on your desired career path and professional goals, as well as taking into account potential obstacles and uncertainties. Draw on a variety of sources including, but not limited to:

- SMY course concepts;
- Observations and insights from your SMY Learning Journal and frameworks in this tool;
- Insights from your SM1 interview with a general manager or entrepreneur; and
- Other established models and frameworks from the literature if applicable.

Be sure to explain why the competencies identified are critical for your personal career (i.e., tailor to your career goal, industry, profession, job, skills set etc).

This section comprises roughly 20% of your page count.

2. **Analytical self-reflection**

Following on from the competencies identified in part 1, analyse whether you possess these competencies. Identify current skills that are strengths and specific areas that would benefit from further improvement. Include:

- Identifying whether the way you perceive your behaviour is aligned with others’ perceptions of your behaviour, and if gaps exist, analyse why;
- Using recent data wherever possible to justify your assessment (e.g., iPeer, work feedback, 360 degree feedback surveys completed on the GDM, and/or other valid and reliable sources);
- Combining quantitative data with qualitative information, such as quotes or short examples to provide insights from a variety of perspectives and from several contexts and settings;
- Benchmarking using established models and frameworks of general management/entrepreneurial competencies. Use SMY course concepts (including the Learning Journal). Include other frameworks as applicable, such as from the literature, and/or frameworks in use at work, though these are not the focus of your paper.
- Comparing your current competencies against your future desired competencies.
3. Action planning with career implications

Finally, identify self-development goals and set an action plan you would like to practice over the next 6–12 months. These goals may be those you identified in your learning journal in SM1, or others that have evolved since that time. The important point is that these goals are linked to your analysis in point 1 and 2 above. Whilst some goals may have a longer term focus, at least one goal needs to be an area of focus between SM2 and SM3.

Be sure to explain and justify why these goals are most important to your career and keep in mind:

- Goal setting theory advocates that to be effective, set specific and challenging goals, as well as understand why a chosen goal is important to you.

- To increase the likelihood of goal achievement, move beyond identifying general competencies (e.g., ‘to manage people better’) and detail the specific behaviours necessary within each competency.

Be sure to (re-)read ‘Thinking and Writing in the Strategic Management Year’ as you develop your arguments. This document has many useful tips. You will find it in the learning technology section of your SM1 course binder (and on eLearning).

For details on formatting the assignment go to:

http://www.asb.unsw.edu.au/currentstudents/agsmmba/academicinformation/assessmentsandexaminations/Pages/default.aspx

The assessment criteria for this assignment are provided on the following page. Please read them carefully.
<table>
<thead>
<tr>
<th>Leadership self-reflection paper assessment criteria</th>
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<tbody>
<tr>
<td><strong>HIGH DISTINCTION</strong></td>
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<tr>
<td>20% Understanding of SMY frameworks and theory about general management / entrepreneurial competencies related to my career goal/s</td>
</tr>
<tr>
<td>30% Analytical self-reflection</td>
</tr>
<tr>
<td>30% Action planning with career implications</td>
</tr>
<tr>
<td>20% Organisation, clarity of expression</td>
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</tbody>
</table>
Assessment 2: Residential problem analysis

(group submission)

Due: Check SM2 calendar for exact due date at the beginning of this document

Weight: 40%

Maximum length: 12 pages

During the SM2 residential you will hear from a manager who is facing the issue of implementing a positioning strategy. At the end of the residential your team will present recommendations for how the manager can address the issue he/she presented, drawing on SM2 course ideas. In this assessment you are required to make a written presentation of your recommendations.

The assessment criteria for this assignment are provided on the following page. Please read them carefully.

You should also review your feedback from the SM1 Residential Problem and Strategy Formulation paper before writing this assignment. Much of that feedback will be relevant here, since the papers have similar assessment criteria.

Details on the assessment criteria

1. Appropriateness of the recommendation

Does the report address the entrepreneur’s or organisation’s goals, major issues and opportunities? Is the recommendation likely to deliver the stated positioning strategy for the organisation? Is the recommendation original?

2. Realistic recommendation

Is it possible to implement the recommendation? Is the recommendation feasible, given the resource constraints of the entrepreneur or organisation?

3. Quality of arguments: logic and integration

Are the arguments logical? Are the recommendations clearly linked to the analysis? Does the report justify the proposed organisational architecture (e.g. with theory, data, benchmarking, comparison to alternatives)? Do the arguments support a consistent, coherent overall organisational strategy? Are data sources and explicit concepts referenced?
4. Organisation and clarity of expression

Is the report well organised and structured? Can the reader easily understand the recommendation and arguments behind it? Is the report written clearly?

5. Use of conceptual tools and frameworks to support analysis

Does the analysis show that the author has mastered the different tools and frameworks studied in the course? Can the author selectively draw on the most relevant concepts for the problem faced by the entrepreneur or organisation? Has the author applied the concepts in a competent, insightful, and compelling way?

Be sure to (re-)read ‘Thinking and Writing in the Strategic Management Year’ as you develop your arguments. This document has many useful tips. You will find it in the learning and technology section of your SM1 course binder (and on eLearning).

