

**The process of managing strategic change  
within a hospital dental laboratory.**

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## SUMMARY

Strategic management is concerned with the understanding, as well as choosing and implementing, the strategy or strategies that an organisation follows. It is a complex process which can be considered from a number of different perspectives. There is no single approach, model or theory to the management of strategic change. Pressures to change are always present in the form of opportunities and threats and managers must establish what approaches and decisions are likely to prove the most effective.

The study was designed to help dental laboratory managers develop strategic awareness, to determine the issues and questions which must be addressed if changes in strategy are to be formulated and implemented effectively. The managerial and behavioural processes which take place within the laboratory in order that they can understand how changes come about are also discussed.

Case studies of companies and dental laboratories are used jointly with the relevant literature to evaluate the theories and concepts of strategic management and implementation of change. Models provide a framework for evaluating how managers can reach their decisions and reach their objectives.

The study has shown that the strategic ideas and methods used by private sector companies and discussed in the relevant literature can be adapted to provide a framework for managing the process of strategic change in a hospital dental laboratory.

## Chapter 1

### INTRODUCTION

#### 1. Dental Technology

High standards of both technical and clinical work are important to the comfort and health of patients and to the function and appearance of their mouths. The clinical and technical aspects of any procedure are complementary and, while distinct, should not be seen as separate. An innate talent for either technical or clinical work is important, but ultimately the skill of both the dentist and technician reflects the quality of their education, training and experience. The result for any patient depends on two or more people working together.<sup>[1]</sup>

#### 1.1 Dental Technology in Dental Hospitals and Schools

##### 1.1.1 *The Service*

Within dentistry, there are three main clinical areas which require the provision of dental technology services: Oral Surgery and Oral Medicine; Orthodontics and Children's Dentistry; and Restorative Dentistry.

Dentists, in whichever branch of the profession they work, rely heavily upon the skills of dental technicians.

The dental technician is an essential member of the dental team and, working to the prescription of the dental surgeon, is responsible for the fabrication of dental appliances in a variety of materials ranging from precious metals to the more contemporary plastics and metal alloys. This also includes the use of a wide range of precision attachments.

The technology calls for a high degree of technical ability and skill in numerous different practical techniques. It is the combination of the theoretical and practical knowledge in the dental sciences which enables the technician to construct the prescribed appliances required in conservative, prosthodontic, orthodontic and maxillo-facial clinical procedures.

### *1.1.2 The type of work*

Work undertaken by dental technicians can be classified into two categories:

- Routine work : The construction of prostheses which involve routine and predictable techniques which can be carried out by technicians who, although qualified, have limited experience and expertise.
- Complex and specialised work : The construction of complex and specialised prostheses which involve a high degree of skill, and the use of specialised techniques and a greater emphasis on individual responsibility. Technicians undertaking this type of work will normally have obtained advanced specialist qualifications and be required to keep their knowledge up to date.

### *1.1.3 The grading of technical staff*

Traditional grading of dental technicians progresses after student technician to technician, senior technician, chief technician and senior chief technician.

In September 1989 an agreement was reached with the Professional and Technical Staffs B Whitley Council on the introduction of a single pay and grading structure for all technical and related staff groups to include dental technicians. Although new Medical Technical Officer grades were introduced, the system did not alter the identity of individual service disciplines. Grade names and job titles which were applicable locally continued to be recognised.

## **1.2 Education and Training**

### *1.2.1 Basic training*

Basic training of student technicians may be undertaken in Dental Hospitals and Schools and Colleges of Further Education. The training may be via full time or day release courses.

The basic course comprises the SCOTVEC (Scottish Vocational Education Council) Higher National Certificate or the BTEC (Business and Technical Education Council) Diploma in Dental Technology.

The traditional training mode for students is via day release with three to four years being the average length of time spent on acquiring basic technician status.

### *1.2.2 Advanced training*

Advanced training courses are available on a two year, part time (day release) basis at Colleges of Further Education and the options available include :

- Prosthodontics and Conservation
- Orthodontics and Maxillo-facial

These courses are offered at BTEC advanced HNC / HND level.

The City and Guilds Advanced Certificate in Dental Technology is still available for external candidates.

There is further option of a Degree in Dental Technology which is available through some Colleges and Dental Hospitals and Schools.

### **1.3 The working environment**

The working environment in which dental technicians operate is subject to constant change :

( a ) Through research, development and professional clinical trials, some of the work undertaken and materials used are becoming more complex; this applies to all the main dental specialties.

( b ) The management of laboratory work must be able to cater for a number of different situations including routine, specialist and ad hoc requests as well as emergency treatment demands.

( c ) With the increasing complexity of dentistry, it will be important to ensure that technical services, which are essential to undergraduate and postgraduate clinical dental education, continue to be maintained at an adequate level.

( d ) Particularly in orthodontics, the turn round time for some technical work requires to be short to protect compliance and clinical co-operation of patients.

( e ) The emphasis placed by patients upon dental health and appearance, together with scientific and technological innovation, has led to an increase in the workload of technicians and also requires them to be as up to date as possible on changing requirements.

## Chapter 2

### THE NATIONAL HEALTH SERVICE

#### 2.1 Introduction

In the last few years the National Health Service ( NHS ) had to change to an extent and at a pace which exceeded anything in its first 40 years of existence.<sup>[2]</sup> Externally imposed changes resulting from Government policy and legislation included management structure and accountability, which were implemented to meet the business objectives of Trust Hospitals and to offer opportunities to produce a locally accountable healthcare system.<sup>[3]</sup>

Changes in management patterns meant that clinical staff were responsible directly or indirectly to General Managers who did not always have a clinical background. Some clinical staff, through choice or circumstance, took on roles such as Clinical Director or Medical Director in which they spanned the divide between clinician and manager. New patterns of management and control resulted in an active approach to budget management by clinical staff not previously expected to consider the costs of such activities. Clinical Directors became central to the management process and directly accountable to the Chief Executive.

The speed at which the changes within the NHS occurred affected managers at all levels. The areas most affected were: Accountability, funding, working practices, technology, legislation ( Health and Safety, and European Directives ), and the competition brought about by the internal market.

As a result, any decisions made became increasingly important to the success of the organisation and its departments. Even apparently routine, day to day decisions appeared to have longer term consequences, some of them financial. Operational decisions are typically routine, having little impact on service provision. Strategic decisions however may have major consequences on the future success of the organisation or department.

The impact of managing this change fell most heavily on staff within the NHS and it is they who had to juggle conflicting demands, rising expectations, policy change and cost pressures while still ensuring that the main priority of patient care was delivered.

## **2.2 Background**

The overall thrust in the political sphere was to increase efficiency in the NHS by introducing a market-based system and devolve accountability and responsibility away from the centre to a level as close to the patient as possible. This involved the removal of layers of middle management from NHS organisations.

As a result, senior managers were required to delegate tasks and responsibilities to departmental managers who found increasingly, that they were expected to deal with management issues which, until only recently, they would refer upwards. In many cases managers were being asked to increase efficiency and reduce costs while at the same time maintaining quality standards.

## **2.3 Previous study**

A previous study by the author was designed to evaluate the effect of reorganisation and funding constraints within the NHS on dental technology services and specifically to determine what effect purchaser / provider contracting had on the effectiveness of laboratory management in dental hospitals.<sup>[4]</sup>

The specific issues looked at were:

- a) funding
- b) staffing levels
- c) accountability and budgetary control of managers
- d) technical services
- e) training
- f) quality
- g) effects on staff

## **2.4 Results**

The study showed that hospital managers were being asked to achieve reductions in the cost of provision of their services, in order that they could remain competitive.

Funding constraints had an effect on technical staffing levels in dental hospitals, where vacant posts were not replaced.

Due to growth in patient activity, dental laboratories had to increase productivity with reduced staffing levels. Managers found it difficult to deal with this.



As a result, hospital and laboratory managers looked at alternative ways of maintaining or increasing staffing levels, while at the same time ensuring their technical services remained viable and cost effective.

The majority of hospital dental laboratory managers were concerned over the degree of autonomy and budgetary control, and effective management in the dental laboratory was becoming increasingly difficult.

There were a variety of pressures to respond to. For example, improved efficiency and increased effectiveness of the technical services and related cost savings. Unlike their peers in other professions, they had not been offered the same degree of autonomy.

Managers were delegated authority to make decisions within certain parameters, and were directly responsible to a clinical director or senior hospital manager (or in some cases both), who had control of the laboratory resources.

Lack of control of resources made it difficult to prepare a viable strategic plan for a laboratory which would spell out specific attainable objectives and targets for productivity, staffing levels, purchasing and training. Most laboratory managers within the hospital service felt that control of laboratory resources would improve efficiency, allowing them to respond to the changing forces in the environment and enabling them to meet customer ( clinical staff ) demands.

The study showed that laboratories in dental hospitals were finding it difficult to maintain high productivity levels on a regular basis. Some were sending work to outside commercial laboratories in order to meet the demands of the clinical staff and students. There was pressure on managers to increase productivity, maintain efficiency and reduce costs while continuing to provide a quality service.

The main factors affecting productivity and efficiency of the laboratories were:

- the variation in quantity of work throughout the year
- the service element provided to clinical staff
- the increase in the quantity and complexity of the work
- the shortfall in the number of technical staff

The study highlighted concern among some managers that the pressures and difficulties in maintaining an efficient service would result in hospital management looking at the viability of the technical services. This could lead to reorganisation of laboratory management structures and duties in order to make funding available to increase the number of lower grade staff, or, in the worst scenario, putting dental technology services out to commercial tender.

The introduction of quality management systems into the workplace would help laboratory managers overcome the effects that changes within the NHS had on the service as a whole.

Most technical staff accepted the changes that took place, though somewhat reluctantly. The fact that changes could affect job security perhaps had an effect on the way staff reacted.

Demands by senior administrators for increased productivity and efficiency placed laboratory managers under pressure. Most managers and staff adapted to the changes and pressures well and this was due in part to the team approach that had been adopted in most laboratories.

## 2.5 Conclusion

This study looked at some of the problems affecting the provision of dental technology services in dental hospitals and the ways in which this important aspect of dental teamwork could be improved in order to give a satisfactory service to clinicians and, of course the recipients - *the patients*.

It showed that improvements could be made to the technical services if sufficient funding and resources were made available, and if laboratory managers were given the authority and autonomy to use the resources for the benefit of the service and the patients. This would enable managers to provide an expansive technical service for clinical staff and undergraduate/postgraduate teaching.

Increased pressures from within an organisation can lead to management and working practices within the workplace being subjected to change as a result of the shifts in priorities, changes in funding or strategy, and a requirement for greater efficiency. Managers should be constantly looking at ways of being more effective and able to cope with change. Those involved in organisational change should be knowledgeable in the methods they use to bring about the change.

## 2.6 Further work

Today's business environment requires that managers possess a wide range of knowledge, skills and competencies, which include a good understanding of how management processes and functions are applied and how they can be used.

The job environment of the individual manager is the most important variable affecting his / her development. Managers will develop more satisfactorily if they receive training in the real situation.<sup>[5]</sup>

Interviews carried out with laboratory managers indicated that most had developed their management skills through dealing with everyday events and not through formal management training; there was a need to help managers understand more clearly how organisations create and change strategies. Managers need to gain greater awareness and insight into those strategic issues they must deal with if the service is to remain efficient and viable.

Further work relating to the management of strategic change would provide laboratory managers with a framework that would help them create and implement change within their departments, using their own experiences to supplement the material.

## Chapter 3

### AIMS AND OBJECTIVES

#### 3.1 Background

##### 3.1.1 *Reasons for change*

The purpose of change is to move an organisation or department from its present point to one which is more desirable in meeting its objectives.<sup>[6]</sup>

The previous study<sup>[4]</sup> has shown that the majority of managers are concerned with the problem of developing managerial strategies appropriate to the changing conditions. The word *change* has become part of everyday language. Managers are being required to look at ways of developing a flexible service which is *proactive* and capable of providing a varied and extensive service to patients in terms of the type and quality of work while maintaining an efficient and viable service.

##### 3.1.2 *Management of change*

At a simple structural level there is often an understanding that work has to be managed, that someone has to make decisions, and that the organisation / department and the individual jobs within it depend on management functions being performed.

Strategic management is concerned with understanding as well as choosing and implementing, the strategies that an organisation follows.

Managers should be aware of the issues and questions which must be addressed if changes in strategy are to be formulated and implemented effectively

The management of change is an area of conflict because of the inherent issues of understanding and communication. Management actions to facilitate change can easily be misunderstood because the operational procedures and management systems already in existence appear to be working well. These days management of change is the most important management skill because it can be seen as a constant process of introducing working methods to meet changing circumstances. Successful change requires changing current management systems, operational procedures, attitudes, and the implementation of the required changes. Change requires the development of organisational and personal capabilities and appropriate timescales that will allow change to take place.

Successful management of change requires objectives which are long term, simple and agreed, an understanding of the requirements of the customer and competitive environment and an objective appraisal of the available resources.

### *3.1.3 Staff*

Managing change is essentially about people and not concepts and ideas. All change involves staff and their working patterns and it can be argued that change can only be introduced at the speed at which staff are willing and able to change. Fundamental changes in attitudes take years rather than months, and the first part of the process is a clear understanding that the status quo is no longer possible. This may be through dissatisfaction with the present position or fear of the consequences of adhering to it. For example, if external competition could clearly affect the viability of the service then the present position can be seen as a threat and the need for change will be more easily appreciated.

Change can also threaten the efficiency of the department. Sometimes staff will resist change because they object to its content or the way in which it is carried out.

The standards and beliefs of staff are important factors that will ensure the service operates to high levels of quality and efficiency. Change therefore needs to be planned and managed since the effective provision of a customer based service demands the goodwill, competence and co-operation of the staff.

## **3.2 The aims and objectives**

### *3.2.1 Aims*

- a) To examine the models and theories of strategic management to determine how strategies are formulated and implemented, and how the process of strategic change is managed.
- b) To illustrate and discuss the importance of leadership and decision making in each aspect of strategic management.
- c) To illustrate and discuss the importance of human resource strategy, particularly the key aspects and implications of employee empowerment.

### *3.2.2 Objectives*

To ascertain from the results, suitable methods of implementing changes in the management structure, systems and operational procedures in a hospital dental laboratory that will ensure viability of the service and improve the efficiency and quality of the service to patients and staff development.

Specifically it will develop, from the results, a suitable framework which will provide a model that will help laboratory managers introduce and manage strategic change effectively.

## Chapter 4

### METHOD

#### 4.1 Research method

Data will be presented outlining methods for determining the future needs of an organisation, and formulating strategies for change. The following aspects of managing strategic change will be looked at in detail:

- 1) defining the need for change
- 2) choosing suitable strategies
- 3) planning the implementation of change
- 4) managing the change
- 5) leadership and empowerment
- 6) evaluating the change

#### 4.2 Gathering the data

##### 4.2.1 *Case studies*

Case studies in strategy development and change management in NHS and non NHS hospital dental laboratories, private sector organisations and a commercial laboratory will be looked at. An examination of the outcomes and analysis of the decisions which lead to the relative success or failure of the strategic change within the organisation will be carried out.



#### **4.2.2 Review of the literature**

Relevant published literature or research findings on strategic management, strategic change and strategic leadership will be reviewed *within the relevant chapters*; this will include a literature review of relevant journal articles and specific information relating to the management of dental laboratories.

### **4.3 Analysis of the results**

The results from the literature review and case studies will be applied to indicate to laboratory managers the importance of strategic awareness, opportunities for change and methods to determine how the process might be managed effectively.

Awareness of the issues and questions that managers should address if changes in strategy are to be formulated and implemented efficiently will be discussed and the following aspects of laboratory management will be looked at in detail.

1. Technology - operational procedures and standards
2. Service provision - productivity, delivery and quality
3. Management - structure, values, policies
4. Staff - empowerment, attitudes, expectations
5. Training - development of knowledge and skills

## Chapter 5

# AN INTRODUCTION TO STRATEGY AND STRATEGIC MANAGEMENT

## 5.1 Introduction

Strategy is a complex topic. However, the underlying principles are essentially simple. There is *no best way* of managing strategic change and no single technique or model can provide either the right answer concerning what an organisation should do, or superior and crystal clear insight into a situation. Instead managers should utilise the range of theories and concepts which are available, adapting them to meet their own situation and circumstances.<sup>[7]</sup>

At the same time, a study of strategic change in a variety of different organisations is valuable. An examination of outcomes, followed by an analysis of the decisions which led to these relative successes and failures, is rich in learning potential. Examples should not be confined to just one sector. Manufacturing and service businesses, the private sector and non profit organisations are all relevant.

Everyone who can make or influence decisions which impact upon the strategic effectiveness of an organisation should have at least a basic understanding of the concepts and processes of strategy. The processes will often be informal, and the outcomes not documented clearly. But they still exist, and managing the processes effectively determines the organisation's future

Without this understanding people often fail to appreciate the impact of their decisions and actions for other people within the organisation. They are less likely to be able to learn from observing and reflecting upon the actions of others. They are also more likely to miss or misjudge new opportunities and growing threats in the organisation's environment.

There is a certain consensus of opinion with regard to the basic features regarding strategic management and strategic decisions. Burnes<sup>[8]</sup> states that most writers agree with Johnson and Scholes<sup>[9]</sup> who describe strategy as:

- concerning the full scope of an organisation's activities
- concerning the process of matching the organisation's activities to its environment
- concerning the process of matching its activities to its resource capabilities
- having resource implications
- affecting operational decisions
- being affected by the values and beliefs of those who have power in an organisation
- affecting the long term direction of an organisation

Organisations succeed if their strategies are appropriate for the circumstances they face, feasible in respect of their resources, skills and capabilities, and desirable to their important stakeholders. Organisations fail when their strategies fail to meet the expectations of these stakeholders or produce outcomes which are undesirable to them. To succeed long term, organisations must find suitable ways for creating and adding value for their customers while remaining cost effective and viable. A culture of internal co-operation and customer orientation, together with a willingness to learn, adapt and change is ideal. Alliances and good working relationships with suppliers and customers are critically important as well.

## 5.2 Challenges

Many organisations must compete in uncertain, dynamic and turbulent environments where pressures are continuous and changing. New opportunities and threats appear at short notice and require a speedy response. Strategies which were appropriate yesterday are unlikely to be suitable today let alone tomorrow.

As a result there are a number of major challenges for organisations. The challenges do not have black and white answers. Instead they represent paradoxes or dilemmas for organisations, who have to make decisions about how they are going to deal with them.

There are five important challenges:

1. There is a need for organisations to develop a culture of change orientation without losing internal cohesion and stability. This implies an explicit and shared vision of where the organisation is heading.
  2. There is a need to decentralise and give managers more delegated authority whilst not losing sight ( at chief executive level ) of the changes they are introducing.
  3. There is then a trade-off between such empowerment ( delegating responsibility in order to make the organisation more effective ) and the greater efficiencies often yielded by centralised control and systems which harness the latest information technology.
  4. There is a need to act quickly in response to opportunities and threats, but not at the expense of product and service quality - achieving high quality at the same time as improving efficiencies.
- These four challenges are all related.

5. Finally there is the dilemma of the economic recession and lack of funding which results in the organisation cutting back and controlling their costs. This can have an effect on productivity, resources and staff.

Organisations and managers must react quickly and behave opportunistically in rapidly changing environments. Consequently chief executives must also plan how their managers can first be put in a position to be willing and able to accept responsibility, use their initiative and take appropriate risks. These latter issues are an integral part of the organisation's culture, and are highly dependent upon reward systems.

### 5.3 Definitions<sup>[7]</sup>

Strategies are means to an end, and concern the purpose and objectives of the organisation. They are things that businesses do, the paths they follow, and the decisions they take, in order to reach certain points and levels of success.

Strategic management is a process which needs to be understood more than a discipline which can be taught. It is the process by which organisations determine their purpose, objectives and desired levels of attainment; decide upon actions for achieving these objectives in an appropriate timescale, and frequently in a changing environment; implement those actions; and assess progress and results. Whenever and wherever necessary the actions may be changed or modified. The magnitude of these changes can be dramatic and revolutionary, or more gradual and evolutionary.

The three essential elements are:

- *Awareness*: understanding the strategic situation
- *Formulation*: choosing suitable strategies
- *Implementation*: making the chosen strategies happen

On their own , good ideas are inadequate. They must be made to work and bring results.

