

# Simultaneous Change

*R. Feurer*

*Hewlett-Packard GmbH*

*Herrenberger Straße 130, 71004 Böblingen, Germany,*

*Tel.: (49) 7031 14 6395, Fax (49) 7031 14 3888.*

*K. Chaharbaghi*

*Cranfield University*

*Cranfield, Bedford, MK43 0AL, United Kingdom,*

*Tel.: (44) 234 750 111, Fax (44) 234 750 875.*

## Abstract

With increasing levels of uncertainty in competitive environments organisations need to become more dynamic in their strategy development capabilities. Any change in the environmental conditions has to be matched by a simultaneous change in all the dimensions relating to strategy development in order to ensure the organisation's survival and growth. This paper presents the results of a study which has been carried out to explore the relationship that exists between the concept of simultaneous change and business performance. Based on the findings a mapping process has been developed which helps organisations in identifying areas that need to be addressed to make simultaneous change possible.

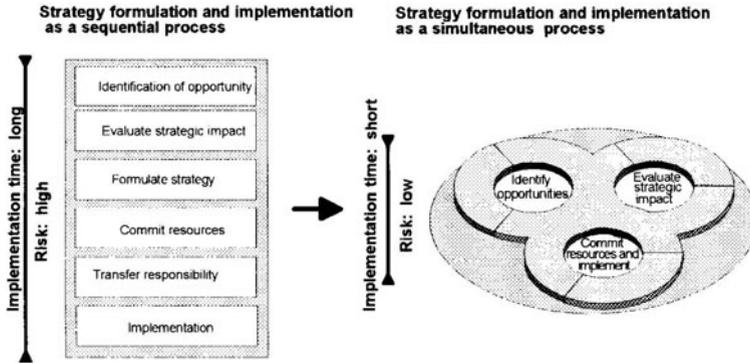
## Keywords

Strategy development, change, competitiveness, business performance, dynamics, strategy process, communication, value system.

## 1. INTRODUCTION

There is a general cognizance that competitive environments are changing at an accelerating rate and that the critical success factors are constantly being challenged. This implies that organisations must continuously change their competitive strategies with implemented strategies being in place only for a short period of time. Given these considerations, organisations can no longer afford to adopt a sequential approach to strategy development which entails several stages including data collection, development of strategic options, evaluation, selection and implementation. In the face of accelerating change there is a need for a dynamic approach in which opportunities are identified and evaluated simultaneously in the light of the organisation's existing and potential future competencies together with the level of

resource commitment necessary. Figure 1 summarises the differences between the sequential and simultaneous approaches to strategy formulation and implementation.



**Figure 1** Sequential versus dynamic strategy formulation and implementation.

The simultaneous approach to strategy formulation and implementation brings about three major benefits when compared with the sequential approach. First, it reduces the time between the identification and exploitation of business opportunities which is one of the most important considerations when operating in a highly dynamic environment. Second, it reduces risk. This is because the sequential approach requires, at a very early stage, commitment of investments in terms of capital, people and time whereas the simultaneous approach constantly evaluates and dynamically adjusts resource commitments. Third, the simultaneous process continuously adjusts strategies according to the changes in the competitive environment. A dynamic approach to strategy formulation and implementation requires organisations to apply a structured framework thereby enabling the realisation of the following:

- Goal setting.
- Goal communication and negotiation.
- Dissemination and application of strategic knowledge which can be both internal and external.
- Formulation of strategies at that point in the organisation where the most appropriate strategic knowledge exists.
- Performance measures that are constantly aligned with the organisation's value system, goals and objectives.
- Alignment of strategies to:
  - Eliminate or reduce goal conflicts between entities.
  - Minimise strategy overlaps and redundant efforts.
  - Co-ordinate activities that span over several business entities or regions.
  - Maintain same overall direction and focus.

The requirements concerning speed, flexibility and maintenance of overall direction can only be achieved if organisations are able to simultaneously change the level of dynamics in each of

their main strategy development capabilities. The main strategy development capabilities that have been identified in earlier research include (Feurer, Chaharbaghi, 1995):

- Timeframe for strategy formulation and implementation.
- Strategy formulation and implementation process.
- Organisation structure.
- Communication.
- Organisation values.

A study involving 40 multinational organisations has recently been carried out in order to establish the relationship that exists between the level of dynamics in each of these dimensions, the level of dynamics in the competitive environment and business performance. The aim of this paper is to present the results of this study and to introduce the concept of simultaneous change as a prerequisite for the realisation of dynamic strategy formulation and implementation. A mapping process is also introduced which measures the level of dynamics in each of the dimensions related to strategy formulation and implementation (i.e. timeframe for strategy formulation and implementation, strategy process, organisation structure, communication and organisation values). This mapping process can be used to identify actions which must be taken in order to make simultaneous change possible.