For details on formatting the assignment go to:

http://www.asb.unsw.edu.au/currentstudents/agsmmba/academicinformation/assessmentsandexaminations/Pages/default.aspx

**Note on referencing:** You are expected to reference the source of all data used in your assessments. In the GDM we expected you to know the authors of major frameworks and concepts and to reference these appropriately (using the Harvard Referencing system as outlined in Managing Your Learning). However, in the SM Year we place more emphasis on your ability to apply these frameworks and concepts.

We expect you to justify your arguments to persuade an audience of managers. The assignments in the SM Year are designed not for you to analyse and describe frameworks but to apply course frameworks and concepts to make managerial analyses and recommendations. There is no need to reference frameworks or concepts covered in your current course readings or class materials for assignments in your current course.

All other frameworks or concepts you use in reports should be referenced appropriately using the Harvard Referencing system (this includes frameworks or concepts covered in previous GDM courses). In addition, you should meticulously reference all data sources (for all types of data including numerical, interview, quotes from news articles, etc.) in your strategy reports so that readers understand the basis for assumptions in your analyses.
<table>
<thead>
<tr>
<th>HIGH DISTINCTION</th>
<th>DISTINCTION</th>
<th>CREDIT</th>
<th>PASS</th>
<th>FAIL</th>
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<tbody>
<tr>
<td><strong>15% Appropriateness of the recommendation</strong></td>
<td>Recommendation would clearly deliver stated positioning strategy and is original</td>
<td>Recommendation would clearly deliver stated positioning strategy</td>
<td>Requirements for positioning strategy and major issues are identified and addressed</td>
<td>Generic recommendation given which could be made for any organisation</td>
</tr>
<tr>
<td><strong>20% Realistic recommendation</strong></td>
<td>Consideration made of the downsides of the recommendation, and strategies to overcome downsides are identified</td>
<td>Recommendation is feasible and realistic and feasibility of recommendation is outlined</td>
<td>Recommendation is feasible and realistic</td>
<td>Recommendation is feasible but unrealistic given resource constraints</td>
</tr>
<tr>
<td><strong>30% Quality of arguments: logic and integration</strong></td>
<td>Strong logical arguments with excellent evidence that support a consistent, coherent overall strategy</td>
<td>Coherent logical arguments which are strongly justified by evidence</td>
<td>Logical argument with some evidence (data, theory, benchmarking or comparison to alternatives) given to justify the argument</td>
<td>Arguments are logical, but evidence to support arguments is weak</td>
</tr>
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<td><strong>20% Organisation, clarity of expression</strong></td>
<td>Shows a polished and imaginative approach to the report with compelling clarity of expression</td>
<td>Carefully and logically organised and written clearly</td>
<td>Good organisation and coherence and mostly written clearly</td>
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<td>Good choice and application of concepts for the strategic problem</td>
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<td>Inappropriate application or interpretation of the concepts</td>
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Assessment 3: Peer feedback *(individual submission)*

Due: Week 8

Weight: This assignment is Pass/Fail only. You need to pass this assignment in order to pass the course.

You are required to give feedback on your own and individual team members’ contributions to teamwork on SM2 via iPeer, the online peer feedback tool. The feedback survey will be available in week 8. Rate the level of skill you have observed in each team member by using the behavioural descriptors for each team competency. Be as honest and objective as you can. Please also provide observations of behaviours in the written comments spaces provided.

You and each individual team member will get a summary of the feedback others in the team have given. After a period of interpretation and reflection you will complete an action plan during the SM3 residential to support your development as an effective team contributor.

This assignment is Pass/Fail only. To pass the assignment you need to successfully complete feedback for each member of your team, upload your one-page outline of the Strategy Implementation paper in week 7, and actively participate in the teleconference in week 8.
Assessment 4: Strategy Implementation paper

(individual submission)

Due: Week 10
Weight: 50%
Maximum length: 15 pages

In this assignment you will formulate an appropriate organisational strategy for a firm, using course concepts. You should use the same organisation you analysed in the SM1 Strategy Formulation paper. If this is not possible please talk with your residential leader.

Your recommended organisational strategy should be an implementation of the positioning strategy you recommended in the SM1 Strategy Formulation paper. Give a clear and succinct statement of what this positioning strategy is. Your recommendation should identify core organisational capabilities and show how organisational elements should be configured in order to enable those capabilities, and to implement the positioning strategy. In supporting your recommendation you should refute its negatives, which includes refuting the next best alternative organisational strategy. You should compare and evaluate your alternative organisational strategies to justify your proposed organisational strategy.

If you are analysing an existing business, assume that top management would like you to develop a recommended organisational strategy for the business. Your alternative organisational strategy may or may not be the current organisational strategy. If you are evaluating the current organisational strategy, you can use your assessment of the current organisational strategy to justify your recommended organisational strategy, i.e. by showing how your recommendation is better than the status quo. If you conclude that the current organisational strategy is the best one, explain why it is better than the second best alternative you have developed. Some students chose not to use the current organisational strategy as either the recommendation, or the alternative, because it is inappropriate for the SM1 Positioning Strategy recommendation. If the recommended SM1 Positioning Strategy is sufficiently different from the current Positioning Strategy, the current organisational strategy may be unfeasible. In this case, you would develop two new organisational strategies, one that you recommend, and an alternative to compare it to.