The three elements are shown in #Figure 1. Monitoring progress continuously is essential if the organisation is to keep up to date with the strategic situation

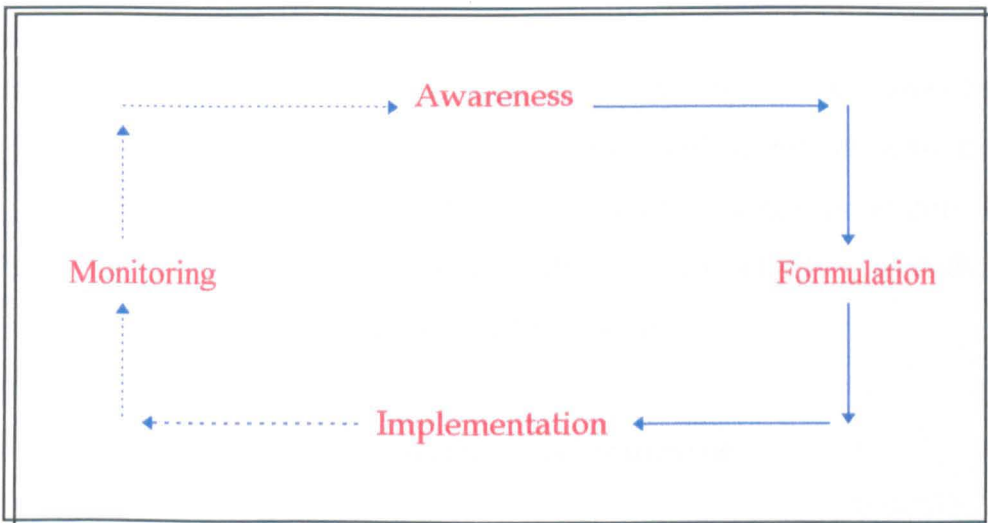


Figure 1 Strategic management:  
awareness, formulation, implementation

## 5.4 Levels of strategy

There are three linked and interdependent levels of strategy.

*Competitive strategy* is concerned with creating and maintaining a competitive advantage in each and every area of the business. It can be achieved through any one function or combination of several.

For each functional area of the business, such as production, marketing and human resources the company will have a *functional strategy*. It is important that these functional strategies are designed and managed in a co-ordinated way, such that they interrelate with each other and, at the same time, collectively allow the competitive strategies to be implemented properly.

Successful functional and competitive strategies add value which is important to the organisation's stakeholders, especially its customers, and which helps to distinguish the organisation from its competitors.

External networks which create *synergy* by linking a company closely with its suppliers, distributors and / or customers are also a source of added value, but these are examples of corporate strategy.

*Corporate strategy*, essentially and simply, is deciding what business the organisation should be in, and how the overall group of activities should be structured and managed. The term *strategic perspective* is often used to describe the range and diversity of activities; and then each should have a *distinctive competitive position*.

## 5.5 Managing change and the environment

Ideas for change and improvement can originate with managers and employees anywhere in the organisation, not just the chief executive. They are the people who are closest to the customers, suppliers, and production areas, and who first realise when competitors are making changes or when changes are required within the organisation. Their contributions must be harnessed in some way, and they must be encouraged and empowered to make any changes which can strengthen competitiveness and improve the efficiency and effectiveness of the organisation. If they are to do this, they have to be rewarded for using initiative and taking risks, but the whole process must be monitored and controlled.

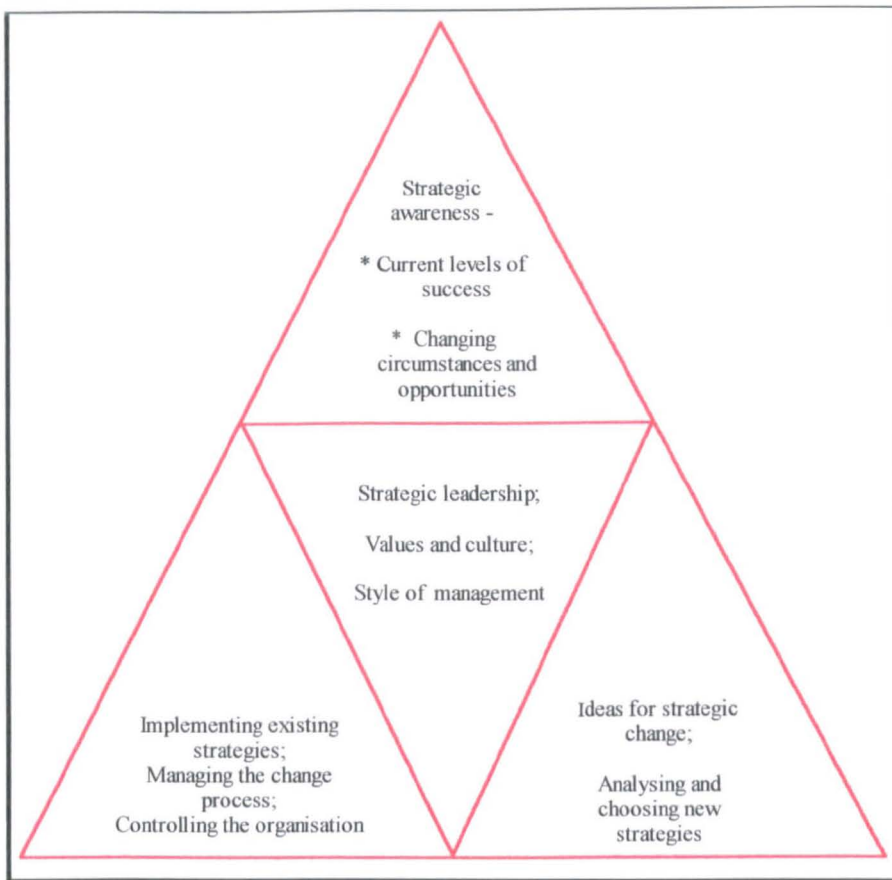
Some changes, particularly major ones, certainly will start with senior managers, and they will seek to persuade others to support their ideas. They will be looking to *manage change*. Others will emerge from the ongoing *decision processes*, and these depend upon how good people are at learning, sharing ideas and working as a team. People can learn from colleagues in their own company, from competitors and from different organisations if they are alert and aware of events.

Changes to corporate strategy will frequently involve some detailed analysis and planning, although on some occasions some managers will act more intuitively. However, changes with functional strategies can often be made on a trial and error basis. Ideas for improvements can be tried out experimentally, and developed seriously if the trials seem favourable.

The success of any organisation in responding to change pressures, and managing the process of change is very dependent upon the values and commitment of its employees - the culture of the organisation. Effective strategic management also depends upon the abilities and style of the *strategic leader*, the manager who is responsible for changes in the corporate strategy.

Strategic management is dynamic; strategies need to be reviewed and revised all the time. Figure 2 provides an interpretation of the important elements in strategic management.





#Figure 2 Strategic management

Strategic management involves **awareness** of how successful and strong an organisation and its strategies are, and of how circumstances are changing. At any time, previously sound products, services and strategies are likely to be in decline, or threatened by competition. As this happens new windows of opportunity will be opening for the vigilant and proactive competitors.

New **strategies must be created**. Sometimes this will be part of a formal planning process; at other times the changes will emerge as managers try out new ideas.

The process involved in designing and carrying through the changes must be managed, monitored and controlled.

Proper **implementation** is critically important. The relative success of an organisation in dealing with these strategic issues will be dependent upon the culture and values, and the strength and style of the strategic leader. Consequently these are shown at the very heart of the triangle, impacting on, and ideally blending together, the other issues.

Simply, it is the *heart* which determines the ability of the organisation to learn from its own success and failures, from external stakeholders, and from changes in the environmental forces, and, as a result of this learning, to act positively at the appropriate time.

## Chapter 6

### THE CONCEPT OF STRATEGIC MANAGEMENT

#### 6.1 Introduction

Thompson<sup>[10]</sup> refers to David Marshall, who had experience in marketing and corporate planning with Special Components, a small subsidiary of Universal Engineering, and who used charts to highlight the central themes of strategic management when working on a project for the parent company. His diagrams concentrated on the concept of strategy rather than providing a detailed explanation of a company's strategic planning system. He felt that it was essential to begin with a description of how the company sought to be an effective competitor and continue to provide value for their customers.

David Marshall used the EVR Congruence framework ( Environment, Values, Resources, *see 6.2 below* ), together with other concepts and frameworks, to illustrate how Special Components sought to match its resources with the needs and expectations of its customers.

He realised that it would also be helpful if he explained the mission statement for the organisation. He knew that a good mission statement provides a useful summary of the purpose and direction of the business and thereby helps determine appropriate objectives and strategies.

#### 6.2 Environment - Values - Resources

Strategies are being managed effectively when the organisation's resources are deployed efficiently, and respond and adapt to changes in the environment. Simply, it has strengths which allow it to capitalise on opportunities and deal with potential threats.

Our basic understanding of this comes from an analysis of the organisation's strengths, weaknesses, opportunities and threats - a SWOT analysis. Sometimes this is used to help clarify the current situation; it is arguably more valuable when used as a basis for projecting forward. Future opportunities, where the organisation's strengths can be utilised to advantage should be sought; at the same time future threats which might critically expose the weaknesses of the business must be identified and dealt with.

EVR Congruence, #Figure 3, is a refined version of this idea.

- **Environment:** What do customers and other stakeholders demand? Which competitor strengths have to be bettered?
- **Resources:** Which functions are (or will be ) critically important? Why, and how, must they be deployed to satisfy changing market needs?
- **Values:** What will it feel like to work in the company? Which values and behaviours will be required for (i) adding value and (ii) adapting and changing?

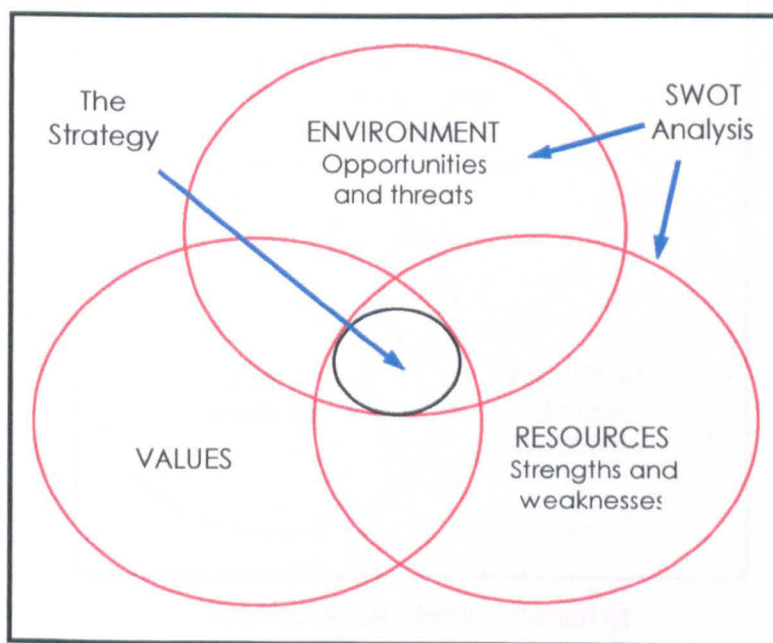


Figure 3 E-V-R Congruence

Managers must look for new ideas which will bring new growth and prosperity, improve overall efficiency or help achieve other objectives which are regarded as important. Awareness, formulation and implementation were introduced as three key aspects of strategic management in Chapter 5.

EVR can be used to focus on two basic questions:

1. What will our major stakeholders expect from us in the future, and how are we going to satisfy their changing needs?
2. What are our most valuable skills and capabilities, and what new opportunities are there for exploiting these abilities?

This type of analysis, however it may be carried out, should allow the organisation to make decisions concerning future targets and the actions which will be required to achieve them. These points are illustrated in #Figure 4

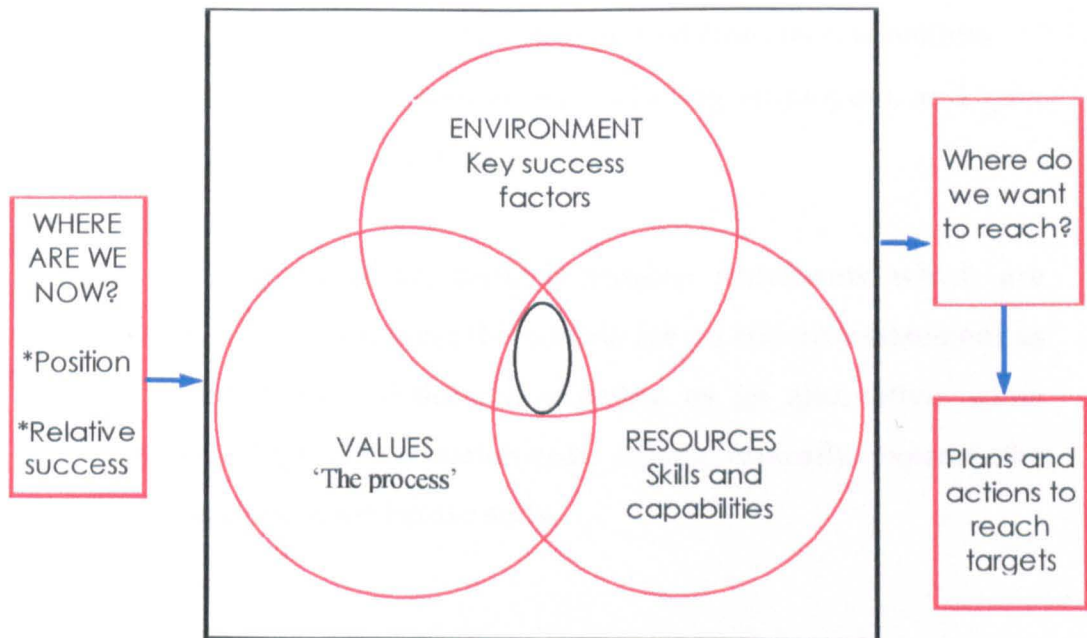


Figure 4 Strategic thinking

It is useful if this thinking and analysis can take place within a clear framework of a corporate direction and purpose, the *mission* of the organisation.

The *corporate mission statement* is useful for providing direction and guidance. Ideally the mission will state the basic purpose of the business, together with a summary of appropriate activities, how progress towards achievement of the purpose might be managed and monitored and how the company might create competitive advantage. It should be relevant for all the stakeholders, and also be understood and supported by all the company's employees.<sup>[7]</sup>

In summary the mission should:

- define the targeted business activities
- encapsulate long term objectives
- highlight how the company is differentiated from its competitors
- be relevant for all the stakeholders, including employees, and gain their commitment and support.<sup>[10]</sup>

Many companies, however, publish mission statements which are wordy and which do not meet the criteria for an effective statement as previously stated. In addition, or possibly as an alternative, some organisations adopt vision statements, which typically express the company's *vision* of some future state.

### 6.3 Strategy statements

The mission provides a valuable starting point for establishing more specific objectives and strategies, and in turn the performance of the organisation should be assessed against both the mission and the objectives, #Figure 5.

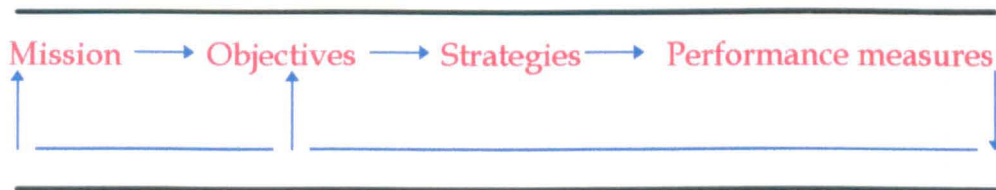
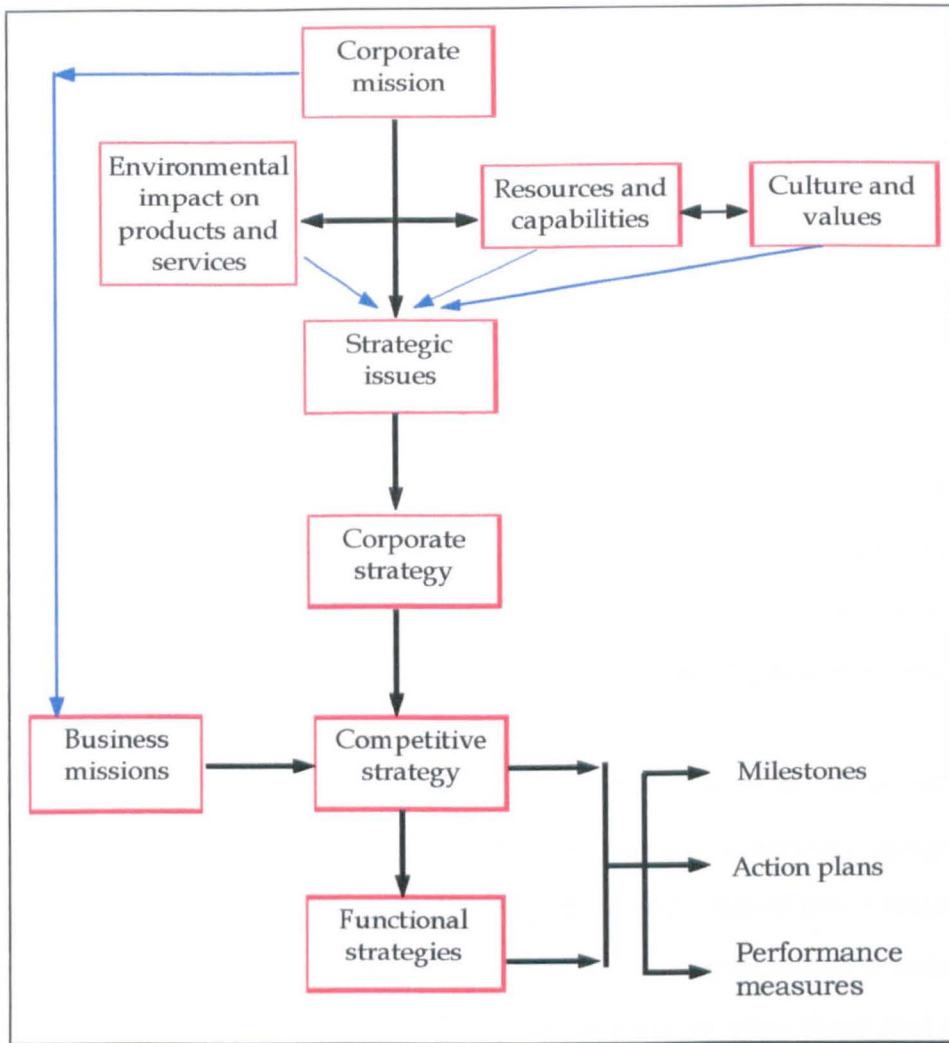


Figure 5 Mission statements

Typical objectives will include sales volume and revenue, production costs, customer complaints and delivery times. It is also useful to have targets , albeit less specific, for new product developments and other financial targets.

When timescales are applied, these specific objectives constitute milestones and their achievement should be measured and recorded. Assuming that the objectives help the organisation towards the achievement of its purpose, progress in this direction can also be measured.

Figure 6 draws upon the above points and provides an outline framework for a strategy statement. Ideally the managers in an organisation will be in a position to complete a chart such as this, and agree upon the issues and their implications.



#Figure 6 An outline strategy statement

The figure begins at the top with the *corporate mission statement*. In the context of this the companies should evaluate E,V, and R in order to tease out any important and current *strategic issues* which need attention.

In the light of current and projected issues, *corporate*, *competitive* and *functional strategies* can be reviewed in order to establish short term *objectives*, *action plans* and *performance targets*. Figure 6 provides both a broad outline framework for thinking and planning and a set of headings for summarising and explaining current strategies. It would be valuable if all the managers in any organisation could express the current strategic situation in this way. This type of analysis will help to determine whether current strategies are the right ones, and highlight where businesses might look to make changes.



## Chapter 7

### STRATEGIC SUCCESS

#### 7.1 Adding value

A business must add value if it is to be successful. As supply potential has grown to exceed global demand in the majority of industries, adding value has become increasingly important. In simple terms the extent of the value added is the difference between the value of the outputs from an organisation and the cost of the inputs or resources.<sup>[10]</sup>

It is therefore important to use all the resources efficiently and properly. It is also critical to ensure that the potential value of the outputs is maximised by ensuring they fully meet the needs of the customers for whom they are intended. An organisation achieves this when it sees its customers' objectives as its own objectives and enables its customers to easily add more value or, in the case of end consumers, feel they are gaining true value for money.

The important elements are:

- understanding and being close to customers
- a commitment to quality
- a high level of all round service
- speedy reaction to competitive opportunities and threats
- innovation

## 7.2 Competencies and capabilities

Core competencies and capabilities concern the way that resources are managed for strategic effectiveness.

*Core competencies* are distinctive skills, normally relating to particular products, services or technologies which help a company to differentiate its products or services and thereby create a competitive advantage. The more distinctive and hard to copy the skills are, the greater the advantage.

Simply having the skills is not enough. They have to be carefully managed and exploited, and they need improving all the time as competitors are always going to match them.

*Strategic capabilities* are conceptually similar but they are the real process skills as distinct from the core technologies and products. They can be used to create competitive advantage because they add value for money.

The ability to develop or introduce new products quickly is an example. Skills and practices developed in one area of business can be transferred to others if there is an attempt to learn and share. Information management harnessing the potential of new technologies, is an increasingly critical skill.

### 7.3 Competitive advantage

*Competitive advantage* implies a distinct and, ideally, sustainable edge over competitors.

