Integrated Management

If there’s one paper where you shouldn’t tackle syllabus topics in their isolation, it’s P5, warns Jerome Payne, who explains how three key subjects are connected.

At the CIMA lecturers’ conference last year, the examiner for P5 stressed that she saw the paper’s syllabus as “integrated by name and integrated by nature”. She would, therefore, be setting questions requiring answers that drew on multiple areas of the syllabus. So let’s look at how three particularly important P5 topics – strategy, structure and culture – are closely related.

Gerry Johnson and Kevan Scholes’ define strategy as “the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of resources within a changing environment, to meet the needs of markets and fulfil stakeholder expectations”.

Strategy is all about making plans that allow an organisation to gain a competitive advantage over the other firms operating in its markets. An organisation and its rivals are likely to share many of the same goals, so the competitive advantage for that organisation can be thought of as its ability to achieve its goals – ie, to meet the needs and expectations cited by Johnson and Scholes – more often and more completely than the rest.

To make such plans, the business goes through a three-step process known as analysis-choice-implementation. The analysis step involves examining the organisation’s external and internal environments, plus an appraisal of its stakeholders’ interests. The choice step involves selecting the strategy that most closely matches the organisation’s capabilities to its external environment in achieving its goals. The implementation step involves making the changes required to execute the strategic plans in a controlled way.

Communication is key to the strategic process. The analysis step requires information be gathered from the whole of the organisation and then be filtered and summarised into a format that’s easy for strategists to understand. For an organisation to implement its strategy, the requirements of strategic plans need to be communicated in the most efficient way to those who will execute them.

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Organisational strategies requiring fast communication, while exercising control, by contrast, is most effectively exercised by organisations with tall structures, since each manager’s narrow span of control allows them to supervise the work done by their subordinates much more closely.

If control over subordinate actions is more important than fast communication to an organisation’s strategy, a tall structure is more likely to allow the successful implementation of that strategy. An army is a good example of such an organisation. Here it’s vital that orders are rigidly enforced, so a tall structure with many managerial levels – ie, officer ranks – has evolved.

Culture v strategy

Culture, according to Charles Handy, is “the way we do things around here”. This rather simple definition is perhaps the most common explanation of culture. More formally, culture is all the shared values, beliefs, attitudes, norms and customs that prevail
in an organisation. Culture allows an organisation to develop coherence in the interactions among its members.

A positive organisational culture tends to be one that focuses on the needs of all stakeholders in the organisation, especially its customers and employees. When the culture is strong, it will help to regularise the behaviour of the organisation’s members by influencing their actions. It will also help to strengthen control, since members tend to act in accordance with the values of the organisation. A strong culture, therefore, acts as a stabiliser.

Strategy is influenced heavily by culture. Strategic managers make plans within the culture of their organisation. Their values will both influence, and be influenced by, organisational values.

Culture can act as a filter through which strategy must pass. Strategy requires instructions to be issued to subordinates for it to be implemented, but the meaning of these instructions can be interpreted in subtly different ways depending upon the type of culture in operation. For example, if a manager’s strategy calls for regular review meetings between him and his team, within a “blame culture” this may be seen by the team as an accusatory or punishment exercise. Within a “forgiveness culture”, on the other hand, these reviews are more likely to be seen as a chance for the team to gain encouragement and feedback, or to seek help from their manager if required.

A strong positive culture can help to make strategic goals more achievable by facilitating communication. It can also provide a sense of belonging among the organisation’s members. This can have a motivating effect on individuals and increase their willingness to change in order to implement strategic plans.

A negative culture can obstruct the successful implementation of strategy. This can result from resistance to the changes required by the strategy or from communication breakdowns in the attempt to implement the strategy. Resistance can occur when the changes are inconsistent with existing cultural norms, or where they threaten to redistribute decision-making authority.

Structure v culture

Decentralised structures rely upon good communications in order to work effectively. Organisations with open, trusting cultures, which give individuals a lot of autonomy, tend to favour flat structures with few levels of management, wide spans of control for managers and non-specific job descriptions. This type of set-up is particularly valuable in organisations with departments containing highly skilled members who expect to make their own decisions. By contrast, tall organisational structures with many management levels and narrow spans of control are most useful in highly bureaucratic cultures with a large proportion of low-skilled or immature members, whereby little autonomy is entrusted to, or expected by, subordinates.

Paper P5 has a wide-ranging syllabus with many topics. You can expect the examiner to set questions that require you to discuss the relationships that exist between different management concepts while giving practical advice to the organisations concerned. I hope that this article has given you a deeper appreciation of three of those relationships. #

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**References**