If you are analysing a proposed new entrepreneurial venture, your target audience should be the entrepreneur or potential investors. Provide a recommendation for what the organisation should look like once it is established, i.e. beyond the start-up phase. You may need to make some
assumptions about the establishment of the start-up and the stage of development it is in, in which case you should articulate these assumptions clearly. For example, you may need to assume that the proof of concept stage has been successfully navigated and the business has a steady revenue stream. In order to apply concepts from the SM2 readings and residential, there has to be a need for organisation, i.e. if one person can do all the tasks required there is no need for organisational mechanisms and nothing to apply the SM2 concepts to. So pick a point in time at which the entrepreneur needs to put in place an organisational architecture in order to run the business effectively. You will need to develop an alternative organisational strategy which is the next best organisational strategy, and which is used to justify the strength of your recommended organisational strategy. So, you will develop two future based organisational strategies, one which is recommended, and the other which is the next best alternative.

Make sure that you use ideas from SM2 in your analysis. Remember, however, that you are writing a rigorous paper that could be used as a strategy recommendation for the organisation’s top management. Your writing should be in non-technical English.

In presenting your recommendation, ensure the recommended organisational strategy:

- is clearly justified with a structured set of logical supporting arguments;
- will deliver the stated positioning strategy;
- is internally aligned;
- has supporting evidence;
- is feasible.

The assessment criteria for this assignment are provided on the following page. Please read them carefully.

Be sure to (re-)read ‘Thinking and Writing in the Strategic Management Year’ as you are working on the assignment. This document has many useful tips. You will find it in the learning and technology section of your SM1 course binder (and on eLearning).

For instructions on referencing please see Assessment 2. For details on formatting the assignment go to:
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<td>Arguments aren’t logical, justified or integrated</td>
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<td>Inappropriate application or interpretation of the concepts</td>
<td>No concepts used in analysis</td>
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Assessment 4 Part 1 – Progress feedback

In order to receive feedback on your progress on Assessment 4, you should upload a one-page outline of the paper on eLearning by Friday of week 7 for your team and residential leader to review. In the one-page outline you should do the following:

1. Identify the organisation or new business venture you are analysing. Specify whether you are analysing the entire organisation or a business unit and who is the audience of your report (i.e. their position(s), not their names, and their relationship to you).

2. State the positioning strategy you are implementing. This should be the strategy you recommended in the SM1 Strategy Formulation paper.

3. Articulate your recommended organisational strategy and an alternative strategy. If you are using an existing business, this alternative may be the current organisation strategy. Include a statement of the organisational capabilities required for the positioning strategy.

4. State why the proposed organisational strategy is better than your alternative strategy. Please provide some sense of the risks, trade-offs or downsides for your two alternatives. These should be listed in order of their importance.

Submitting your 1-page outline on Friday of week 7 is a two-step process.

1. Upload your one-page outline onto eLearning (http://lms-blackboard.telt.unsw.edu.au) via the ‘assessment section’. Please make sure that you upload your one-page outline to the assessment called ‘one-page outline’ and not into the slot for the final project.

   Please label your submission with
   ‘<Team No.>_<Cohort Letter>_Surname_FirstName.doc’
   (e.g. 1_B_Porter_Michael.doc)
   and also be sure to include this same information in the top of your one-page summary document.

2. Please email your one-page outline to your team.

During the weekend of week 7 you should review the submissions from the rest of your team and provide feedback to them. Please organise the best way to provide this feedback (email, phone, eLearning). Give your team feedback on their 1-page outlines, paying attention to the extent to which they have met the guidelines provided here (points 1-4 above). You may also like to refer to the marking grid for Assessment 4. When
you have received feedback from your team on your outline, distill the feedback into a few key points. At the start of week 8 you will participate in a teleconference with your team and the residential leader to discuss the outlines submitted. The residential leader will ask you to articulate the key feedback you have received from your team, and also give you his/her own feedback on your outline.

Submission of your one-page outline and participation in a teleconference are a required part of the course, and will contribute to the Peer Feedback assessment (Assessment 3). To pass the Peer Feedback assessment you must complete the online iPeer Team Feedback survey (which will be accessible at the end of SM2), upload your one-page outline of the Strategy Implementation paper, and actively participate in the teleconference.
Readings

A note on timing your readings: Before starting the readings, re-familiarise yourself with the advice on reading the course materials in the Learning Technology section of the Course Overview. You should survey the course materials by reading the Course Overview and the introductions to all the readings. Given work and family commitments, the average student should read the R2 stage of the SQW3R method of study before coming to the residential in week 4 for 8 of the 12 readings. To obtain the full benefit of the residential you need to have read readings 1, 2, 3, 5, 6, 7, 8 and 9 before you arrive at the residential.

Reading 1  ‘Basair Aviation College’, AGSM case study.

Reading 2  ‘CommSec: The Leading Australian online, discount stockbroker’, AGSM case study.