Thompson<sup>[10]</sup> refers to Porter<sup>[11]</sup> who has shown how companies can seek a broad advantage within industry or focus on one or a number of distinct segments. Porter argues that advantage can accrue from:

1. *Cost leadership*, whereby a company's prices are around the average of the market ( with a product or service ) but it enjoys superior profits because its costs are lower than those of its rivals.
2. *Differential*, where value is added in areas of real significance for its customers who are willing to pay a premium price for the distinctiveness. A range of differential products or services, each designed to appeal to a different segment, is possible, as it focuses on just one segment.

Speed ( i.e. quicker new product development /introduction ) and a fast reaction to both opportunities and threats can provide advantage, essentially by reducing costs and differentiating products and services. Real competitive advantage implies that companies are able to satisfy customer needs more efficiently than their competitors

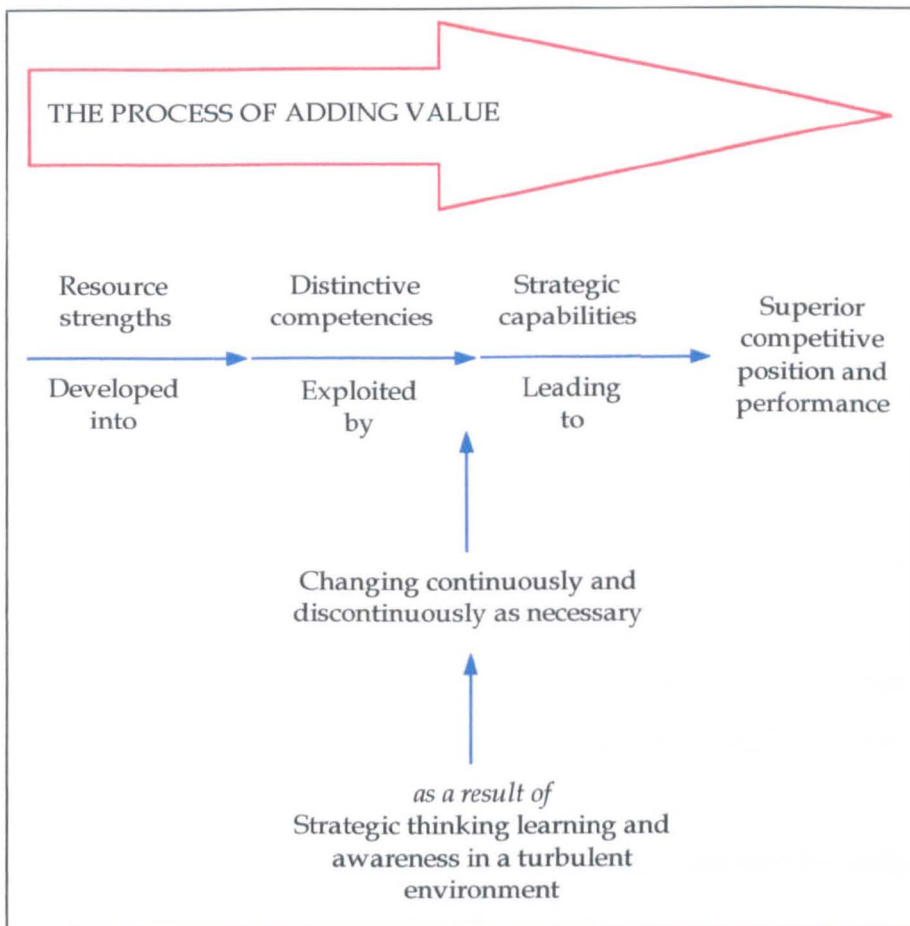
Competitive advantage does not come simply from being different. It is achieved if and when *real value* is added for the customers. This often requires companies to stretch their resources to achieve higher returns. Improved productivity may be involved; ideally employees will come up with *innovations*, new and better ways of doing things for customers.

This innovation can result in lower costs, differentiation, or faster response to opportunities and threats, the basis of competitive advantage.

Such innovation also requires that employees are *empowered*. Authority, responsibility and accountability will decentralise allowing employees to make decisions for themselves, and be willing and able to look for improvements. Basically organisations should seek to encourage ordinary people to achieve extraordinary results. This will only happen if achievement is properly recognised, and initiative and success rewarded.

Competitive advantage is also facilitated by good internal and external communications - achieving one of the potential benefits of linkages. Without this, businesses cannot share and learn best practice. Moreover information is a fundamental aspect of organisational control. Companies can learn from suppliers, distributors, customers and from other members within the organisation, and from its competitors.

Companies should never overlook opportunities for communicating their achievements, strengths and successes. Image and reputations are vitally important as they help to retain business. Figure 7 summarises, diagrammatically, the points that have been discussed.



#Figure 7 Adding value for sustained competitive advantage

## 7.4 Strategic regeneration<sup>[7]</sup>

Strategic regeneration refers to simultaneous changes to strategies and structures in the search for:

- long term product or service leadership, which is dictated by the *environment*
- long term cost leadership, which is *resource* dependent
- product and service excellence, doing things faster than competitors without sacrificing quality, that is, paying attention to essential *values*

Strategies have to be reinvented, new products and services should be created while at the same time looking for ways of adding extra value. In thinking ahead, organisations should consider both products or services and core competencies; concentrating on products encourages a search for new competitive opportunities.

Structural changes are designed to improve resource efficiency and effectiveness. The current trends are:

- *down-sizing* - splitting the organisation into small, autonomous decentralised units.
- *delaying* - using the power and potential of information technology for reducing the number of layers of managers, in order to speed up decision making.
- *process re-design* - reviewing and re-designing processes in order that tasks can be performed better and quicker.

Empowerment and teamworking are also seen as essential for creating the values necessary to enable these types of change.

Strategic regeneration can be justified as essential, exciting and rewarding but there are likely to be major barriers when applying these ideas. The most obvious problems are:

- the quality of leadership which is required to provide the necessary drive and direction.
- an ability to create an internal culture of change. The most powerful inhibitors will be the experienced, established managers whose ideas and methods have become out of date.
- an uncertainty about changing needs and competitor activities.

Thompson<sup>[10]</sup> refers to Pascal<sup>[12]</sup> who uses the word *transformational* to describe organisations which succeed with simultaneous strategic and cultural change. He also refers to Senge<sup>[13]</sup> who states that these become *learning organisations* which encourage continuous learning and knowledge generation at all levels, have processes which can move knowledge around the organisation easily to where it can translate that knowledge quickly into changes in the way the organisation acts, both internally and externally.

## 7.5 Monitoring and evaluating performance

Good performance needs to be recognised quickly so it can be built on. Poor performance must also be identified so that it can be dealt with sooner rather than later.<sup>[7]</sup>

Ideally, the organisation will continuously measure customer perceptions of the level of service they are receiving, highlighting both the need and opportunities for improvement. Speedy action can then follow.

Accurately measuring customer perceptions of services, however, is likely to prove more difficult than monitoring, say, sales and profit figures. The data must be collected externally and will be subjective. Nevertheless, in many instances, it is perfectly feasible to stay aware informally and be ready to react.

Another difficulty with evaluating success is the fact that we may not be able to wholly explain why something is successful. If organisations are to build on success, and remedy failure, they must be able to understand the causes.

The outcomes of significant organisational problems are obvious - loss of revenue, market share and profits; high labour turnover and absenteeism; increasing customer complaints. Managers may disagree on the causes. Organisations in difficulty may not have sufficient time for thorough analysis.

Managers may also assume that corporate success is the result of actions they have taken. Self-congratulation can lead to complacency and a lack of hunger for improvement, opening up opportunities for competitors. However the success may not have been created directly by the managers; it may have resulted from competitor weaknesses or mistakes.

Growth and continuing success therefore require both an understanding of the underlying causes and a commitment to improve and change. Strategies and ideas have to be applied to the particular situation. Success without change and improvement is also likely to be transient. There is no ideal long term strategic approach.

There are four important measures of performance although we normally attach significance to two of these:<sup>[7]</sup>

1. *Efficacy* - the chosen strategy is capable of fulfilling the purpose for which it is intended.
2. *Economy* - doing things cost effectively. Resources should be managed at the lowest possible cost consistent with achieving quantity and quality targets.
3. *Efficiency* - doing things correctly. Resources should be deployed and utilised to maximise the returns from them.

*For measuring economies and efficiencies, quantifiable objectives and targets will be set and agreed with managers. Progress can be measured and relative success evaluated.*

4. *Effectiveness* - doing the correct things. Resources should be allocated to those activities which satisfy needs, expectations and priorities of the various stakeholders in the business.



Effectiveness invariably involves subjectivity as the measures involve perceptions of the outcomes; and the variables being measured are mostly external rather than internal to the organisation. For these reasons it is generally more difficult to measure effectiveness, and consequently some organisations will need to rely on indicators rather than formal measures.

#Figure 8 explains how an efficient and effective organisation will create and sustain a positive performance cycle. Organisations must satisfy their customers, ideally out-performing their rivals to achieve this. As a consequence, loyal customers will pay premium prices for the values that have been added, yielding high financial returns. If these are used to reward managers and employees, then morale and commitment will improve. In turn this will motivate people, but it is essential to ensure that they do this productively and efficiently.<sup>[10]</sup>

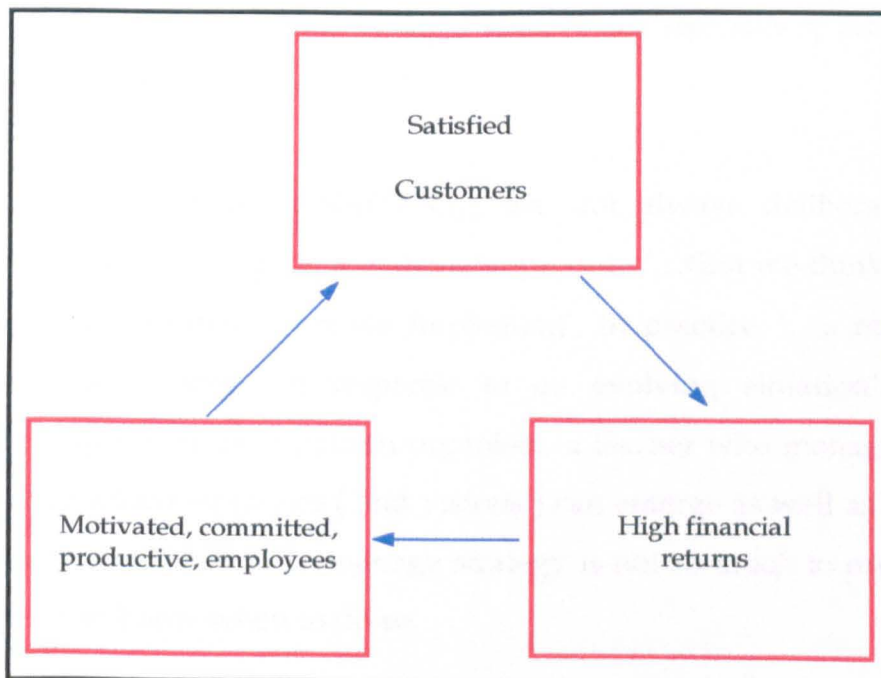


Figure 8 The efficient - effective organisation

## Chapter 8

### STRATEGIC PLANNING

#### 8.1 Introduction

Armstrong<sup>[14]</sup> refers to the work of Mintzberg<sup>[15]</sup>, who believed that strategy formulation is not a rational and continuous process. He thought that, rather than being consciously and systematically developed, strategy re-orientations happen in brief quantum loops. He also suggests that:

*"...the very concept of strategy is rooted in stability not change. Organisations pursue strategies to set directions, lay out courses of action and elicit co-operation from their members around common ground and established guidelines. By any definition, strategy imposes stability on an organisation. No stability means no strategy ( no concern for the future, no pattern for the past ). Indeed the mere fact of having a strategy and especially of making it explicit creates resistance to change".*

Strategies, according to MinTzberg, are not always deliberate. In theory, he says, strategy is a systematic process: '...first we think, then we act. We formulate then we implement'. In practice, '...a realised strategy can emerge in response to an evolving situation'. The strategist can often be a pattern organiser, a learner who manages the process in which strategies ( and visions ) can emerge as well as being deliberately conceived. To manage strategy is not so much to promote change as to know when to do so.

## 8.2 Formulating a strategic plan

Modern managers are faced with a situation in which change is the only constant on which they can rely. One certainty is that working practises will not remain the same from year to year. The difficulty is deciding what these changes will be, and it can be argued that it is only by planning that the nature of such changes can be fully charted and understood. In fact managers take into account possible changes in the form of contingency plans. This is part of the process of turning corporate strategic plans into detailed plans of action. While the strategic plan sets the expected, proposed and desired direction and the objectives to be achieved, this has to be translated into activity which can be implemented and controlled.

Strategy has to be developed into small action plans to be carried out by employees so that, taken together, they should achieve the objectives established by the strategic plan. Much of this process is aimed at institutionalising the strategy so that it becomes part of the day-to-day work of the organisation.

Formal strategic planning systems are most useful in stable conditions. Environmental opportunities and threats are forecast, and then strategies are planned and implemented. Strategies which are appropriate, feasible and desirable are most likely to help the organisation achieve its mission and objectives.

Where the environment is more turbulent and less predictable, strategic success requires flexibility, and the ability to learn about new opportunities and introduce appropriate changes continuously.

Planning systems can still make a valuable contribution but the plans themselves must not be inflexible. During implementation it is quite likely that some plans will become discarded and others modified.

In addition, it is important not to discount the contribution of visionary strategic leaders who become aware of opportunities, on occasion create new opportunities, and take risks based on their awareness and insight of markets and customers.

### 8.3 The planning process

Operational managers have to develop plans at the appropriate level in order to produce the actions required on a day to day basis to implement the strategic plan. Each functional area of the organisation will need a plan to guide its decisions and actions. This may involve market research into customer needs, or pilot promotions to test customer response. At the same time the production or service department will have to ensure that the product or service is adapted for the market and that suppliers will be available for the expected customer demand.<sup>[16]</sup>

All the functional departmental plans have to be drawn together so that they operate together smoothly in supporting each other. For example, the finance and personnel departments will be required to ensure that money and appropriate staff are available for the increase in output and marketing and sales expenditure.

In large organisations the importance of this co-ordination is taken to the point of establishing a separate corporate planning unit whose role is to ensure that all the various plans do fit together and support each other both in operation and in time. Where there is no such unit, corporate planning will usually be the responsibility of a senior manager.

Functional plans are usually developed to last for a relatively short period and they are then updated and possibly changed dramatically. However they are designed over time. They can be distinguished in this way from project plans which are characterised by being designed for a one off occasion which will not be repeated. They differ from functional plans in that they are established for a particular timeframe and they include more detail than is usually found in a functional plan. Once the plan has been implemented and the project is completed, the plans will be of little use.

Managers will also produce policies and procedures which establish the boundary lines for making decisions. These policies provide a framework for action, and a reference point for employees in their actions. For example, it may become necessary for staff to receive training in the use of new materials or equipment. Policies are created in order to meet the objectives of the organisation and should, with other plans, help in the implementation of the strategic plan.

Ideally any documented plan will be seen as a set of intentions and guidelines, and it will be flexible. Changes to corporate, competitive and functional strategies can be made as new issues emerge. Managers are empowered to make changes within their budgets and the company policy guidelines.

## 8.4 Planning systems

The basic principle underpinning any planning system is:

**Thinking and ideas** → **Plans and budgets**

Managers seek to widen their awareness of the current situation and prepare for the challenges ahead.<sup>[7]</sup>

The challenges are both external and internal. It is essential to allow enough time and opportunity to evaluate the issues properly. It is also vital to ensure thinking continues after plans and budgets are drawn up. Plans are, after all, primarily a framework for guidance.

Organisations will develop systems which are appropriate for their needs. The organisation's culture and the expectations of the strategic leader and the key stakeholders influence the whole process of analysis and decision making. The thinking starts with an assessment of the current position of the organisation, its skills and resources, and an evaluation of whether there is a clear understanding of the mission, the broad objectives and directions for the future.



Then the business environment is analysed thoroughly, concentrating on the services or products in which the organisation currently competes and those in which it might apply its skills and resources.

This environmental analysis should focus on any strategic issues and current or forthcoming developments, inside or outside the organisation, which will impact upon the ability of the organisation to pursue its mission and meet its objectives. Ideally, these would relate to the organisation's strengths. Potential threats should be turned into competitive opportunities.

Thompson<sup>[7]</sup> refers to Hamel<sup>[17]</sup>, who argues that forward looking organisations will periodically (say every three years) bring together and cross-fertilise ideas and opinions from all parts of the organisation. The focus is on core competencies with attempts made to integrate the various businesses and divisions rather than keep them separate, as companies often do.

The emphasis must clearly be on strategic issues and on breaking down any barriers created by the structure of the organisation. Amalgamation of functional and competitive strategies constitute the corporate strategy for the future, which in turn needs to be broken down into resource development and any decisions relating to changes in the structure of the organisation, i.e. decisions which reflect where the organisation is going and how the changes are to be managed.

## 8.5 Barriers to planning

Planning can be obstructed by individuals establishing barriers to its success, and, as a result, the structure of the organisation.<sup>[16]</sup> These are:

### 1. *Individual barriers*

Managers may be more concerned with problem solving than planning; their focus is on day to day matters. This is more likely to be the case the closer the managers are to the operation of an organisation, because their daily tasks involve an action orientated approach, moving from one problem to the next. From their point of view, planning may be seen as an unnecessary luxury, taking up valuable time which could be used to solve more problems and make more decisions. Individuals may also see planning as a threat, in that it may put *ideas into peoples' heads* by encouraging them to think ahead. Some managers may feel that the process of planning raises the prospect of changing established methods, causing more worries and concerns than it allays.

### 2. *Organisational barriers*

There may be little top management support for planning, or there may be support for strategic planning at senior management level but little support for this process being carried down the line to middle managers.

There is a danger that too much emphasis on planning will lead to very well produced plans, expertly drafted, but not leading to implementation, so that organisational activities ignore the plan and are based on solving problems. Plans need to involve everybody concerned with the process and them agreeing the objectives and approach to implementation. Senior management support is essential if middle managers and operational teams are to allocate time and effort into planning and implementation.

### 3. *Environmental barriers*

Complex and rapidly changing circumstances surrounding an organisation may discourage planning. Plans are produced provided the finances and resources can be guaranteed. Managers may feel that these factors, combined with increasing competition, make planning a useless activity and that they should concentrate on counteracting the threats and challenges the organisation faces. This is a *passive approach* to the work of any organisation, allowing rival organisations and events to dictate activity. The importance of external forces on an organisation must not be ignored. There is a danger of overplanning, that is spending too long on the planning process when it is no longer viable or wise.

## 8.6 Overcoming the barriers

Planning is part of every manager's role. Before managers can lead, organise or control a work situation, they must plan what needs to be done, when and how it should be done and who will be responsible for doing it. Overcoming barriers to planning is an important part of this process.<sup>[16]</sup>



### *1. Top management support*

Support is crucial to the success of planning. Senior managers must not only support plans but must be involved in them and be seen to be involved. Any organisation which does not have this support faces great difficulty. The solution to this is through management training as managers are promoted.

### *2. Allocation of responsibility*

This is an essential element of the planning process. Someone has to be responsible for the successful implementation and completion of the plan. The chief executive or senior manager of an organisation will be responsible for the success of the strategic plan and success and failure of the organisation, while other managers, at the appropriate level, need to be identified as responsible for specific plans designed to meet the overall objectives. Reporting and appraisal systems, management by objectives and other control systems are all designed to support this process.

### *3. Consultation and communication*

Procedures in this area help to reduce barriers to planning by involving a wider range of people in the process. If managers and other employees have been consulted in the development plans they will feel some responsibility for their success in the implementation process.

### *4. Training and development*

Training in the planning and implementation of strategic change would help and encourage people to plan efficiently and effectively. Individual barriers can be lowered by this process, particularly those associated with lack of confidence in planning, fear for the future, and an unwillingness to relinquish established systems.

### *5. Self managed teams*

This form of organisational structure encourages planning at the operational level. Managers and teams will feel committed to plans they have produced themselves or helped to shape. Teams will often be able to contribute to wider plans, and their proximity to the organisation's customers means that they are a valuable source of information in the development of a strategic plan, in monitoring it, and in making adjustments to it.

### *6. Reward and encouragement*

Encouragement for individuals and teams can be included in the outcome of the plans. This may be a system of managing by objectives or by a performance related pay structure, where individual and team awards are linked to the accomplishment of objectives established in the planning and implementation process. Many reward systems have been organised more or less formally in this way, with bonus or productivity or performance related pay.

## Chapter 9

### STRATEGIC LEADERSHIP

#### 9.1 Managers or leaders?

Most managers would probably claim to be able to exercise leadership in some form or another. A manager can be regarded as someone who by definition is assigned a position of leadership in an organisation, and it may therefore be reasonable to treat the terms leader and manager as meaning the same thing. But many people considered to be leaders are not actually managers. Many managers have duties and responsibilities that are not recognised as leadership. If we can first decide what leadership is, we can then ask which individuals possess or exercise it and which do not.<sup>[18]</sup>

Researchers have assumed that leaders and managers share the same characteristics and succeed or fail for the same reasons. Georgiades and Macdonell<sup>[19]</sup> refer to Zaleznik<sup>[20]</sup> and, later, Burns<sup>[21]</sup>, who contended that managers and leaders are different. Because they are different and because they play different roles, the authors argue that organisations must recognise the difference and plan their management development programme accordingly.

