

STRATEGIC AND CHANGE MANAGEMENT AND THE NATIONAL TRAINING SYSTEM

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core ideas

Every Registered Training Organisation (RTO) in the vocational education and training (VET) sector in Australia needs managers who can design effective strategies, not just once a year for the annual strategic plan, but on the run, as opportunities arise. Cusumano and Markides (2001) find that 'designing a successful strategy is a never-ending quest' for modern managers (p.4).

The need for continuous strategy-making is substantiated by the evaluation of 133 projects on strategic management and change management conducted by Reframing the Future since 2001. Two of the evaluation reports on these projects available at www.reframingthefuture.net are *The never-ending quest: effective strategy-making and change management for high-performing VET organisations* (2002) and *Strategy-making in Turbulent Times* (2003). Other projects are examined in reports such as *New Capabilities in VET* (2006) and *Human Capital Enhanced by VET* (2007).

The following set of core ideas are based on those reports and relevant insights from the international literature. The core ideas provide a quick overview of strategic management and change management in relation to the national training system.

What is strategy?

Following are four definitions of strategy, showing the diversity of interpretations of this single word.

The first brief but compelling definition is based on two questions:

To use a simple but powerful definition from *The Economist*, strategy answers two basic questions: 'Where do you want to go?' and 'How do you want to get there?' (Eisenhardt 2001, p.85)

The second definition suggests that strategy involves making tough decisions:

Strategy involves making tough choices on three dimensions: which customers to focus on, which products to offer, and which activities to perform. Strategy involves choosing, and a company will be successful if it chooses a *distinctive* strategic position that differs from those of its competitors. (Markides 2001, p.231)

The third definition suggests that strategy is a story or narrative:

An alternative view of strategy is that it is a story, or narrative, which attempts to 'write' or account for a whole series of disconnected and emergent elements as they were a unified whole – but more than one such story is possible. These stories then act as guides to action. (Browne et al. 1999, p.407)

The fourth definition is that strategy is managing an interface and can not be automated:

Strategy is the management of the interface between the activities of the organisation and the changing environment in which it operates. This process

involves too much uncertainty, novel situations and lack of firm information to be automated. (Viljeon & Dann 2003, p.68)

As the above examples show, there is no one, accepted definition of strategy. However, despite the differences in the definitions of strategy, most contemporary business theorists agree that strategy is fundamental to being in business. For instance, Kaplan and Norton (2001) believe that strategies are 'the unique and sustainable ways by which companies create value' (p.2).

What is strategy-making?

Strategy-making means developing, forming or formulating strategies. Strategy-making can occur in a variety of ways, such as by identifying external and internal factors impacting on the organisation, or by undertaking a SWOT (strengths, weaknesses, opportunities and threats) analysis of the organisation, or by undertaking the 'blue sky anticipatory exercises involved in scenario planning' (Browne et al. 1999, p.407).

Kaplan and Norton (1996) believe that strategy formulation involves choosing, identifying and selecting:

...choosing the market and customer segments the business unit intends to serve, identifying the critical internal business processes that the unit must excel at to deliver the value propositions to customers in the target market segments, and selecting the individual and organisational capabilities required for the internal, customer, and financial objectives. (p.37)

Cusumano and Markides (2001) argue that designing a successful strategy is not a science: it is an art. Further, both rational planning and intuition are valuable in developing strategies. Their other findings include:

- it is possible for a company to design a superior strategy; and it is possible for others to learn the art of crafting superior strategies
- strategies need to be developed in response to a company's stage of evolution
- strategies need to be developed to fit an organisation's current and future context
- effective strategic thinking is a process of continuously asking questions and thinking through the issues in a creative way. (pp.1-6)

Baets (2006, p.99) identifies companies which deliberately support the emergence of a "continually learning strategy". He argues that we can always learn from the journey of strategy-making. This view contrasts with the school of thought that suggests it is possible, in advance, to fix a path for strategy-making, and then follow that path to achieve a goal.

Whichever school one supports, strategy-making is an ongoing activity in all organisations, requiring a range of skills. Contemporary, flexible strategists can draw on both the planned approach to strategy formation and the intuitive, unplanned approach.

What is change management?

Change management is different from strategic management. Viljoen (1997) explains that change management 'occurs within the overall context of strategic management' (p.121); that is, change management is a sub-set of ongoing strategic management.