## 2. THE NEED FOR SIMULTANEOUS CHANGE

The application of a dynamic approach requires strategy formulation and implementation to be treated as a cognitive process rather than a process of conception ((DeGeus, 1988) (Senge, 1990). However, existing organisation strategy development capabilities, such as the process of strategy development, timeframe for strategy development, organisation structure, communication and organisation values, do not often lend themselves to such a dynamic approach. This is because these capabilities have been based on maximising the efficiency and effectiveness of a given strategy development approach rather than flexibility. In highly dynamic competitive environments, however, internal and external conditions constantly alter and as a result superior performance will depend on the ability of the organisation to change its capabilities accordingly. This lack of flexibility is reflected in the growing number of change management project failures. A recent study conducted in the U.S.A. revealed that 85% of top-managers were dissatisfied with the outcome of change management projects. The major factors contributing to these failures include poor co-ordination and lack of commitment. poor co-ordination is caused by different functions having different levels of dynamics in their strategy development capabilities whereas lack of commitment is the result of organisation values not being compatible with the speed of change within the environment. It follows that for achieving superior business performance the following conditions must be satisfied:

1. The strategy development capabilities of an organisation should be aligned with the level of dynamics in its competitive environment.
2. All strategy development capabilities should exhibit the same level of dynamics.

Several approaches have been proposed in order to evaluate the level of dynamics in a given competitive environment. These approaches are generally based on the speed of change, level of complexity and uncertainty. Ansoff and Sullivan (1993), for example, describe the dynamics of the environment in the form of environmental turbulence comprising :

- **Complexity of events** which occur in the environment.
- **Familiarity** of successive events.
- **Rapidity** with which events evolve after they are first perceived.
- **Visibility** of the consequences of these events.

Other approaches assume that the attractiveness of and the level of competitiveness within a given environment play an equally important role in the level of dynamics as well as business performance. These are expressed in the form of either environmental munificence (Dess, Beard, 1984) or environmental hostility (Miller, Friesen, 1983). Regardless of the approach used, different levels of dynamics in competitive environments necessitate different approaches to strategy development. The existence of such a relationship has been reported by a number of studies (Bourgeois, Eisenhard, 1988) (Ansoff, Sullivan, 1993). However, these studies do not take into consideration that the application of different strategy development approaches will require a simultaneous change in all dimensions of strategy development capabilities.

### 3. SIMULTANEOUS CHANGE AND BUSINESS PERFORMANCE

In order to explore the relationship between simultaneous change and business performance, a survey was carried out involving 40 multinational organisations. Primary data was collected in the form of a questionnaire that was mailed to the Chief Executive Officer, a member of the board or a dedicated executive who had been identified as being responsible for strategy development. The mailing was preceded and followed up by telephone calls. In addition, secondary data was collected concerning financial performance.

The level of dynamics in the competitive environment was conceptualised through a number of questions considering speed of change, the increase in dynamics over time as well as the level of competitive pressures in the environment concerned. The level of dynamics in each of the strategy development capabilities (i.e. timeframe of strategy development, strategy development process, organisation structure, communications and values) was operationalised through ten questions and a total of 40 items in the questionnaire. Ratings for each of the above dimensions were obtained through a combination of qualitative and quantitative answers to both open and closed questions. Where possible five point scales were employed to minimise the error potential resulting from an assessment of qualitative responses.

The performance of the organisation was conceived as a multidimensional construct based on a holistic understanding of organisation competitiveness (Feurer, Chaharbaghi, 1994). The dimensions considered include performance in the eyes of the shareholders, performance in the eyes of the customers, performance in the eyes of the stakeholders (such as employees) and long-term ability to sustain performance. Financial performance data was collected using a timeframe of five years and included measures such as ROI (Return on Investment), ROS (Return on Sales) and sales growth. Primary data on the dimensions of customer satisfaction, investment in people, investment in technology and investment in society was obtained through the questionnaire using a five point scale. Based on the collected data, a number of ratings for each organisation were obtained and normalised using a five point scale. These ratings include:

1. Dynamics rating of the competitive environment in which the organisation operates.

2. Dynamics rating of the organisation computed as the average of the individual levels of dynamics in the strategy development capabilities.
3. Difference between the lowest and highest levels of dynamics in strategy development capabilities (thereafter referred to as  $\Delta 1$ ).
4. Difference between the level of dynamics in the environment and the average level of dynamics in the organisation's strategy development capabilities (thereafter referred to as  $\Delta 2$ ).
5. Business performance rating.