Abraham Zaleznik added something very special to the leadership debate. In the article published in the *Harvard Business Review* entitled "Managers and leaders: are they different?", Zaleznik stated that we need to recognise that there really is a difference between being a manager and being a leader. He was the first one to communicate this difference, even if it is a concept that seems obvious to us now.

His contentious article suggested that, not only are leaders and managers different kinds of people, but they do different things:

- *Leaders* have entirely personal attitudes towards their goals, their goals appear to be embedded in themselves. They put energy into projecting goals as visions that excite others and work with them to turn the image into reality. Leaders tend to be more solitary and introverted, and relate not to job titles but to individuals in an intuitive and emphatic way. Leaders tend to identify with the broader picture.
- *Managers* regard goals as entirely impersonal and reactive and tend not to develop goals for themselves. They see their job as organising the resources and the people to ensure that goals are achieved. Managers prefer to work with people and relate to people according to job descriptions or organisational status. They belong to their environment and depend on relationships and roles for their identity.

Zaleznik believed that there was an inherent conflict between the development of both leaders and managers in an organisation.

In short, managers enjoy relating with people, they attain much of their sense of self esteem from such activities and work to maintain order. Leaders, on the other hand, are loners, risk takers and visionaries.

## 9.2 Managers as leaders

Hannagan <sup>[5]</sup> suggests that management implies leadership, and in fact the success or failure of managers can be judged on their leadership qualities. If the manager's role is to achieve organisational goals, then these are reached by showing people the way forward to find solutions and overcome obstacles.

In a constantly changing social, economic and technological environment, leadership has become a more important attribute of management than in the past. In a more static environment, controlling and organising might be seen as more important than leadership for most managers, but this has changed. It is not just senior managers who need to look forward in order to foresee the changes which are coming and to act accordingly. Team managers and supervisors also have to implement change at their own level, to understand it and to take their working colleagues and subordinates along with them.

Leadership can be seen as a subset of management in the sense that management is broader in scope as it is concerned with behavioural as well as non-behavioural matters. Hannagan<sup>[6]</sup> refers to Massie and Douglas<sup>[22]</sup>, who argued that managers are concerned with bringing together resources, developing strategies, organising and controlling activities in order to achieve agreed objectives. At the same time managers, as leaders, have to select the goals and objectives of an organisation, decide what is to be done and motivate people to do it. Leadership can be seen as performing the influencing function of management, largely involved with establishing goals and motivating people to help achieve them. Looked at this way, leaders decide *where we are going* and influence people to take that particular direction, rather than describe *how we are going to get there*.

The debate on the role of the manager against that of the leader is perhaps more a question of definition than substance, although inspired leaders are not necessarily good organisers and excellent managers may appear to be rather mundane in terms of leadership. In practice the most effective managers are also leaders and the quality of leadership has become an increasingly important part of management ability.

### 9.3 Effective strategic leadership

The term strategic leader is used to describe the managers who head the organisation and who are primarily responsible for creating and implementing strategic change. Whilst the strategic leader has overall responsibility for managing strategy in the organisation it should not be thought that he or she is the sole source of thoughts and ideas. All employees can make a contribution and should be encouraged to do so. The more that people are invited to participate in debate and discussions concerning products, services, customers and the future the more likely they are to accept the change.

The strategic leader, however, is in a unique position to gather and receive information about all aspects of the business, and it is incumbent on him or her to monitor the environment and the organisation and watch for opportunities and threats. The strategic leader will need both analytical skills and insight ( or awareness ) to provide an intuitive grasp of the situation that faces the organisation. The way the organisation manages to grasp opportunities and overcome potential threats will be very dependent on the personal qualities and values of the strategic leader. Skills that are required of leaders therefore include:

- anticipatory skills in order to provide the foresight into a constantly changing situation.
- vision skills in order to lead the organisation towards the agreed goals and implement the strategic plans.
- value skills in order to be in touch with employees needs so that shared values and goals can be encouraged.
- empowerment skills, so that power is shared and employees are encouraged to share ideas.
- self-understanding in order that the strategic leader understands his or her own needs and those of the employees.

An effective strategic leader ensures that the organisation has a strategic vision which allows successful implementation.<sup>[9]</sup> The important direct or personal contributions concern vision and action, but the leader must also ensure that other key aspects are in place. These are: strategic vision, pragmatism, structure, communication, culture, change management and empowerment ( #Figure 9 ).



Figure 9 Strategic leadership

### *Strategic vision*

A vision is the way we may link everyday events to a large set of values. Managers with vision are able to step back from a problem and see it in a much larger context. <sup>[19]</sup>

At the heart of this is a clear, well understood and supported **mission** for the organisation. Employees must appreciate the fundamental purpose and be committed to its achievement. The mission will provide guidance and direction when managers make decisions and implement strategies determined by others.<sup>[10]</sup>

A mission statement is a complementary statement, much less visionary but nevertheless still of value in shaping the organisation's future

Although a vision is not a mission this is not to understate the importance of forming and using mission statements. The vision must stand on its own as a source of inspiration and direction. A vision establishes a clear sense of purpose, direction and desired future.

The mission may be the vision of the strategic leader; equally it may have been established by a predecessor. It is simply the responsibility of the strategic leader to ensure the strategies are in place, communicated and understood, together with the processes for managing the strategic change.

### *Pragmatism*

This is the ability to make things happen and bring positive results. Some strategic leaders will be doers, visible and active in carrying strategies through; others will be delegators who rely instead on their skills for motivating and inspiring. Control systems for monitoring results and strategic effectiveness are also important.

Some leaders, then, will be strategic visionaries who are also active in operations, others will contribute ideas and leadership but be happy to devolve responsibility.

As well as strategic vision and pragmatism it is necessary for the leader to build a structure and culture which captures the abilities and contributions of other managers and employees. The strategic leader's vision and his or her record of achievement are critical for obtaining and maintaining the confidence and support of the stakeholders.



### *Structure*

The strategic leader decides upon the appropriate structure for carrying out existing strategies and ensuring that the momentum for change is right. Some of the issues he must consider are:

- Should the organisation have an informal structure or have several layers of management and more formality?
- Should it be split into individual businesses or areas?
- How much power and responsibility should be delegated?
- To what extent should managers and other employees be empowered to take on more responsibility?
- What structures and mechanisms are required to ensure that managers in different areas and functions integrate and plan how they can help each other, i.e. teamworking?
- What policies are necessary and appropriate to ensure the correct decisions are made?

### *Communication*

Formal and informal communication systems are required in order to ensure that people are aware of the organisation's strategic vision, inform them of the priorities and strategies and ensure that the strategies and tasks are carried out effectively and efficiently.

### *Culture*

The culture of the organisation is, to a certain extent, dictated by the strategic leader. He will have a very clear vision of the specific values which influence his or her style. The attitudes and behaviours of people will be affected as well as their willingness to accept responsibility and take measured risks. If a new strategic leader is appointed from another organisation because of his or her successful past record, the changes they introduce will affect the culture of the organisation.

### *Managing change*

An organisation must be able to respond to the pressures of change. Creativity and innovation become important values for the strategic leader to ensure that they become part of the corporate culture. When strategies, structures and styles of management need to be changed simultaneously, an effective visionary leader will be essential.

To be an effective strategic leader does not mean trying to attempt everything. An important skill is the ability to understand personal strengths and weaknesses and appreciate the most affective way of contributing.

### *Empowerment*

Thompson<sup>[7]</sup> states that empowerment means freeing employees from instructions and controls and allowing them to take decisions themselves. It is clearly linked to total quality management which implies constant improvement to strategies and processes which add value for customers. To achieve this employees should be contributing to the best of their ability. There are three main objectives of empowerment:

1. To make organisations more responsive to external pressures.
2. To de-layer organisations in order to make them more cost effective.  
Managers become responsible for more employees whom they are expected to coach and support rather than direct.
3. To create an employee network featuring teamworking, collaboration and horizontal communications. This implies changes in the way decisions are made.

The leader with a compelling vision can draw other people in, and that vision is essential to build confidence in people , inspire them and turn them and turn purpose into action.<sup>[19]</sup>

Researchers recognise the problems of being a worker in an organisation that does not confer status on the individual because it does not see itself as a worthwhile enterprise. They believe that it is far better for staff to feel proud of being part of an organisation's activities.

When employees feel that they can make a difference and that they can improve the society in which they are living through participation in an organisation, it is much more likely that they will bring vigour and enthusiasm to their tasks and the results of their work will be mutually reinforcing. Under these conditions, the human energies of the organisation are aligned towards a common end and a major precondition for success has been satisfied. The good leader knows exactly what he wants from people and gives them confidence.

#### **9.4 The management of trust**

Trust is hard to describe. People require repeated interaction with each other before they recognise it may exist. Leaders must continually strive to earn trust and maintain it. By clearly stating a vision and adhering to it, earns the organisation trust.

**“ Trust is an emotional glue that binds followers and leaders together. The accumulation of trust is a measure of the legitimacy of leadership. It cannot be mandated or purchased. It must be earned. Trust is the basic ingredient of all organisations, the basic lubricant that maintains communities. It is as mysterious and illusive a concept as leadership and it is as important.”<sup>[19]</sup>**

In organisations, trust between leaders and employees cannot exist without two conditions:

1. The leader's vision for the organisation must be clear, attractive and attainable. We tend to trust leaders who create these visions, since vision represents the context of shared beliefs in a common organisational purpose.
2. The leader's position must be clear. We tend to trust leaders when we know where they stand in relation to the organisation and how they position the organisation relative to the environment.

Positioning and trust are fundamental to all leadership activities:

- All leaders face the challenge of overcoming resistance to change. Some try to do this by simple exercise and control, but effective leaders learn that there are better ways to overcome resistance to change. This involves the achievement of voluntary commitment to shared values.
- A leader must reconcile the needs of different groups inside and outside the organisation. He or she must be sensitive to their various needs and have a clear sense of the organisation's position.
- The leader is responsible for the set of ethics or norms that govern the behaviour of employees within the organisation. Leaders can establish a set of ethics by demonstrating their commitment to the set of ethics they are trying to institutionalise.

Trust, integrity and positioning are all different faces of a common requirement of leadership.

## Chapter 10

### POWER, POLITICS AND CULTURE

#### 10.1 Definitions<sup>[7]</sup>

##### **Culture**

*Culture* is reflected in the way people in an organisation perform tasks, set objectives and administer resources to achieve them. It affects the way that they make decisions, think, feel and act in response to opportunities and threats.

Culture also influences the selection of people for particular jobs which in turn affects the way the tasks are carried out and decisions are made. Culture is also fundamental in that it affects behaviour unconsciously.

The culture of an organisation is therefore related to people, their behaviour and the operation of the structure. It is encapsulated in beliefs, customs and values in a number of symbolic ways.

##### **Power**

*Power* is related to the potential ability to do something or make something happen, and it flows from the relationships and interactions between people which build up over time. Power is sometimes reflected in force, on other occasions it takes the form of influence and persuasion.

##### **Politics**

*Organisational politics* is the process by which individuals and groups utilise power and influence to obtain results. Politics can be used negatively and illegitimately by individuals pursuing personal objectives against the best interests of the organisation.

## 10.2 Power, politics and culture

Thompson<sup>71</sup> states that in looking behind the visionary planning and adaptive incremental methods of strategy creation, examining why they are selected and preferred by different organisations, it is important to understand how the feelings and actions of people inside organisations affect strategy. People create change, and they are affected by changes happening elsewhere in the organisation.

Any group of people who live and work together for any length of time form and share certain beliefs about what is right and proper. They establish patterns of behaviour based on their beliefs, and their actions often become matters of habit which they follow unconsciously and routinely. These beliefs and ways of behaving constitute the organisation's culture.

The formation of, and any changes to, the culture of an organisation is dependent upon leadership and the example of particular individuals, and their ability to control or influence situations. This in itself is dependent on a person's ability to obtain and use power.

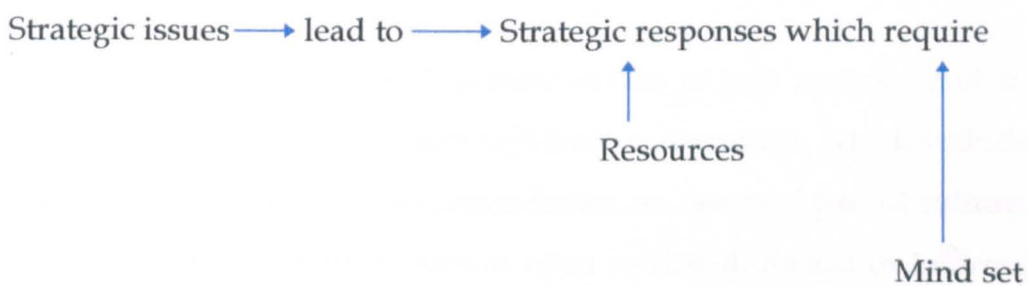
Culture and power often affect choice, incidence and application of the methods of strategy creation. The preferred method will reflect the values and preferences of the strategic leader and the organisation. It must though be appropriate to the organisation's strategic needs.

Culture and values determine the ability of an organisation to create and sustain a match between their resources and environment ( E-V-R congruence ). As industries and markets have become increasingly competitive, and in most cases international, many organisations have come under pressure to change their cultures in order to be effective competitors and sustain E-V-R congruence.

In addition, the culture, political activity and the use of power and influence inside the organisation affect the outcomes from the decision making process which underpin the adaptive / incremental method.

People are concerned with the way an organisation reacts to potential opportunities or threats; affected organisations will not behave in the same way. Powerful external stakeholders can sometimes dictate the strategy of an organisation. Culture and power are such strong forces that any intended changes must take account of them. If they are overlooked, implementation may not happen.

Culture is at the heart of all strategy creation and implementation ( Chapter 5, Figure 2 ). Organisations are seeking to respond to perceived strategic issues. Resources must be deployed and committed, but successful change also requires the 'right attitude', approach and commitment from people. Thompson<sup>[7]</sup> refers to this as "mind set", which might, for example, reflect a strong customer and service focus, and further empowerment and consequent cultural change.



Strong cultures are an important strategic asset. An effective strategic leader will understand the culture in order that a vision can be pursued and intended strategies implemented.

## 10.3 Culture

Factors that influence culture can be grouped into three areas as illustrated in Figure 10.7

### Manifestations

These include *symbols* and *artefacts* such as expensive offices and equipment, the products themselves, advertising, brand names and dress codes followed by employees. Some organisations will encourage smart casual wear rather than formal or corporate dress to foster an informal working environment.

*Values* constitute ideas and convictions about what ought to be, which, with experience and learning, become beliefs and established practices.

Examples of *behaviours* are speedy new product development, long working hours, formal management meetings and regular informal meetings or contacts with colleagues.

### People

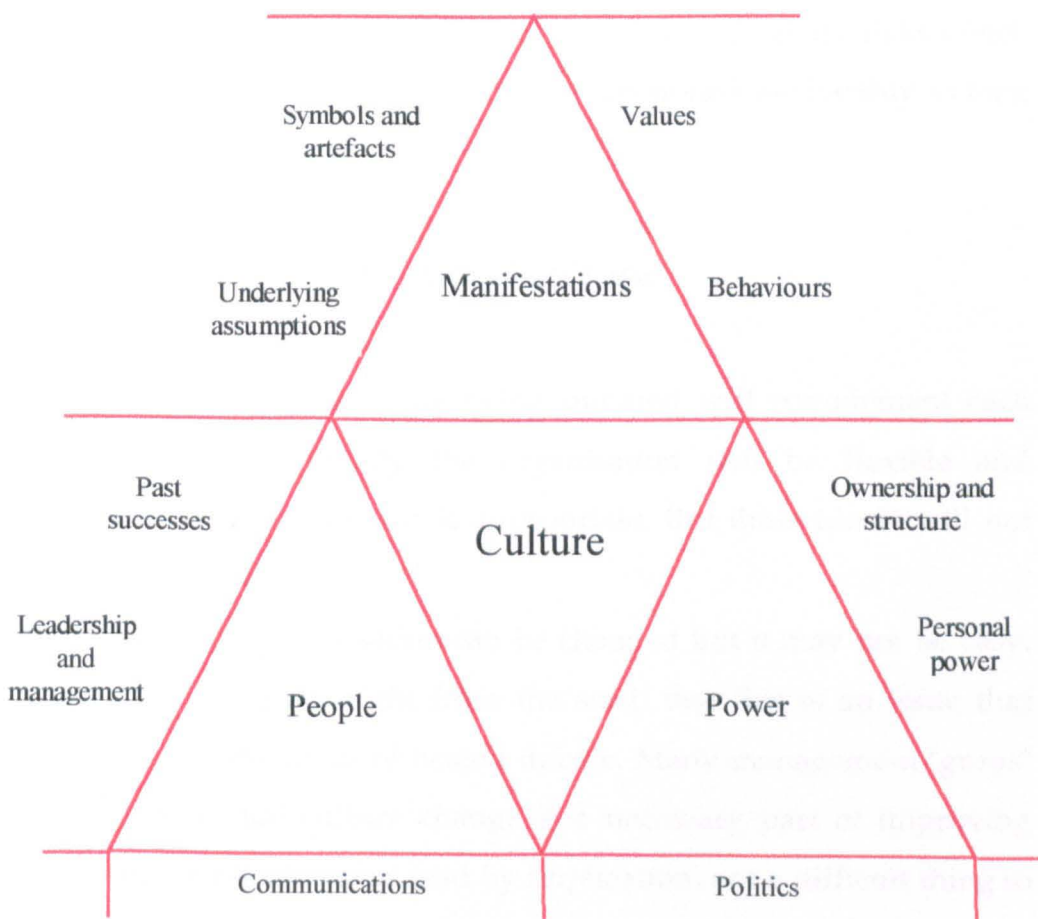
The category of people will include stories of *past successes* and the *present* strategic leadership and styles of management, which includes *innovation*. Linked to this is *communication*, an essential part of culture.

The organisation might be seen as open or closed, formal or informal. Ideally, employees from different parts of the organisation and different levels of hierarchy will feel willing and able to talk openly with each other, sharing problems, ideas and learning. Employees should also be trusted and empowered to the appropriate degree.



## Power

*Power* is reflected in the *ownership* of the organisation or business. It may be a family company with strong concentrated power. A small group of institutional shareholders could control the business, in which case it is conceivable that short term financial targets will dictate strategies. Structural issues include the extent to which the organisation is centralised or decentralised, the role and contribution of corporate headquarters and control and reward systems.



#Figure 10 Determinants of culture

The culture will influence the ability of a strategic visionary to sell his or her ideas to other members of the organisation and gain their support and commitment to change.

Where environmental opportunities and threats arise continuously in a situation of competitive chaos an organisation must be able to deal with them if it is to survive. It is the culture, with its combination of attitudes, values, perceptions and experiences which determines the outcomes and relative success. The structure must facilitate awareness, sharing and learning, and people must be willing and able to act. People learn by doing and they must be able to learn from mistakes.

The reward system is critical here. Managers and employees should be praised and rewarded for exercising initiative and taking risks which prove successful; failures should not be sanctioned too harshly as long as they are not repeated.

#### 10.4 Changing organisational culture

Ideally, culture and strategies being pursued will complement each other, and, again, ideally the organisation will be flexible and adaptable to change when it is appropriate. But these ideals will not always be achieved.

The culture of an organisation can be changed but it may not be easy. We need to recognise, right from the start, that this is an issue that continues to be the focus of heated debate. Many management 'gurus' take it as read that culture change is a necessary part of improving organisational effectiveness, and by implication, not a difficult thing to do.

Georgiades and Macdonell<sup>[19]</sup> refer to Weick<sup>[23]</sup> who stated that organisations don't have cultures, they are cultures; and that is why they are so difficult to change.

Other researchers, particularly those who search for ways of controlling and improving organisational management, are generally more hopeful without suggesting that the task of affecting culture change is an easy one. If we see culture as being the 'glue' that holds the human organisation together, then change is guaranteed not to be easy.

If an organisation is in real difficulty, and the threat to its survival is clearly recognised, behaviour can be changed through fear and necessity. However, people may not feel comfortable and committed to the changes they accept. Behaviours may change, but not attitudes and beliefs.

The potential for changing culture is affected by:

- the strength and history of the existing culture
- how well the culture is understood
- the personality and beliefs of the strategic leader
- the extent of the strategic need

The first step in changing culture is recognising and diagnosing the existing culture, highlighting any weaknesses and stressing the magnitude of the need for change.

Cultures based on fear and mistrust, on control and helplessness are cultures which will induce self protection. These cultures tend to be bureaucratic, not very creative, information does not flow quickly and there is widespread managerial emphasis on command and control.