Change management, says Hayes (2007, p.30), is about modifying or transforming organisations in order to maintain or improve their effectiveness. This deliberate, conscious use of strategies is a characteristic of change management:

Whatever particular form change takes and whatever objectives it seeks to achieve, organisations cannot expect to achieve success unless those responsible for managing it understand the different approaches on offer and can match them to their circumstances and preferences. (Burnes, 2000, p.257)

Burnes (2000) finds that organisations can and do experience severe problems in managing change effectively: "It is clear that to manage change successfully, even on a small scale, can be complex and difficult" (p.252). Elsewhere, (Burnes 2005) he adds that managing change is becoming harder and more important:

Managing and changing organisations appears to be getting more rather than less difficult, and more rather than less important. Given the rapidly changing environment in which organisations operate, there is little doubt that the ability to manage change successfully needs to be a core competence for organisations. (p.85)

What are alternative approaches to change management?

There are numerous templates for and approaches to change management. For example, Cummings and Worley (1997, p.168) suggest that change agents must carry out five kinds of activities when planning and implementing changes:

- creating readiness for change and overcoming resistance to change
- creating a vision, by articulating a compelling reason for the change
- developing political support for the change
- managing the transition of the organisation from its current state to the desired state
- sustaining momentum for the changes so they are carried to completion.

In comparison to these five activities, Kotter (1996), another leading change management theorist, provides an eight-stage model for producing change in organisations. His eight steps include establishing a sense of urgency, creating the guiding coalition and developing a vision and strategy.

Collins (1998) cautions about the use of formulas offered by theorists such as Kotter and others, calling them n-step models, where n is the number of steps the individual theorist prefers. Randall (2004, p.152) adds that the implementation of change programs is not as easy as some of these famous 'n-step' methods suggest.

Burnes (2000) summarises two main approaches to change management: the planned approach and the emergent. Stace and Dunphy (1998) propose a model of change that accommodates both the planned and emergent approaches to change management. These optional approaches to change management are discussed in relation to the national training system by Mitchell (2003).

According to Mitchell and Young (2001), using categories proposed by Stace and Dunphy (1998), the two change management approaches commonly required to support the implementation of the national training system are developmental transitions, involving developing or remoulding the core cultural values of an organisation, and task-focused transitions, involving the redesign of not just jobs but also of businesses.

Each RTO needs to select an approach to change management that suits its context, goals and capabilities.

What challenges do VET organisations face?

Mitchell and Young (2001, p.19) argue that, to become high-performing, VET organisations need to develop a client-focused, responsive culture and an appropriate structure, which requires the use of both change management and strategic management strategies. These strategies are needed to respond to the range of organisational challenges facing senior VET managers, including:

- the capacity to change directions to meet market requirements;
- an ability to function effectively in a competitive training market;
- an ability to establish and maintain training arrangements with industry;
- the retraining of tenured staff to meet new training demands;
- an ability to appropriately manage sessional staff;
- a competence in marketing to overseas students.

Dickie et al. (2004) describe the features of the future environment for VET practitioners and their organisations:

...an environment characterised by increasing diversity in the client base; increasing sophistication in client expectations; change in products and expansion of options for training delivery; changes in employment, work roles, team structures and places of work; increasing competition and increasing demand; and globalisation of the training market. (p.4)

Which aspects of RTOs' cultures and structures need to be changed?

Mitchell and Young (2001, p.46) itemise the needs of RTOs for cultural enhancement and job and business redesign, in relation to implementing the national training system. For example, required cultural enhancements include:

- providers focusing more on clients' outcomes, not providers' inputs;
- provider staff moving away from a curriculum and teacher-dominant culture to a service culture.

Required job and business redesigns include:

- defining the changing role of the VET professional amidst the move to workplace training and assessment;
- building the capacity of RTOs to form and maintain partnerships with industry.

How important is strategy-making now and in the future?

Research into Reframing Future projects (e.g. Mitchell 2002, 2003; Mitchell et al. 2006, 2007) highlights the need for RTOs to continually develop and implement and review their strategies, structures and cultures – the never-ending quest for successful strategies. This theme is reinforced by Browne et al. (1999), who argue that:

Although structures, cultures and strategies may be more or less formal and visible, they will always be present, always in change or flux. The question therefore is not whether organisations need a strategy, as they will have one whether they like it or not, but whether the strategy they have ... is the one they really want. (p.408)

The Reframing the Future sub-program on strategic and change management enables participating VET organisations to, firstly, review whether the strategy or strategies they have are the ones they really want and, secondly, to formulate and fine-tune strategies to enable them to become high-performing VET organisations.

Cusumano and Markides (2001) suggest that the challenge for managers to develop successful strategy is relentless and the speed with which new strategies are required is increasing:

How can a firm achieve 'fit' between what it does and what its industry environment requires today, while also preparing itself to stretch capabilities and evolve its culture to tackle the new environment that tomorrow might bring? This has always been a challenge for firms, but the speed with which environments and markets change in today's world makes this an even more pressing concern. (p.5)

Strategy-making is never-ending.

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