The first step of the analysis involved a comparison of the dynamics ratings and levels of dynamics in the strategy development capabilities for the four highest and four lowest performing organisations (see figures 2 and 3). The analysis of figures 2 and 3 reveals that no single strategy development capability accounts for superior performance. However, the high performing organisations exhibit a more uniform pattern in all dimensions relating to strategy development capabilities (this is characterised by  $\Delta 1$  having a small value). They also feature a greater degree of alignment between the overall dynamics rating and the dynamics rating of the environment (this is characterised by  $\Delta 2$  having a small value). On the other hand, low performing organisations have a higher value for  $\Delta 1$  (which implies non-uniformity in the level of dynamics of different strategy development capabilities) as well as a higher value for  $\Delta 2$  (which indicates a high degree of misalignment between the level of dynamics in the organisation's strategy development capabilities and the level of dynamics in the competitive environment).

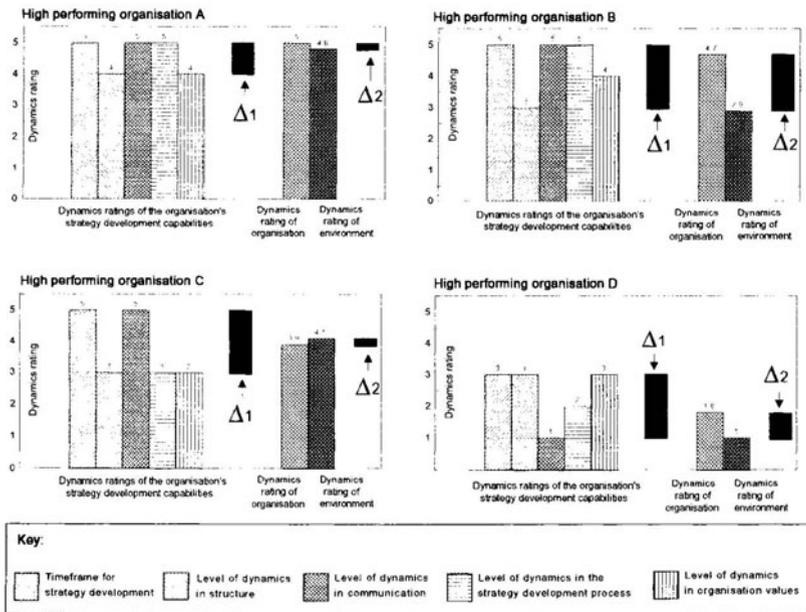


Figure 2 Dynamic ratings of high performing organisations.

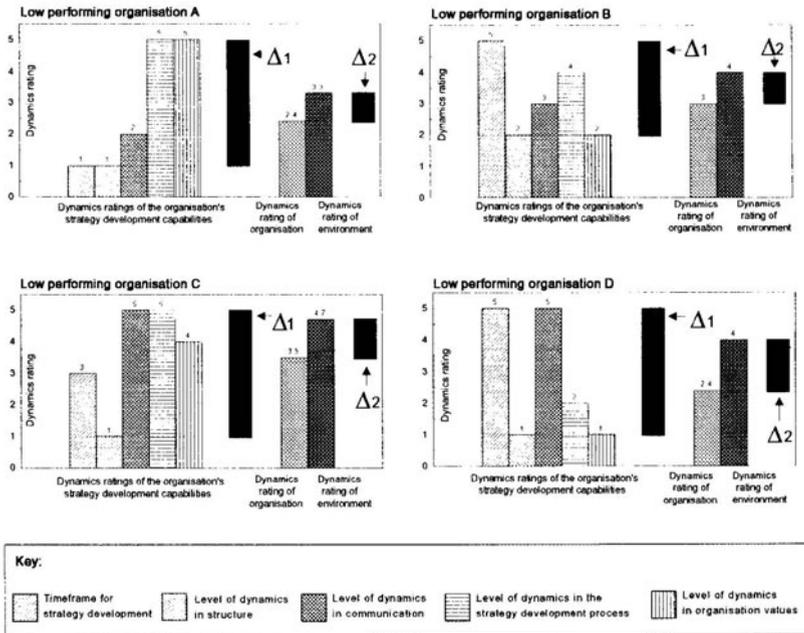
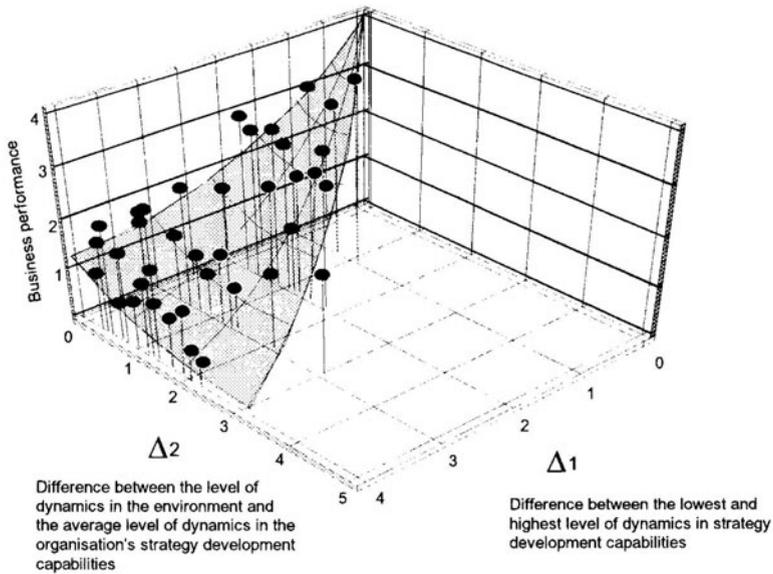