Georgiades and Macdonell<sup>[19]</sup> refer to Kilman et al<sup>[24]</sup> who suggest that an adaptive culture is a preferable contrast, and describes it in this way:

*An adaptive culture is one which entails a risk taking, trusting and proactive approach to organisational life. Members actively support one another's efforts to identify problems and implement workable solutions. There is a shared feeling of confidence, members believe that they can effectively manage whatever the problems and opportunities which come their way. There is widespread enthusiasm, a spirit of doing whatever it takes to achieve organisational success. The members are receptive of change and innovation.*

An adaptive culture, it has been suggested, is based upon at least six core values and beliefs. Whether this is an accurate number can only be decided on the basis of personal experience.<sup>[19]</sup> The following however take account of the majority of the variance:

#### *1. Open and trusting relationship*

Unless the organisation is characterised by relationships based on trust, in which people may speak their minds openly without fear and retribution, and in which the concerns of critical stakeholders can be freely debated and issues resolved, there seems little possibility of creating a culture of adaptation.

#### *2. A commitment to people*

No organisation seeking to renew, adapt and respond to a changing turbulent environment could do so without the whole-hearted and driving commitment of its people. Commitment extends beyond the employment contract. Without commitment to our people how can we commit to our customers?

### *3. Participation in problem solving*

Adaptive cultures require that a group of work people combine together in imaginative problem solving. Individuals require a sense of belonging to a group that has some control over its future and in which their views can at the very least be heard.

### *4. A commitment to change and innovation*

The drive to create an adaptive culture is founded on the need for that rapid response. A core value dedicated explicitly to that commitment to change and to innovate change is thus self evident. To declare that an organisation is not dedicated to the status quo and is constantly pressing for improvement and change, is an important step in the commitment process.

### *5. A commitment to individual autonomy*

Each individual is provided with, and committed to, a vision of what the organisation could be, and should be given the freedom and autonomy to act in the best interest of the enterprise, without unnecessary hindrance.

### *6. An obsessive commitment to loyal customers*

Meeting with, and gathering, systematic customer, client and consumer feedback is the first requirement of this core value. Acting non defensively and then responding constructively to that feedback is the second requirement. Allowing all levels within the business to gather both data and then act upon it, within their own sphere of activity is certainly the third.

Finally, resistance to change should always be expected. People may simply be afraid because they do not understand all the reasons behind the proposed changes. They mistrust colleagues or management because of previous experiences; communications may be poor; motivation and commitment may be missing; internal architecture may be weak, causing internal conflict and hostility; and the organisation may simply not be good at sharing best practice and learning.

It is important to emphasise that, more often than not, a sizeable organisation will not have a 'single cohesive culture', if we assume that a single culture implies that the same views and behaviours are shared by most employees. Instead, the various divisions and businesses will be in some way different. The same can apply with different functional departments. Ideally, however, the most critical aspects will be shared and consistent.

## Chapter 11

# STRATEGY IMPLEMENTATION AND ORGANISATIONAL STRUCTURE

## 11.1 Strategy implementation

The prospects for effective implementation are clearly dependent on the appropriateness, feasibility and desirability of the strategy. Some strategies are not capable of implementation. At the same time, competency in implementation ( the ability to translate ideas into actions and generate positive outcomes ) can itself be a source of competitive advantage. Internal processes can add value by creating high levels of customer service and / or saving on costs by, for instance, removing any unnecessary delays or duplication of activities.

Thompson<sup>[25]</sup> refers to Reed and Buckley<sup>[26]</sup>, who suggest that new strategies are selected because they offer opportunities and potential benefits, but that their implementation, because it involves change, implies risk. Implementation strategies should seek to maximise benefits and minimise risks.

The major implementation themes concern organisational structures, policies and control systems related to management of resources, and the management of strategic change<sup>[25]</sup>. The fundamental questions are as follows:

- How appropriate is the organisation's structure, given the diversity of the strategic prospective and the inter-relationships between various business units, products and services?

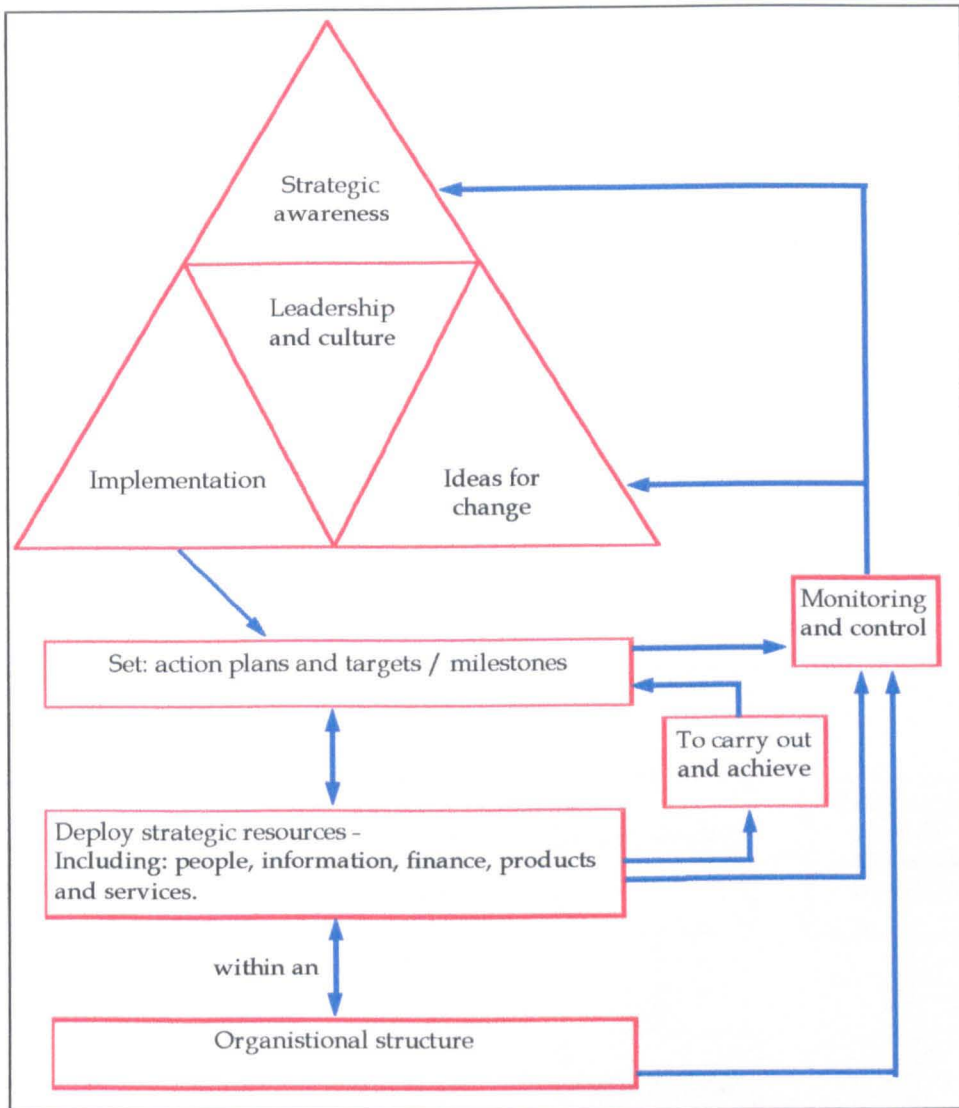
- How effectively are we managing our resources? Are the various functions and activities co-ordinated and contributing towards clearly understood objectives?

This last question relates to both implementation and control, and the ability of the organisation to answer it is determined by the effectiveness of the information system and strategic awareness of managers.

Figure 11 shows how strategy implementation requires the deployment and control of the organisation's strategic resources to carry out action plans and hopefully achieve target milestones.<sup>[7]</sup>

The strategic resources include finance, technology, people, information, and products, services and their distribution. This is accomplished through the design of the organisation ( structure ) and the process encapsulated within the structure. It also important that progress is monitored and changes introduced when necessary.





#Figure 11 Strategy implementation

The structure must therefore be capable of implementing strategies, and it can be described as the *means by* which an organisation seeks to achieve its strategic objectives. However, we also saw in Chapter 10 that the structural processes are a reflection of culture, power and political activity, and that people are empowered in a decentralised organisation. It is these processes which determine the actual adaptive / incremental strategies that are pursued. Consequently the structure must be capable of both formulating and implementing strategy.



Figure 12 emphasises that, first, the strategy process involves awareness, ideas for change and implementation, and, second, the process is driven by culture, power and politics. Plans and targets are derived from intended strategies; they comprise what people *should do*. The decisions people take and carry out within the structure ( what they *actually do* ) result in adaptive and incremental change.

## 11.2 Centralisation and decentralisation

Centralisation and decentralisation relate to the degree to which the authority, power and responsibility for decision making is devolved through the organisation.

*Centralisation* is where all the major strategic decisions are taken at head office by the strategic leader or group of senior strategists. Strictly enforced policies and procedures constrain the freedom of managers responsible for divisions and business units to change competitive and functional strategies without reference back to head office. As more responsibility for strategic change is delegated, the organisation becomes increasingly decentralised.

Centralisation brings consistency and control; unfortunately centralised organisations may be slow to change in a dynamic environment, and ambitious entrepreneurial managers may feel constrained and demotivated.

*Decentralisation* allows for competitive and functional strategies to be changed more quickly by managers who are in close touch with the competitive environment and who will be responsible for implementing any changes. It can improve motivation. However, information networks must ensure that the whole organisation is able to stay strategically aware, or control is inevitably sacrificed.

Individual parts of the organisation can easily make changes which impact unfavourably on other parts, neglecting synergies and interdependencies.

The challenge for most organisations is to find the appropriate degrees of decentralisation and informality to enable them to maintain control whilst innovating and managing change in a dynamic and turbulent environment. In turn this requires managers to be empowered.

### 11.3 Organisational structure

Buchanan and Huczynski<sup>[18]</sup> refer to Child<sup>[27]</sup> who stresses that:

*“The allocation of responsibilities, the grouping of functions, decision making, co-ordination, control and reward - all these are fundamental requirements for the continued operation of an organisation. The quality of an organisation’s structure will affect how well these requirements are met.”*

They also refer to Drucker’s<sup>[28]</sup> definition in the Harvard Business Review ( January - February 1974 ) as:

*“Structure is a means for attaining the objectives and goals of an organisation. The extent to which and the ways in which organisation members are constrained and controlled by the organisation and the distribution of activities and responsibilities, and the organisational procedures and regulations.”*

These two statements refer to the perceived purpose of organisational structure.

The outcome of a company’s organising activities can be depicted in organisational design. The object of the design is to create an organisational structure which fits with the objectives, its resources and its environment. The structure describes the relationship between different parts of the organisation and the people in it.<sup>[29]</sup>

It specifies the division of work, the hierarchy and authority structure and the formal links that exist between people and the organisation. In practice there are cross functional relationships, networks and informal links which are not described by a formal structure but may be of equal importance.

A management organisational chart is a diagram of an organisation's formal structure, describing the functions, departments and position of people within the organisation and how they are related. An organisational chart usually consists of a 'line' diagram showing the chain of command and official channels of communication. A hierachial structure will usually be described in terms of the organisation of line management and reporting, while a matrix structure will be described more in terms of relationships between units and people and the process of co-ordination.

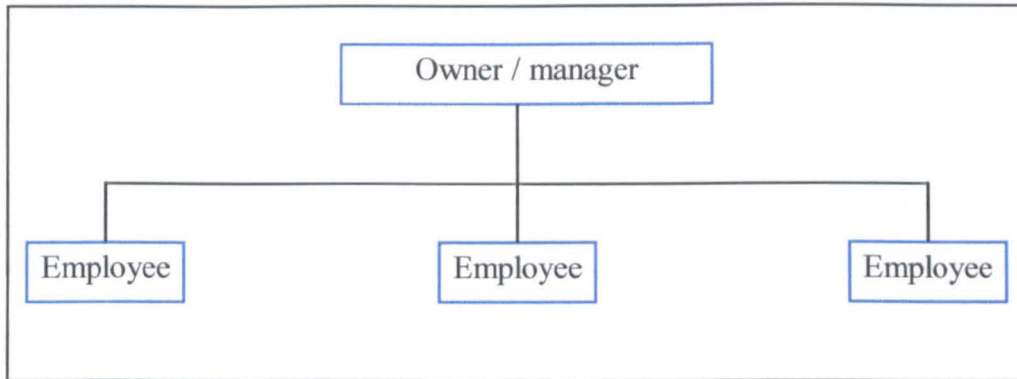
The following structural forms can be adapted by an organisation when attempting to design an appropriate structure to satisfy its particular needs.<sup>[25]</sup>

1. the entrepreneurial structure
2. the functional structure
3. the divisional structure
4. the matrix structure
5. the holding company structure

#### **1. The entrepreneurial structure**

This structure, shown in Figure 13, is built around the owner / manager and typically utilised by small companies in the early stages of their development. The structure is totally centralised. All key decisions are made by the strategic leader, and employees refer everything significant back to him or her.

It is particularly useful for new businesses as it enables the founder, who normally will have some expertise with the product or service and whose investment is at risk, to control the growth and development.



#Figure 13 The entrepreneurial structure

There is an argument that this is not really a formal structure as all the responsibility, power and authority lies with one person. However in some small companies of this nature, selected employees will specialise and be given job titles and some limited responsibility for such activities as production, sales or accounting.

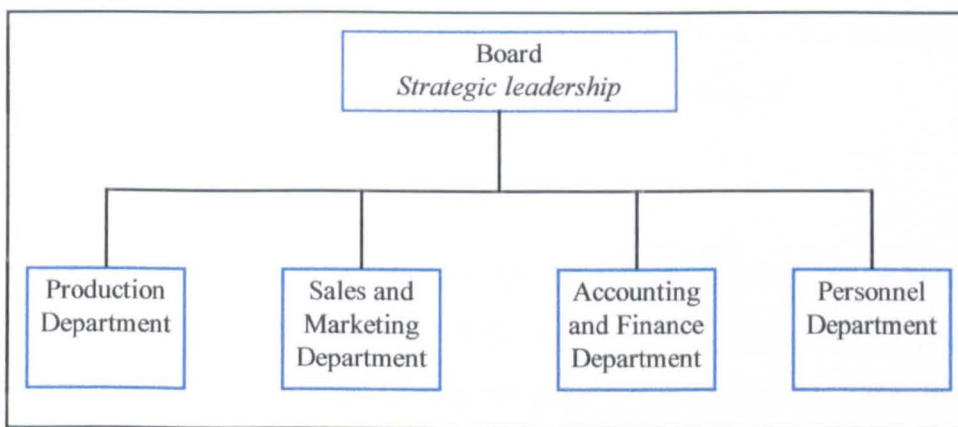
## 2. The functional structure

The functional structure, Figure 14, is commonplace in small firms which have outgrown the entrepreneurial structure and in larger firms which produce only a limited range of related products and services.

It is also a typical internal structure of the divisions and business units which comprise larger diversified organisations. It is more suitable in a stable environment than a turbulent one as it is generally centralised with corporate and competitive strategies again being controlled by a strategic leader.<sup>[25]</sup>

The structure is built around the tasks to be carried out, which tend to be split into specialist functional areas. Managers are placed in charge of departments which are responsible for those functions, and they may well have delegated authority to change functional strategies. Consequently the effectiveness of this structure is very dependent on the ability of these specialist managers to work together as a team and support each other, and on a strategic leader to co-ordinate their efforts.

Functional managers will develop valuable specialist expertise which can be used as a basis for the creation of competitive advantage, and the relatively simple lines of communication between these specialists and their strategic leader can facilitate a high degree of strategic awareness.



#Figure 14 The functional structure

There are a number of limitations:

- The concentration on the functions tends to lead managers with greater specialist expertise rather than a more corporate perspective.
- General managers who can embrace all the functions are not developed and consequently any internal successor to the chief executive is likely to have a particular specialist viewpoint which may involve cultural change.

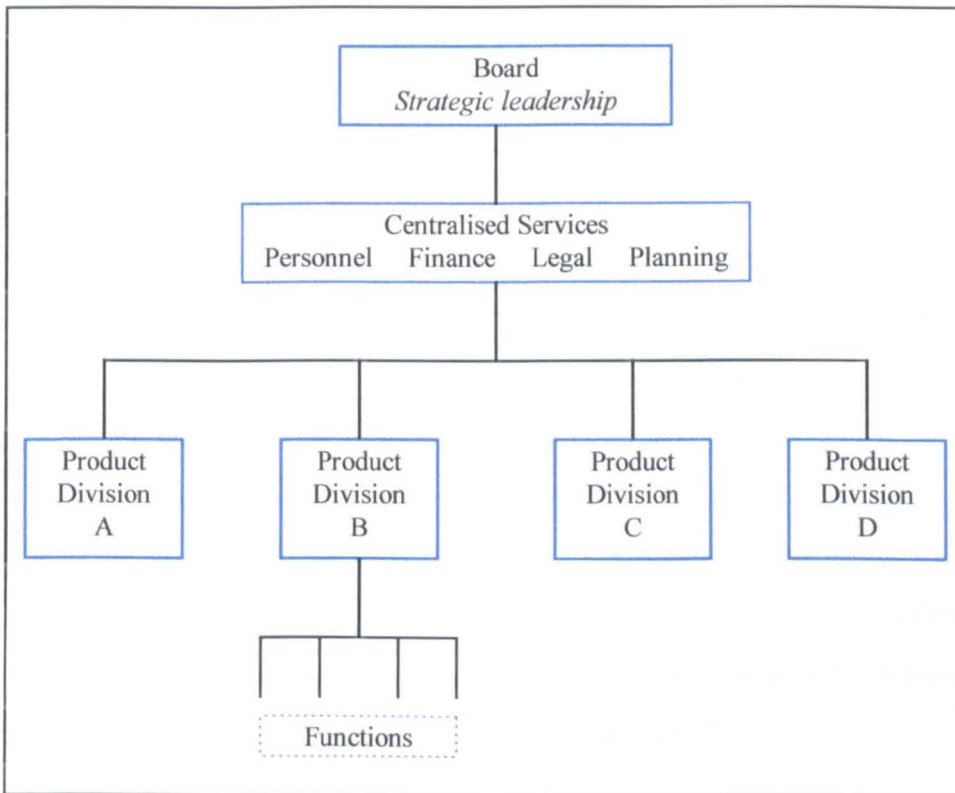
- Functional organisations are less likely to be entrepreneurial throughout the company than is the case in more decentralised forms although the strategic leader could be personally dynamic.
- Because corporate and competitive changes are generally the responsibility of the strategic leader, functional managers may concentrate on short term issues at the expense of longer term strategic needs.
- Functional managers may seek to build mini empires around their specialism, and this can lead to rivalry between departments for resources and status and make the task of team building more difficult.

The structure is stretched and becomes inefficient with growth and product or service diversification. Once organisations reach the functional stage, the choice of future corporate growth strategy will have a major bearing upon the structural developments.

### **3. The divisional structure**

A divisional type structure, as shown in Figure 15, has the advantage of combining all the activities, skills and expertise required to produce and market particular products or a product in a particular market place. The whole process can be easily co-ordinated and the speed of decision making can be increased, because divisional decisions are made relatively close to the point of implementation.<sup>[29]</sup> Divisions are able to focus on the needs of particular customers and managers have a degree of autonomy in meeting these needs.





#Figure 15 The divisional structure

There are disadvantages to this structure:

- The interests of one division can be placed above those of the whole organisation.
- The division may not place organisational objectives in quite the same order as the central organisation, and may place its short term interests above the longer term interests of the company.
- Divisional structures can lead to a conflict of interests between divisions which develop different objectives and priorities.

It is the role of the central organisation to be responsible for co-ordinating the work in the divisions.

#### 4. The matrix structure

The usual matrix structure is designed to answer the main problems of the functional structure. It combines a vertical chain of command, through functions and departments or units, with a horizontal 'project', 'business unit' or 'product' team. The purpose of the matrix structure is to promote across the company, groupings of people and skills to provide a team in order to produce a product or service.<sup>[29]</sup>

The lateral structure is led by a project or group manager who is an expert in the team's assigned area of specialisation. The individual therefore has two bosses, a functional manager and a project group manager. This is the basis for the use of the term matrix which in mathematics applies to an array of vertical columns and horizontal rows. An example of this is shown in Figure 16.<sup>[15]</sup>

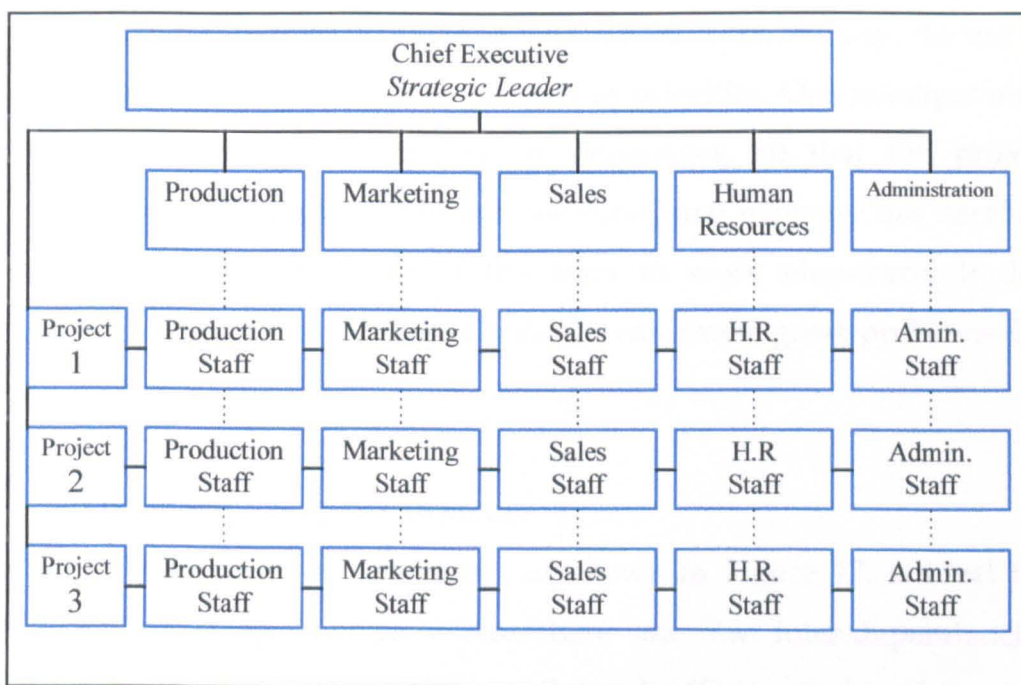


Figure 16 The matrix structure

Staff from production, marketing, sales, human resource and administration are divided into three project ( or product / service ) teams which consist of staff from all five functions under a project manager who reports to the chief executive.

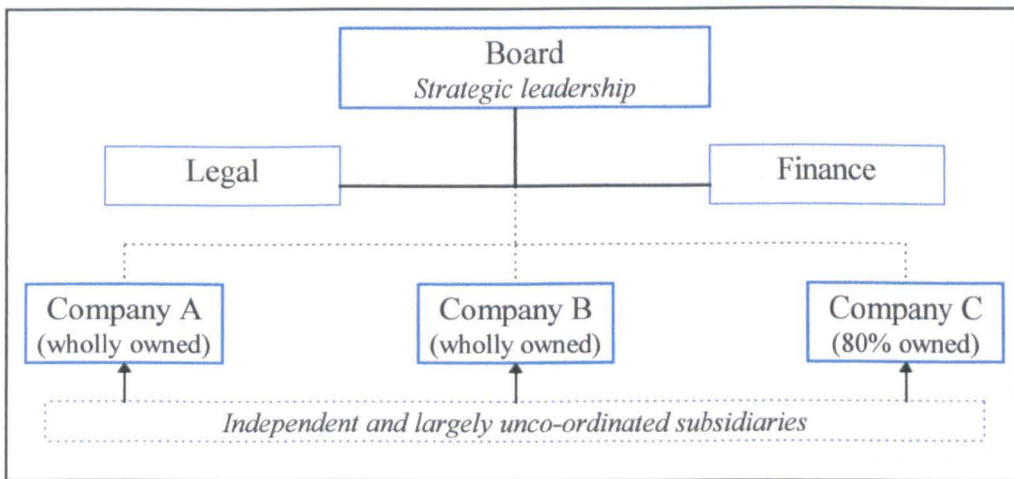
The matrix structure can be an effective means of bringing together people of diverse skills when required to solve a complex problem, such as in research teams and consultancies. It throws the focus on the project to be completed.

By working together, people from various functions can understand the demands placed on other people from different areas of work. This understanding can produce a more realistic approach to each other's work. If the structure is significantly flexible and has not become rigid, it can help to keep down the costs of the organisation because managers need only to assign the number of people needed to complete a particular project.

Although the matrix structure may be easy to design and appears to have great advantages over the functional structure, it may be difficult to implement. Problems can arise over shared responsibility, the use of resources in common and the question of priorities. One manager may be played off against another by employees, so that the project manager, for example, is told that the functional manager has decided to pull an individual out of the team to work elsewhere. If this happens without proper consultation it can cause great problems for the project team.

##### 5. The holding company structure

The holding company structure, as shown in Figure 17, is ideal for diversified conglomerates where there are few inter-dependencies between the businesses. The small head office acts largely as an investment company, acquiring and selling businesses and investing money as appropriate. The subsidiaries, which may or may not be wholly owned, are very independent, and their general managers are likely to have full responsibility for corporate strategy within any financial constraints or targets set by headquarters.<sup>[25]</sup>



#Figure 17 The holding company structure

It is quite common to find that the subsidiaries trade under individual names rather than the name of the parent organisation, especially where they are acquisitions which may at any time be sold again or where there is a strong brand name for marketing.

The holding company is particularly appropriate for companies pursuing restructuring strategies, buying, rationalising and then selling businesses when they can no longer add further value.

The advantages of this structural form are that it implies low central overheads and considerable decentralisation but enables the head office to finance the subsidiaries at a favourable cost of capital. Risks are spread across a wide portfolio, and cross-subsidisation is possible between the most and least profitable business. This raises the issue of a fair reward system for the general managers.

The limitations are:

- the vulnerability that general managers may feel if they suspect that their business may always be for sale at the right price.
- there are fewer centralised skills and resources supporting the businesses.
- little co-ordination and therefore few opportunities for synergy.
- there may be no group identity amongst the business units and a lack of coherence in the corporate strategy.

The potential benefit to headquarters lies in their being able to earn revenue and profits from the businesses, ideally in excess of pre-acquisition earnings, and being able to sell for a real capital gain .

#### **11.4 Division of work**

The division of work is the breaking down of tasks into component parts, so that individuals are responsible for an activity or a limited set of activities instead of the whole task. The division of labour and specialisation has been recognised for a long time as an essential process of improving the productivity of an organisation. Vast increases in output can be achieved by a division of work or division of labour. Each person specialises in one aspect of the operation or process and, because of this, becomes expert in that particular operation. This enables people to work much faster and more efficiently. They do not have to move from one operation to another and their skill in carrying out a single operation is greatly increased.

This process has considerable advantages:<sup>[29]</sup>

- Less skilled workers can be used, because the task has been simplified to a single operation or a few simple operations.
- Training can be quick and relatively easy because each person can be trained on a particular task without the need to develop a wide range of skills.
- Proficiency is gained very rapidly, because the specialised task is repetitive and the worker has a great deal of practice at it.
- There is an increase in efficiency because workers do not waste time moving between tasks, thus increasing the speed of operation.
- Workers can choose or be assigned to the operation which best suits their aptitudes and preferences.

These advantages led to the assembly line based factories which have characterised manufacturing from the early industrial years to the present. At the same time, this division of work and specialisation have given rise to problems and disadvantages:

- Workers become skilled in only one operation and when that skill is no longer needed they have to be retrained.
- The mechanism of many industrial operations has greatly reduced the demand for workers with limited skills and it is difficult to retrain workers to higher skill levels if they do not have relatively high basic levels of education and training in the first place.
- Constant repetition of a single operation is very boring and demotivating for many people.
- Team work and creative innovation are not encouraged by this process.
- Workers are not motivated by pride in the finished product or in the organisation because they perform such a small part of the overall production process.

In an attempt to overcome these disadvantages, there have been a variety of schemes to establish different working systems to promote teamwork, pride in the product and quality.

In this system, if any faults are detected the whole team is responsible for their correction. Team work is encouraged in order to raise productivity. The team assemble a finished product in which they can carry out different tasks from day to day or week to week with the agreement of the team.

The team process requires a team leader and progress and quality is controlled by the team, particularly if rewards are linked to output. The structure does require flexibility and a wide range of skills in that an individual may be called upon to carry out various tasks by the team.

A central issue for managers is to determine the degree of specialisation appropriate to the effective completion of work. The narrower the scope of the job and the shallower it is, the greater the level of specialisation but the lower the employee's satisfaction may be.

In order to help managers decide on the content of the individual's tasks and match the ability of individuals to particular aspects of the job, work can be analysed in terms of:

### **1. Skill**

The variety of tasks required to complete a task. Work that requires initiative and creativity tends to be more skilled than work which is operational and repetitive.

### **2. Autonomy**

The extent to which an individual performs a task and has the freedom to plan and schedule the work programme.

### **3. Dimension**

Work which involves completing a product may provide greater satisfaction and create a clearer job identity than that which is a small part of the overall process.

### **4. Significance**

The extent to which work affects other people, either in terms of health and safety, or in terms of dependence on other people for the completion of the task.

### **5. Feedback**

The extent to which an individual receives information about the effectiveness / quality of the completed work.

Once the manager has decided on the nature of the work to be completed and has, as far as possible, matched this and the skills of the available workforce, he or she then has to group the operations and their work in such a way that they can be effectively managed.

One of the ways of doing this is to form teams of people with complementary talents so that a whole task is completed. The team may have a high degree of autonomy and may only be dependent on others at the beginning and / or end of the process. Individuals and teams will normally be grouped into departments, sections, divisions or units.

Jobs and resources should be grouped within an organisation so that employees performing similar tasks are in the same department or section i.e. production, administration, finance, personnel. The purpose of this arrangement is to bring experts and specialists together so that they can further develop their expertise.



## Chapter 12

### TOTAL QUALITY MANAGEMENT

*Quality* can be defined as 'continually meeting agreed customer needs - getting it right first time'.

A large number of commercial laboratories have already introduced quality management systems based on British Standard 5750 or its international counterpart ISO 9002. These standards do not establish a level of excellence for a product or service but they do provide 'a way of describing the capability of a system to produce products or services to a specification'.<sup>[4]</sup>

Quality within an organisation falls into two categories: Firstly, the quality of the service provided, which is determined by the management systems and operational procedures that are in place, based on the customer's requirements; secondly the quality of the product that is produced. This is also determined by the working procedures that are in place and the customer's requirements.

Total quality management is a long term strategy and it is about the management of change and involves all aspects of human resource management, and effective and efficient control of resources and training. This style of management is participative and is designed to enable managers at every level to make decisions and be responsible for them. This means devolving decision making to the closest possible point where the effects of the decisions are felt.

Improving the quality of the way activities are managed and carried out in organisations invariably leads to lower costs through less waste and through 'getting it right first time', the central theme of total quality management.

Successful organisations will also strive to 'get it right' every time. Company reputations for good quality are quickly lost when customers relate stories of poor experiences.

The expression *total quality management* therefore relates to everything which happens in an organisation and which can lead to lower costs and, particularly, the improvement of customer service. The speed of response to queries, the way in which telephone calls are dealt with, accurate delivery notes and invoices are all examples outside the direct production activity.

Thompson [25] quotes Georg Karnsund, President, Saab-Scania AB, whose definition of quality is:

*"Quality is not a label you can put on a product afterwards. Quality is a way of life that must apply to everything within the company and all its external relations. Quality is in essence a question of leadership. Only a minor part of errors are attributable to the shop floor. Quality is created by the attitude and action of management. It is something that must be part of corporate objectives and strategies."*

In satisfying customer needs, manufacturers should seek to improve the quality of their operations in terms of people, systems and technology. Improving people can be relatively inexpensive, but it requires that they are seen and treated as a key resource. Training is essential, and the ways in which employees might improve the quality of their individual contribution should be discussed with them. Most people know how they could perform more effectively, but quite often they are never asked. Systems should reflect clear policies and standards and communication systems should keep people aware of how well or badly the company is doing at any time. Technology can improve quality through increased productivity and through eliminating human error, but it can be very expensive.

Total quality management should start with the strategic leader who must emphasise a commitment to it, but it must also spread throughout the company. Everybody in the organisation is responsible for quality. The philosophy that prevention ( getting things right first time ) is better than detection ( correcting complaints ) must be seen as a priority.

Thompson<sup>[25]</sup> refers to PA Consultants<sup>[30]</sup>, who contend that companies which have pursued total quality have been able to benefit in a number of ways. Specifically they have:

- improved the company image
- improved productivity
- reduced costs
- created greater certainty in their operations ( by reducing conflicts within the operating system they have improved the speed of delivery and their flexibility in responding to changes in customer requirements ).
- improved morale ( employees have shown greater concern and commitment where they have seen that there is an emphasis on things being done well and that high standards have been encouraged, valued and rewarded.
- committed customers

Thompson<sup>[25]</sup> also refers to Peters<sup>[31]</sup>, who argues that if an organisation is committed to total quality management, there are a number of issues which must be addressed. These are:

1. The necessary commitment to getting things right first time must be encouraged and developed throughout the organisation.
2. Employees must be trained about how they can measure quality and quality improvements.

3. There must be a guiding system or ideology stemming from the strategic leader; continual improvements must be managed.
4. There need to be clear targets and measures of success. Numbers of rejects, repeats and returns from customers are all examples. Results should be communicated.
5. Quality improvements should be rewarded, as should new ideas for improvement.
6. Quality issues should be communicated laterally throughout the organisation as problems can span several areas of the business.
7. Relationships with customers and suppliers should be developed. The organisation is seeking to meet the requirements of their customers; suppliers should be seeking to meet the requirements and needs of the organisation.

These issues are all linked in a chain of inter-dependencies. Peters also suggests that opportunities to improve will never dry up and that organisations who seek to innovate and find new and better ways of doing things are more likely to create differentiation and reduce their costs.

## Chapter 13

### STRATEGIC SUCCESS AND CHANGE

#### 13.1 Strategic success

The E-V-R congruence framework (Environment - Values - Resources) was shown in Chapter 6 ( Figure 3 ) to explain how effective strategic management requires an organisation to manage the matching of its resources with its environment, when both E and R are subject to change pressures. The strategic skills and competencies which are most likely to be needed for creating and maintaining an effective E and R match have been discussed. We have also looked sequentially at how strategies can be created, evaluated and changed with these needs in mind.

There is no single recipe for creating long-term strategic success. What works today is unlikely to remain appropriate for a changing future, a principle which can apply to strategies, organisational structures and approaches to managing circumstances and change.<sup>[10]</sup>

Five critical issues which organisations must address in order to be successful have also been addressed. These are:

- The ability to *add and create new values* for customers in ways which separate the organisation from its competitors.
- The ability to create and sustain *competitive advantage* through cost, leadership, differentiation and speed of change.

- **Core competencies and strategic capabilities.** The ability to exploit the organisation's most critical resources to create and add value and, in turn, generate competitive advantage. Synergies should be sought and resources, including people, should be stretched to higher levels of achievement. People must be able, and willing, to learn and to change.
- **Internal and external *architecture* and *linkages*.** To enjoy the benefits of synergy, organisations must be able to create and sustain internal cohesion. People must adopt supportive, team working behaviour, learning and sharing best practices. Further benefits are possible if the organisations can ally themselves more closely with other organisations in its supply chain, particularly its suppliers. Effective communications networks, trust and sharing are at the heart of this.

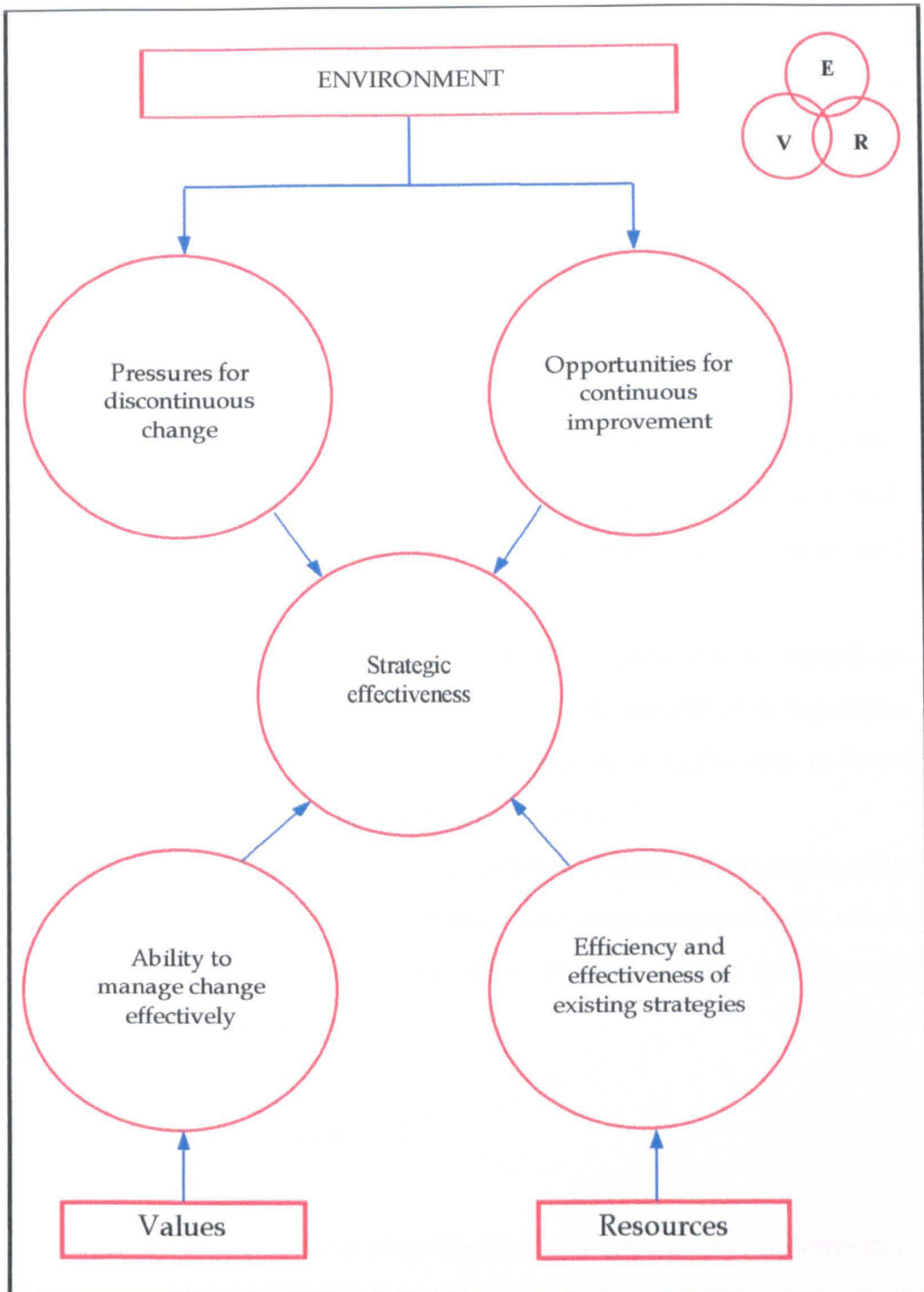
In summary, strategic success requires the organisation to develop and retain a wide range of competencies which enable it to out-perform its competitors and deal with the pressures of increasingly dynamic and turbulent business environments.

Individual chapters have explored the strategic management process and shown various ways in which strategies are created, managed and changed in organisations. From this we can conclude that strategic success requires:

1. Strong and visionary *leadership* to ensure (a) the organisation has a clear direction, (b) support from appropriate, feasible and desirable strategies and (c) the ability, if necessary, to cope with the demands of discontinuous pressures which force organisations to re-think their corporate strategies, structures and their culture and style of management.

2. A robust *planning* system to translate the corporate direction and strategy into more specific objectives and milestones for individual businesses and managers, to monitor progress and to reward performance appropriately.
3. The ability to *change* competitive and functional strategies in line with the demands of the competitive environment for each business. To achieve this, the organisation must harness the skills, knowledge and commitment of people throughout the organisation and at all levels of hierarchy.

The theme of strategic change is central to all the arguments concerning strategic success.<sup>[7]</sup> Figure 18 takes the concept of E-V-R congruence and restates the idea from the perspective of change management.



#Figure 18 Strategic effectiveness and E-V-R Congruence

The **environment** provides opportunities for organisations to benefit from innovation and continuous improvement. On other occasions the environment will encourage more dynamic, discontinuous change.



This pressure can take the form of a threat ( major environmental disturbance ) or an opportunity ( an ability to see their future ahead of competitors ).

The relative strength of the organisation's resources is reflected in the success of existing strategies. Values dictate the ability of the organisation to manage change effectively. Strategic effectiveness demands congruency.

An organisation will learn about the need to change from its observations and interpretations of events in the environment, often events created by the actions of other companies. As a result, managers must decide upon the actions they should take and implement the necessary changes.

These changes affect other organisations ( competitors, suppliers, customers ) in what has been termed an environment of competitive chaos. In turn they react, and the organisation is again able to learn about the impact and outcome of its decisions.

In this way the organisation is attempting to match its strategies with a changing environment, and, at the same time attempting to shape and manage its environment in order to best exploit its strategic abilities and resources.

## 13.2 Strategic change

We have seen in previous chapters that change can be implemented at several levels, namely:

1. Corporate culture
2. The organisational mission
3. Corporate strategies
4. Organisational structures, systems and processes
5. Competitive strategies
6. Operational tasks and functional strategies

Effective change management requires a clear perception of need, or dissatisfaction with, the existing status quo. A recognition that current strategies, however successful they might be at the moment, will be inadequate for achieving future objectives and expectations is essential. Sometimes the need for change will be obvious. On other occasions nothing will seem to be fundamentally wrong - at that moment. The challenge is one of timing - changing when the organisation is still successful.

Persuading people of the need to change can be difficult. We have seen how open communication is essential and people must be given both information and reasons.