Figure 3 Dynamics ratings of low performing organisations.

These findings are further supported by the three dimensional scatter diagram given in figure 4. This figure clearly suggests an inverse correlation between business performance and  $\Delta 1$  values. This demonstrates that organisations with small differences in their level of dynamics in strategy development capabilities have a superior performance when compared to those with larger differences. This figure also reveals that the high performing organisations are able to adjust the level of dynamics in their strategy development capabilities to the level of dynamics in the competitive environment.



**Figure 4** Relationship between  $\Delta 1$ ,  $\Delta 2$  and business performance.

## 5. MAPPING THE LEVEL OF DYNAMICS OF STRATEGY DEVELOPMENT CAPABILITIES

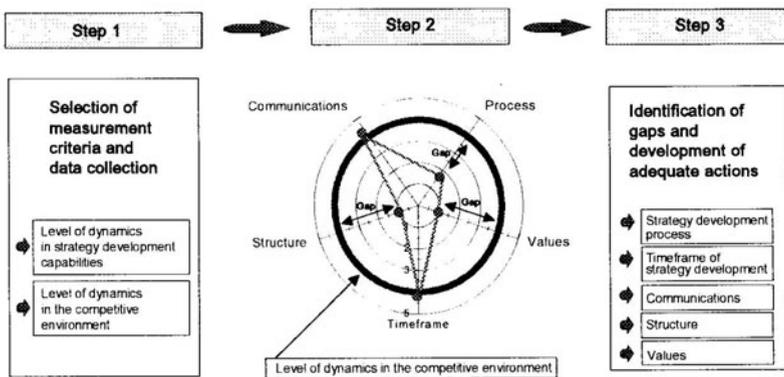
A mapping process is presented below which can be used by organisations to realise simultaneous change. The mapping process first requires the selection of criteria for measuring the level of dynamics for each of the strategy development capabilities as well as the competitive environment. The next stage involves collecting data from all individuals who may potentially be affected by the change process. This data is then cumulated and can be visualised using a radar chart. The radar chart will identify potential internal and external misalignments or gaps. The mapping process outlined above will be particularly useful if it is repeated over time or if it is used to compare the perceptions of different groups or individuals within an organisation.

The following provides examples of knowledge that can be generated using the mapping process:

- Change in strategy development capabilities over time.
- Perception of dynamics levels by different groups within the organisation.
- Perception of dynamics levels by different members in the same group.

- Comparison of the required and actual levels of dynamics as perceived by a given project team (i.e. perceived gap).
- Comparison of the perceived gaps as determined by the project team and the project sponsor.

The resulting radar charts can be used to identify problem areas which should be addressed before initiating a change project. Such a mapping process ensures that internal misalignments are minimised while improving communication, motivation and commitment. Figure 5 summarises the mapping process and provides an example of a radar chart.



**Figure 5** Mapping process.

## 6. CONCLUSION

In the face of increasing levels of uncertainty in competitive environments organisations must take a dynamic approach to strategy formulation and implementation in order to survive and grow. Such a dynamic approach represents a continuous and simultaneous process in which the strategy development capabilities are constantly aligned with changes in the competitive environment. In dynamic environments, high performance directly depends on the ability of an organisation to minimise internal and external misalignments in the level of dynamics in their strategy development capabilities. Using a mapping process, organisations can analyse the level of dynamics in each of their strategy development capabilities and take appropriate actions in order to minimise potential gaps. Such a process ensures that any change in the environment can be matched by a simultaneous change in all the strategy development capabilities of the organisation.

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## BIOGRAPHIES:

Dr. Kazem Chaharbaghi lectures at Cranfield University and his special interests encompass strategy development and management learning.

Rainer Feurer works as a strategic consultant in the Professional Services Organisation of Hewlett-Packard in Germany.