In Chapter 9 we saw that there needs to be a purpose, direction and strategic intent ( a way forward ); a vision of a better future, a new direction or perceived opportunity. At the heart of this there is a clear and shared mission and environmental awareness.

The capability to change requires the necessary resources and strategies which are capable of implementation. This in turn requires targets or definable winning posts and suitable rewards for success. There should be a commitment to both the continual improvement of existing strategies and to genuinely new directions; change is ongoing.

Chapter 10 showed the importance of organisations seeking to develop a culture where people do not feel threatened when they are constantly asked to question and challenge existing behaviours and acknowledged ways of doing things - and change them. In other words, a culture that sees innovation and change as normal. This cannot happen without strong leadership which fosters, encourages and rewards entrepreneurial and innovative contributions from managers and other employees throughout the organisation.

A culture such as this will frequently be based around a working atmosphere of creativity and fun; people must enjoy doing things differently and originally, actively looking for new opportunities, instead of copying others.

**A change culture is highly desirable for many organisations but can be very difficult to achieve.**

## Chapter 14

### **DENTAL HOSPITAL AND LABORATORY STRUCTURES**

#### **14.1 Background**

*Working for Patients - the White Paper* was published on 31 January 1989. At its heart was the idea of separating out the functions of purchasing and providing, with power and responsibility being delegated down the management chain; doctors and nurses and equivalent personnel in other professions would become more intimately involved in service management.<sup>[32]</sup>

The reforms embodied in the 1990 NHS and Community Care Act, introduced on 1 April 1991, represent the greatest change in the organisation.

The reforms created an internal market within the NHS in which the responsibility for purchasing, or commissioning, services was separated from the responsibility of providing them.

On the supply side of the internal market, the key change was the establishment of NHS Trusts. These independent, non-governmental organisations provide secondary and community health services. They are directly accountable to the Secretary of State for Health, although special NHS Management Executive Outposts have been set up to monitor trusts and to organise this accountability.<sup>[33]</sup>

Compared to units that were directly managed by District Health Authorities ( DHAs ), Trusts have greater autonomy and freedom of action. This autonomy includes the ability to set the pay and conditions of their workforce; to decide upon the size and skill-mix of their staff; and to exercise some limited new freedoms in relation to capital expenditure.

The introduction of self-governing NHS Trusts enabled all hospitals and other units to take greater responsibility for their own affairs, so the people providing the services were making the decisions. There was a devolution of budgetary control and responsibility.

The change to Trust status involved hospitals introducing new organisational frameworks and management structures which would affect how well the Trust's requirements were met. The correct design of these structures is important, particularly when organisational and / or strategic change is being planned and introduced.

The structures that were developed aimed for the maximum amount of delegation possible in the way services were provided, both in the organisational structure and in financial management, subject to the overall responsibility of the Trust Board in statutory matters and in terms of public accountability. Trust Boards dealt mainly with the issues of major strategy affecting the Trust as a whole and would focus on major national issues.

Most Trusts are characterised by a decentralised organisational structure based on a number of clinical and service Directorates or Associated hospitals acting, as far as possible, as natural business units. In addition there is a small central core of non-clinical Directorates which provide services to all the clinical and service Directorates, together with the corporate leadership and co-ordination that is required to maintain and improve the coherence of such a highly complex organisation.

Some dental hospitals became Trust hospitals; however the majority became Directorates of a larger Trust, with substantially devolved managerial and financial power. They were empowered to develop strategic and business plans for their Directorate and be responsible for the internal management of all the services.

## 14.2 Organisational structures

The organisational and management status of the hospitals with dental technology laboratories which responded to a pilot survey in the previous study in March 1996 was:<sup>[4]</sup>

Direct Managed Units	14%	
Trust Hospitals	36%	( Figure 19 )
Directorates	50%	( Figures 20 & 21 )

Dental hospitals were either Directorates or Trusts. All Direct Managed Units became a Directorate or Trust hospital by the end of 1997.

The management structure within the laboratories which responded to the pilot survey showed great variation:

Separate laboratories each with its own manager	29%	( Figure 19 )
Separate laboratories with one overall manager	50%	( Figure 20 )
One laboratory with individual sections and with one overall manager	21%	( Figures 21 & 22 )

Some Dental Schools were incorporated into the organisational structure of the Trust hospital or Directorate, with a common managerial structure, to form a Dental Institute ( Figure 22 ).

## Examples of Organisational structures

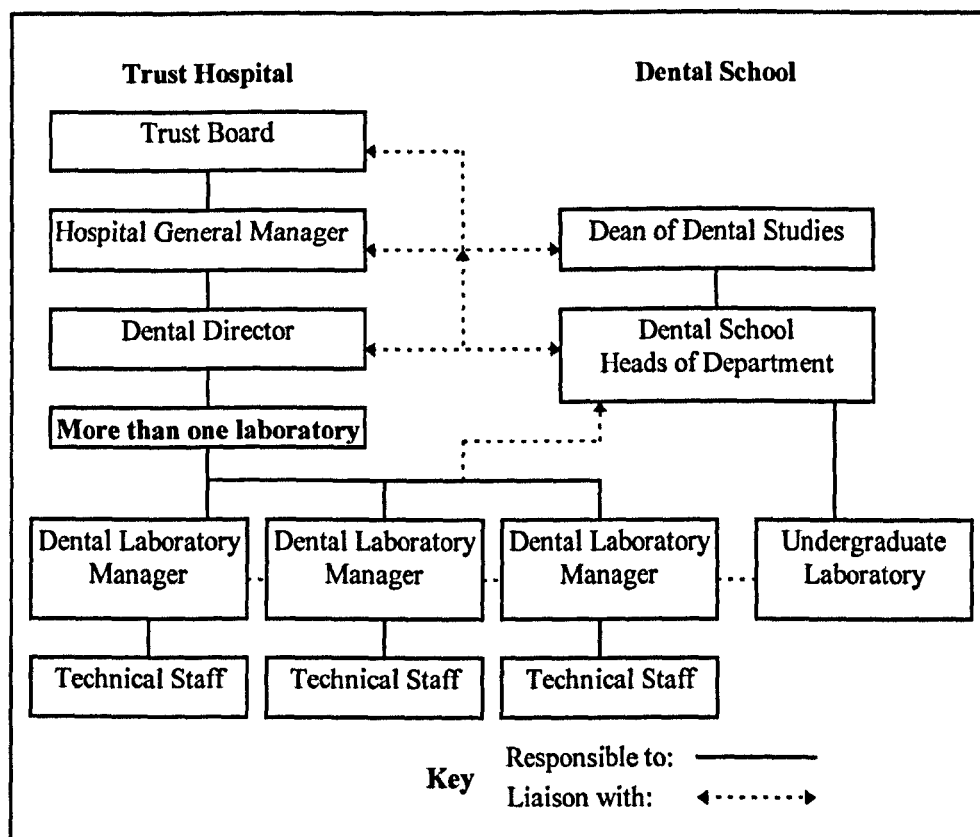


Figure 19 Dental Hospital ( Trust )

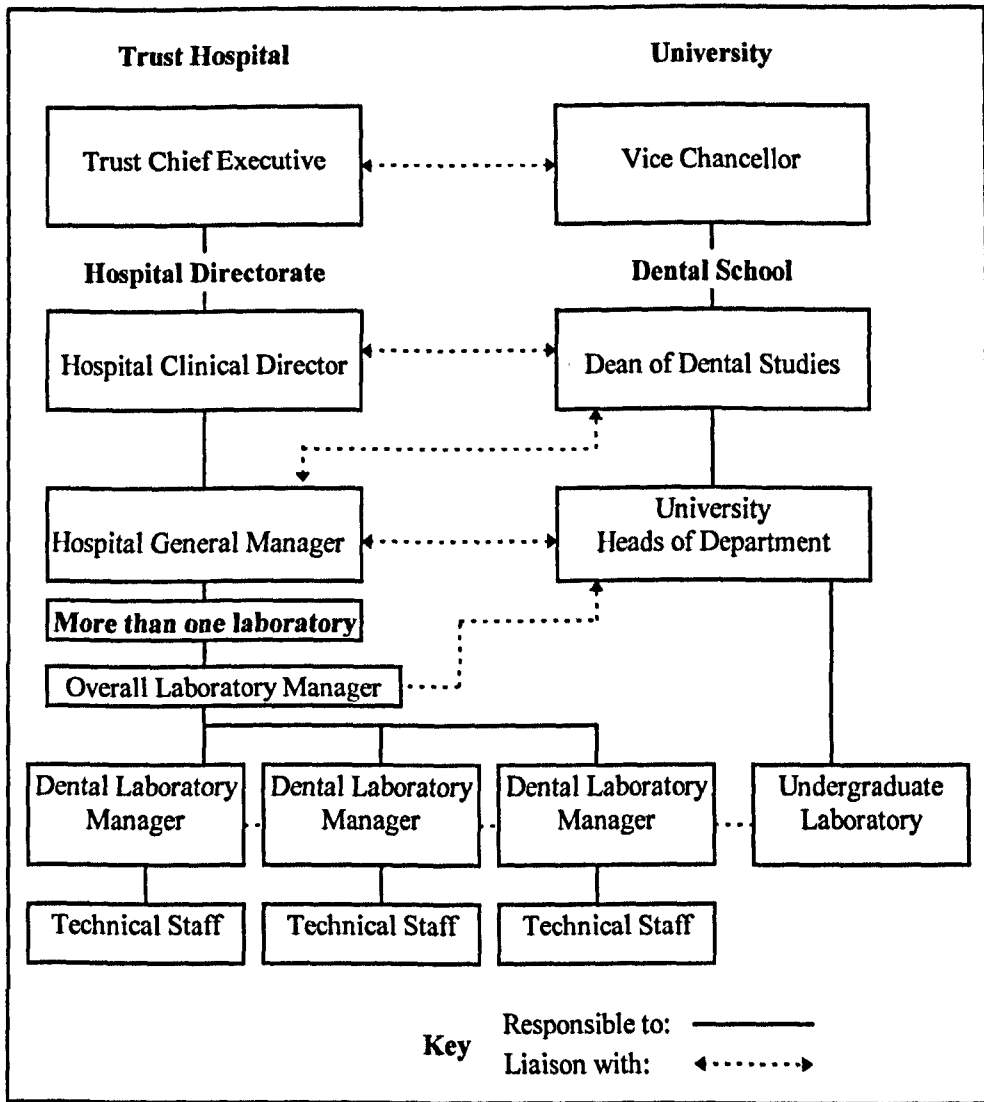


Figure 20 Dental Hospital ( Clinical Directorate ) - 1



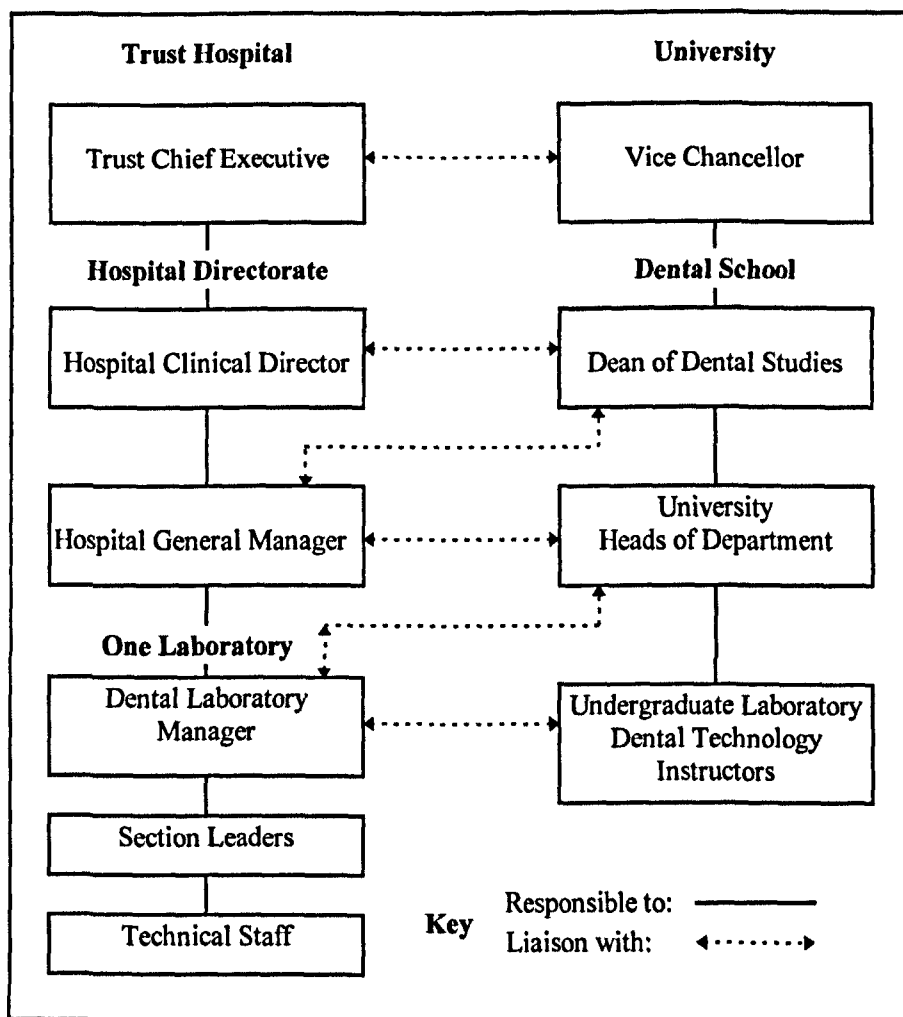


Figure 21 Dental Hospital ( Clinical Directorate ) - 2

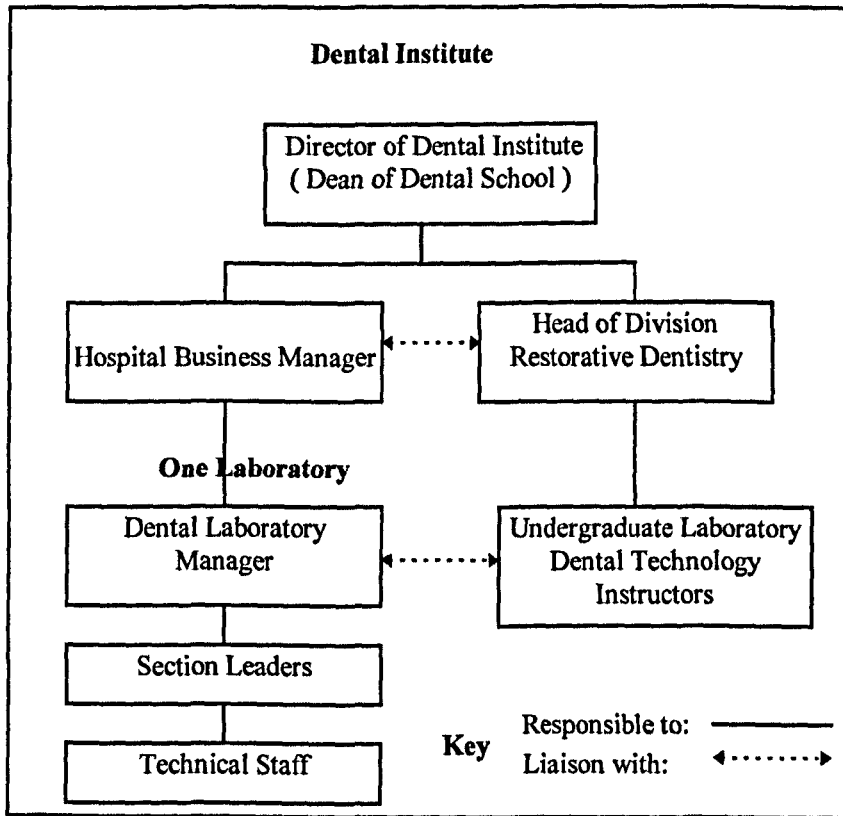


Figure 22 Dental Hospital ( Dental Institute )

## Chapter 15

### CASE STUDIES

#### 15.1 Introduction

The case studies undertaken include private and public sector organisations, including NHS, non NHS and commercial laboratories, which have been through, or, are in the process of strategic change.

An initial 20 companies were selected from “ The 100 Best Companies to Work for in the UK” published in 1997 by Nightingale Media. The companies which win highest praise in the book’s assessment are those which offer good all-round benefits, a stimulating work environment, good training, offer reward packages and who value their employees

Further information on the companies was obtained through their individual Internet web-site. Only five of the companies contacted replied, none of which agreed to a study being undertaken. A further 10 companies were selected using the method previously described, five of whom agreed to studies being carried out.

The case studies were carried out by visiting and interviewing company managers. A structured questionnaire was used for the interviews and additional written information was provided by the company.

The studies aim to provide a deeper insight into management and organisational structures, strategic planning and implementation, management style, and human resources in manufacturing and service businesses, large and small.

They have been produced with the agreement, support, and encouragement of the companies, dental laboratories and dental hospitals involved. They cover a range of topics, but do not fully encompass all the strategic issues faced by the organisations concerned.

The topics discussed include some, or all, of the following:

**1. Background**

*Formation and development of the company, the core business, acquisitions.*

**2. Management**

*Management structure, Company strategy, vision, mission, principles and culture.*

**3. Leadership and management style**

*Strategic planning, management style and leadership, communication, empowerment.*

**4. Review of the business**

*Organisational structure, operations, customers, suppliers, distribution and sales.*

**5. Human resources**

*Training and reward systems.*

**6. Quality management**

*Quality Assurance Accreditation ( BS 5750 / ISO 9002 ), Quality Awards.*

**7. Finance**

*Financial report 1993 / 1998. Company growth since its development.*

**8. Summary of the case study**

## 15.2

### *Finelist Group PLC*

#### **Background**

Finelist Group is one of the most impressive businesses to have emerged in the West Midlands in the last decade. In early 1997 the Company became the largest independent distributor of motor vehicle parts in the UK.

The idea of the Finelist Group emerged after a management buyout ( MBO ) at AP Autela in 1988. One of the leaders of the MBO was Chris Swan.

In 1986 he joined AP Autela as Operations Manager, while it was part of Automotive Products. Part of the first MBO, Chris Swan led a second MBO of Autela in 1989 under the Finelist Company name. Through consistent growth and profitability the company gained a full listing on the Stock Exchange in 1994, valued at £28m. Since becoming a PLC the Company has seen sales grow 20 fold.<sup>[34]</sup>

In the last four years the Company has acquired more than 60 others, giving it one tenth of the vehicle parts aftermarket and an annual turnover of more than £500 million. The acquisitions include:

- Edmunds Walker in 1994
- Motor World Group plc ( a leading retailer with a manufacturing and packaging operation ) in August 1996
- Ferraris Piston Service Limited ( a warehouse distributor ) in February 1997
- Maccess Group Limited ( a cash and carry supplier ) in April 1997
- Independent Parts Group ( comprising Tuborex, Autostart, Veco and MI Diesel ) became part of the Group in February 1998, strengthening the Group's packaging and manufacturing Division
- Lucas Services UK ( LSUK ) was acquired in March 1998, a business which services the diesel and electronic UK aftermarket

- Bancrofts, which is a market leader supplying paint and body requirements for accident repair centres, was acquired in May 1998 enabling the Group to develop its presence in the growing bodyshop repair market.

The significant acquisition activity described reinforces the Group's position as a leader in the UK vehicle aftermarket, and was undertaken alongside continued organic growth in existing operations. Chris Swan plans to double that share within five years but knows he cannot achieve that through acquisitions alone.

Through his dynamic management style and his decentralised operational approach to each of the Group's businesses, Chris Swan has built an organisation which leads the field in automotive parts distribution. His ability to grow existing businesses whilst integrating complementary companies into the Group's portfolio, has been successfully achieved through developing a responsive, pro-active, customer-focused culture.

## **Company Mission**

Finelist Group PLC is a market leader in its field. Its mission is to be the best and most successful company of its kind in the United Kingdom. The Company achieves its aims by providing excellent standards of service on terms which allow it to reward both its employees and shareholders appropriately. This allows the Company to prosper as a business and provide a sound base for continued future growth.

## **Company Principles**

*People* - The Company employs committed and enthusiastic people; they are the source of its strength. People are valued for what they achieve and for their contribution to the team.

*Expertise* - The Company takes care to recruit, train and develop the best people and then to provide better products and service than its competition.

*Teamwork* - The Company sets high standards, by being committed to working together to achieve the 'impossible' for its customers.

*Career Development* - The Company knows that the best people can come from within the organisation. It is committed to training and developing people for the future. Wherever possible the Company will promote from within.

*Service and Products* - The Company provides a reliable service to its customers and supplies a wide range of high quality products.

*Partnerships* - Customers and suppliers are the Company's partners. It aims to maintain mutually beneficial relationships with them and with the Company's business associates.

*Profit* - Profits are the ultimate measure of the Company's success. They are the only measure of how effectively the Company services its customers, and it is from profits that future development and investment in the business will come.

## **Company Culture**

*Accountability* - The Company takes full responsibility for the results of its actions.

*Awareness* - The Company's people are acutely aware of the need to achieve its business objectives.

*Communications* - It is a key responsibility of the Company's managers to promote open communications throughout the organisation. The Company recognises that effective communication is a two way process.

*Employment Involvement* - The Company actively encourages share ownership at all levels, either by participation in the Share Option Scheme, or through the purchase of shares.

*Style* - The Company has highly motivated teams who have the ability to get things done quickly in a systematic and cost effective way.

*Passion* - The thing that differentiates Finelist from its competition is its 'Passion for Success'.

## **Company Strategy**

Despite being a market leader, Finelist still has no more than a 10% share of the aftermarket. The Directors believe the group has established a strong position in a competitive market place and anticipate further development opportunities.

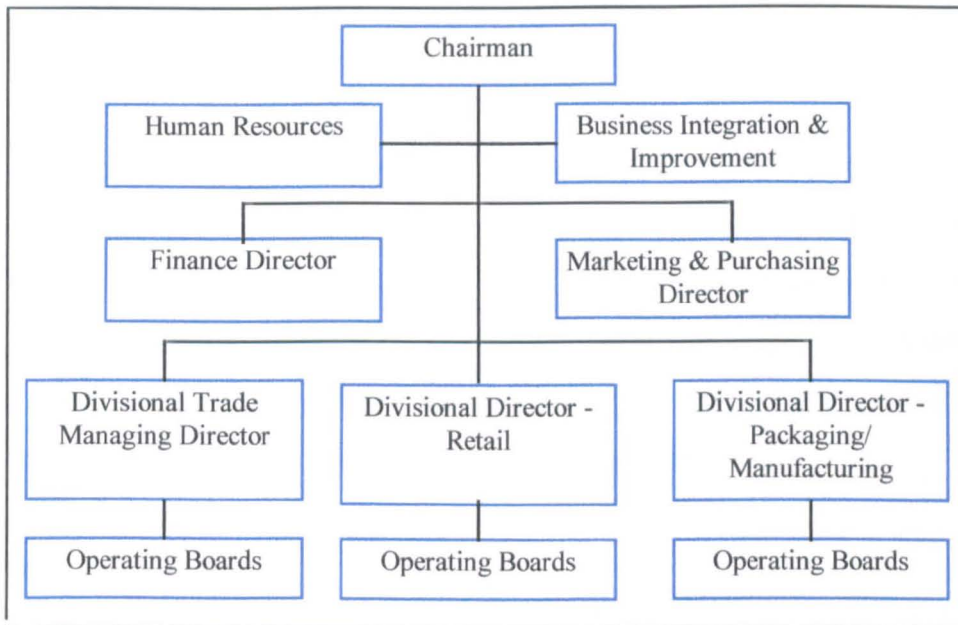
Finelist's strategy remains 'to lead the consolidation of a sector in order to maximise economies of scale and gain the full benefits of vertical integration' by:<sup>[35]</sup>

- Organic growth across the Group
- Acquisition of value-added businesses
- Further enhancing shareholder value

## **Management Structure**

This is a decentralised organisation with a flat management structure ( Figure 23 ).





#Figure 23 Finelist Group PLC - Management structure

The Group role is strategic, workforce developmental and financial / performance driven. There is a solid management line structure enabling financial and strategic control.

The Board of Finelist comprises:

Chairman & Managing Director, Finance Director & Company Secretary, Group Marketing Director, Non-executive Deputy Chairman, Non-executive Director

## Leadership and Management Style

### *Strategic Planning*

All key decisions regarding Finelist's future are made by the Company Chairman, Chris Swan. He works with three divisional directors and 14 other Managing Directors

The 14 operating boards report directly to the Chairman and there is one management level between them and their branches. Each Company branch is autonomous setting its own budget and objectives.

This structure allows for competitive and functional strategies to be changed more quickly by managers who are in close touch with the competitive environment and who will be responsible for implementing any changes. Consequently the effectiveness of the structure is very dependent on the ability of the specialist managers to work together as a team, support each other and rely on the strategic leader to co-ordinate their efforts.

### *Management Style*

Chris Swan's management style is action based leadership, utilising team skills and assertiveness ( setting objectives, team building and dealing with individuals ).<sup>[36]</sup>

He bases his leadership style around the Time Manager programme he completed in 1983. This gave him the organisational ability as well as releasing clutter from his mind.

The Time Manager system has been personally adapted and its chief benefit is to free him to concentrate on the issue of the moment, enabling him to measure progress against set goals. The majority of the Company's managers now use a time manager system, because the Company's culture is action and objective centred.

The management style and culture of the Company is very tough, and objective-led, both financial and personal. This demands building people, teams and good communications.

Employees become part of an organisation that values empowerment, personal development and clarity of purpose, the things that drive Chris Swan. He believes that the support and respect of the workforce is essential if the Company is to be successful.

This belief is highlighted in the methods he uses during the acquisition process which is completed in 100 days. A specialist team is selected to ensure the process runs smoothly and without undue trauma to the workforce. All the staff in the new Company are interviewed, put at ease and reassured that they will retain their existing terms and conditions and given an idea of the career prospects and training opportunities within the Finelist Group.

The growth the Company has developed is a result of good people coming up through the business. The whole board of directors and four out of five managers come from within the Group.

## Review of the Business

Finelist Group PLC now represents the major force in the UK automotive aftermarket, and through its five divisions operates in every section of the automotive distribution chain. It leads the field with its innovative approach to each of the dynamic market places in which it trades ( #Figure 24 ).

The group comprises some 780 sites, 7,500 employees and has a turnover of £500 million.

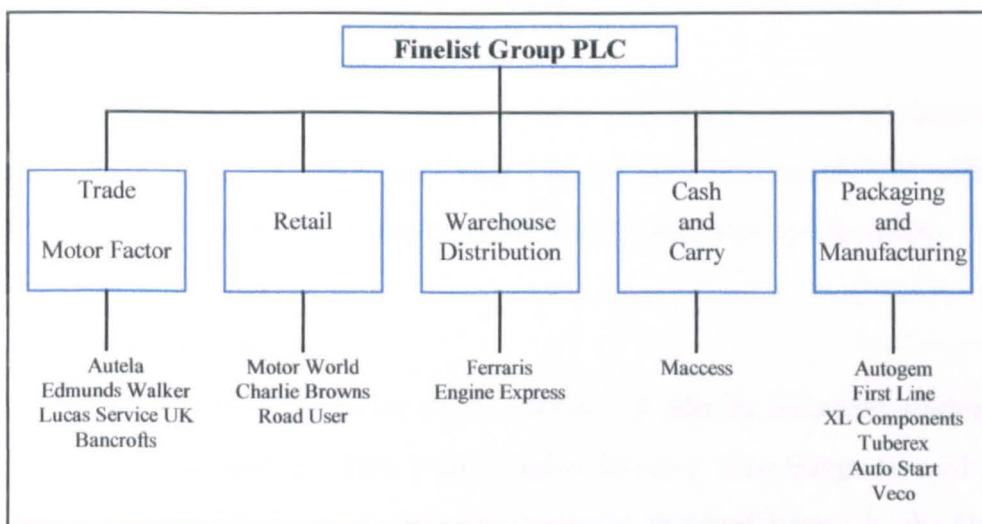


Figure 24 Finelist Group PLC - Operations

### ***Motor Factoring***

The group now operates from 310 branches under the leading brand names of Autela Components, Edmunds Walker, LSUK and Bancrofts.

The Motor Factor is a market leader, supplying motor components to 40,000 customers nationwide, and offering on-demand delivery for an extensive range of products. Motor Factor delivers to 75% of the market hourly and the balance on a once or twice a week basis.

Progress was made in customer service with the successful launch of nationwide Auto Service and the continued development of Concept 2000, the Group electronic part number interrogation system. The system already enables 1,255 businesses to run their operations more effectively and the advanced marketing programmes offer customers help with advertising, image, computer systems and training to enable them to keep at the forefront of their own markets.

### ***Retail***

There are 408 shops, predominately trading as Motor World, Charlie Brown, RoadUser, Motor Store and Car User. The retail shops operate from sites across the UK and Ireland. Over 7 million customers shop in these stores for their car care needs, which include car parts as well as car accessories.

An electronic point of sale system is now live and is providing improved information. This system has been well received by the employees and with the additional introduction of Concept 2000, future growth is now possible.

### ***Warehouse Distribution***

The division is the UK leader in its market. It has 31 locations trading as Ferraris Piston Service ( FPS ) and Engine Express. The integration of FPS was notably straightforward, since the company was well known to the Group and largely shared the same computer systems and suppliers as the rest of the Group. There were few changes to be made other than enthuse and empower the workforce, offering them enhanced career and training prospects.

Employee commitment has been exceptional, and the business is now totally integrated.

All branches are now operating on the Ferraris system which gives common stock information across the whole division. This improves parts availability and customer service.

FPS provides its customers with high availability parts from a list of over 60,000 component part numbers, delivering to all parts of the UK at least once or twice a day.

During the Group's ownership they have invested in the business, introducing additional Information Technology Systems, as well as strengthening training programmes and adding to stock ranges. This has enabled FPS to provide its customers with added value service, such as point-of-sale and increased delivery speed.

FPS is a total one-stop shop providing its customers with the service they need when they most need it. This has been the main catalyst to its strong consistent growth in the past, where in the last three years it has seen sales grow by over 15% per year.

### ***Cash and Carry***

Maccess is the leading cash and carry of vehicle parts, accessories and consumables supplying automotive retailers, forecourts factors and the garage trade.

The integration of Maccess was based on non-employee cost savings, purchasing efficiencies and employee motivation, all of which have been successfully achieved. The response from customers and employees has been encouraging.

Maccess operates from 23 strategically located outlets and supplies 25,000 customers with access to approximately 50,000 parts numbers of car accessories, car parts, car care and leisure products. Through its established management team, the Maccess group has expanded its customer base by over 10% since 1997.

Employees have also benefited from improved training programmes and wider career opportunities.

Confidence in Maccess means the Group is committed to the introduction of a new computer system which will improve customer service and sales, as well as providing additional operational efficiencies

### ***Packaging and Manufacturing***

This operates through six strong brands, including Autogem, First Line, Autostart, Tuborex, XL Components and Veco.

Rationalisation in packaging and distribution has brought efficiency savings. Investments have been made in increased warehouse storage capacity, packaging, machinery, tele-sales equipment and a more automated manufacturing process. The ordering and despatch operation has been upgraded to give next day delivery for all UK orders received up to 6pm Monday to Friday.

The introduction of First Line distribution packages has been very successful, with individual wholesalers benefiting from attractive purchase terms, high levels of service and technical support as well as marketing and business planning support. First Line is a foremost supplier with leading edge catalogues and wide product range. In both First Line and Autogem, focus has been placed on technology, sales and marketing and employee development.

### ***Group Functions***

The Group Centre provides key functions to support, measure and drive business performance.

The Business Improvement Team was established at the start of the Group's acquisition programme. It reports to the Chairman and is responsible for integrating newly acquired businesses. It also sponsors major Group projects, including the review and implementation of Group-wide programmes to achieve improved profit and performance. The team is also involved with other areas of business improvement, such as cost reduction through continual development of best practice.

### ***Property and Fleet Department***

During 1996 / 1997 the department has managed an increase in properties from 218 to 650, incorporating them into the Group's operational and computerised systems. In addition the department has managed growth in the Group's fleet from 900 to 1,650 vehicles.

### **Human resources**

The Group's Human Resources Department has been the catalyst in ensuring employees receive exceptional training and career prospects. This has been the key both to securing organic growth and to integrating all new businesses. During 1996 / 1997 the Group grew from 1,572 to 5,000 employees.

On average, all employees receive over four days per year off-the-job training in the form of coaching, sales management, management development weekends and individual counselling. In addition, product training and on-the-job training are run in all branches by operational management, with support and coaching skill training provided by the Human Resource team. To supplement this there is investment in high quality training for the Group's high flyers.

Better training has provided better customer service and employee motivation and development. Over 80% of the Group's managers have been selected from within the Group. In addition the Group has developed a pool of 160 trainee managers ready to take up operational posts in the future.

Personnel managers ensure the Group recruits the best people. They do this by offering support to operational management and spending 60% of their time face to face with employees and managers, which strengthens employee relations.

The Group's policy is that employees matter and they aim to give them every help and support to ensure they are both cared for and can deliver even better customer service and performance. In 1997 Finelist was included in the prestigious publication "The Top 100 Companies To Work For in the UK".

**Finance****Record of Results - 1993/1997**

	Year 1993 £'000	Year 1994 £'000	Year 1995 £'000	Year 1996 £'000	Year 1997 £'000	Year 1998 £'000
<b>Turnover</b>						
Continuing operations	15,041	21,215	26,519	104,718	117,213	333,565
Acquisitions	1,051	2,922	71,974	3,189	111,732	54,544
	16,092	24,137	98,133	107,907	228,945	388,109
<b>Operating profit</b>						
Continuing operations	1,131	2,081	2,941	9,086	11,165	31,337
Acquisitions	69	471	4,993	159	9,457	4,022
	1,200	2,552	7,934	9,245	20,622	35,359
Net interest payable	(191)	(98)	(746)	(694)	(2,117)	(6,751)
<b>Profit before taxation</b>	1,009	2,454	7,188	8,551	18,505	26,608
Taxation	(357)	(837)	(2,346)	(2,728)	(5,219)	(8,912)
<b>Profit after taxation</b>	652	1,617	4,842	5,823	13,286	19,696
Dividends	(253)	(572)	(1,770)	(2,118)	(5,393)	(7,332)
<b>Retained profit</b>	399	1,045	3,072	3,705	7,893	12,364
<b>Net assets employed</b>						
Fixed assets	1,427	1,652	5,041	6,646	29,393	46,387
Net current assets	539	4,198	18,089	20,357	50,241	83,135
Total assets less current liabilities	1,966	5,850	23,130	27,003	79,634	223,107
Non-current liabilities	(774)	(276)	(8,047)	(10,221)	(30,797)	(149,422)
Provisions	(53)	(69)	(128)	(227)	(2,021)	(4,803)
Shareholder's funds	1,139	5,505	14,955	16,555	46,816	68,882
Operating margin	7.5%	10.6%	8.1%	8.6%	9.0%	9.5%
Earnings per share	2.7p	7.3p	14.8p	17.1p	22.9p	26.7p



## ***Summary of the preliminary results for the year ended 30 June 1998***

- Turnover up 70% to £388.1 million, including over 5% organic growth
- Like-for-like increase in national account revenues
- Operating profit up 80% to £37.0 million ( 1997: £20.6 million )
- Operating margins up to 9.5% ( 1997: 9.0% )
- Pre-tax profits up 64% to £30.3 million ( 1997: £18.5 million )
- Net operating cash flow up 139% to £21.8 million ( 1997: £9.1 million )
- Interest cover 5.5 times
- Earnings per share up 17% to 26.7p ( 1997: 22.9p )
- Increase in full year dividend to 8.9p ( 1997: 7.65p )

### **Quality**

Quality is maintained through a combination of self-criticism and benchmarking, of external measurement with ISO Quality Management Systems and Investors in People as well as the pure cultural belief that the company will never be good enough. Finelist believes that quality is determined by the way the customers perceive the Company

### **Finelist Group PLC - Summary of Study**

The Company's strategy has been developed and driven by one person, the Chairman Chris Swan. He created a vision of a large service based organisation and pursued it by developing a de-centralised organisation through the acquisition of other companies.

Finelist has grown almost meteorically since its flotation in early 1994. Organic growth has certainly contributed to this, but a primary drive has been the acquisitions and how those acquisitions have performed as part of the Group.<sup>[37]</sup>

An excellent record, clear strategy, able management and proven acquisition record have ensured sustained growth within the Group

The full implications of the Group's strategy within, specifically, the auto-parts aftermarket can be seen as not just building a broader service operation across the whole spectrum of the market, but, in seeking to introduce improved efficiencies and a changed operating 'culture', as maximising the increased power of the enlarged Group, particularly on the buying side. It is also pro-actively seeking to capitalise on the additional opportunities for each of the Group's business segments that are being created by the broader presence across the market.

Strong leadership, the grouping of functions, and the importance placed on team building, empowerment, training, personal development and good communications have proved to be fundamental to the success of the Company.

The success of the Finelist Group therefore, has been as a result of:

1. A decentralised, entrepreneurial structure with tight financial controls.
2. Strong leadership
3. Highly trained, motivated and empowered staff.
4. Leading edge systems being continuously improved.
5. An emphasis on added-value customer service.
6. Investing ahead in management and infrastructure for future growth.

## 15.3

### *Bracon Limited*

#### **Background**

Bracon Limited was registered as a Company in 1952 under the ownership of a former Harley Street, London, dental technician. The aim of the Company was to provide dental materials to dental laboratories.

In 1974 the company was bought by Michael Viney, a former technician in the Royal Air Force, and who is now Managing Director of the Company.

The Company was first based in Cranbrook and then moved to Rolvenden in Kent, with most of its customers based in the south of England. Fifteen years later the Company moved to Hurst Green in East Sussex before moving to its present base in Etchingam, East Sussex.

The new site comprises a reception area, management and administrative offices, stores, receipt and despatch area, training laboratory and conference rooms.

Bracon now provides a comprehensive service of quality materials and equipment to commercial and hospital dental laboratories throughout the UK, and sales have recently expanded as far as Saudi Arabia, Gibraltar and Canada. Bracon has now achieved Quality Assurance Standard ISO 9002 accreditation and appointed a Quality Manager.

#### **Company Mission**

Bracon's objective is to provide a wide range of high quality dental products to its customers. The Company is committed to providing an excellent standard of service and maintaining strong communication links and working relationships with its customers and suppliers.

Bracon is committed to developing the knowledge and skills necessary to meet the demands of its customers.

The Company will continue to employ people who are committed to Bracon's future and who will be recognised for their hard work and dedication.

## Company Strategy

The management team are confident that the Company will continue to maintain its strong position in a competitive market place and expand its customer base by promoting and supplying specialised dental products to the dental profession.

## Management structure

This is a centralised organisation with a functional structure ( #Figure 25 ).

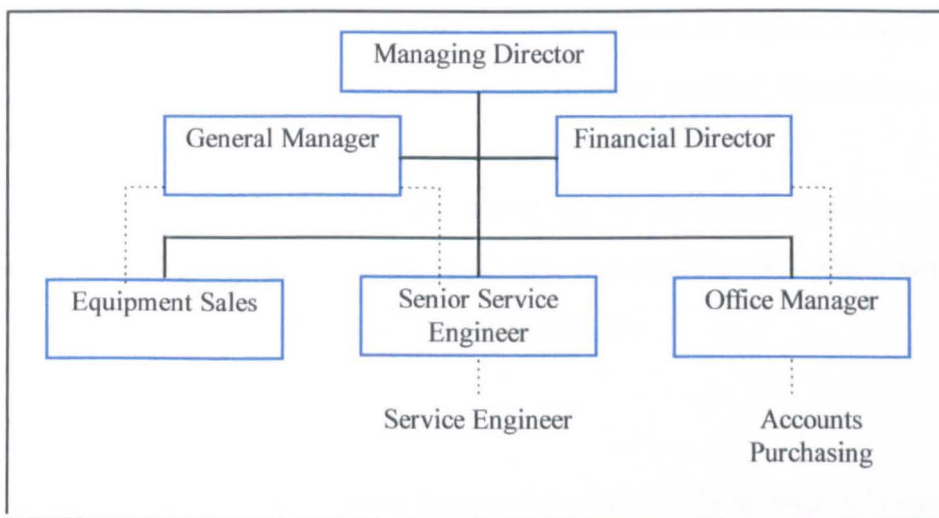


Figure 25 Bracon Limited - Management structure

The Management Team at Bracon Limited comprises:

- Managing Director
- Finance Director / Personnel Manager
- General Manager - Sales, Purchasing, Marketing

## **Leadership and management style**

### *Strategic Planning*

Bracon's structure is divided into specialised functional areas and built around the tasks to be carried out. Managers have been placed in charge of these departments and are responsible for these functions.

Policy decisions are made by the Managing Director, Michael Viney, and the Company's management team is responsible for strategic planning, development and implementation. Responsibility for some change projects is devolved to heads of departments in the affected areas.

The management team's valuable individual specialist expertise has been used to plan and implement strategies which have enabled Bracon to compete favourably with its competitors.

The Company's success has been largely due to the ability of the managers and the managing director to work as a team and support each other, with simple lines of communication between these managers.

### *Management Style*

The Managing Director is the driving force behind the Company's success. He has ensured that he has stayed informed and responsive to changes within the product market and dental profession. He has kept in touch with the views of the customers and activities of the Company's competitors.

Through his 'hands on' management style he has gained the support of his managers and employees. He has developed a culture in which all the people are working for the success of the Company.

## Review of the business

Bracon employs 30 people and supplies a full range of dental laboratory products, teeth, precious and non-precious alloys, laboratory furniture and equipment. Bracon also acts as a wholesaler to agents / dealers who sell Bracon products. The Company also provides a comprehensive after sales service, including the servicing and repair of dental equipment. There are five functional departments within the company ( #Figure 26 ).

Bracon has 212 suppliers of dental products and equipment, the main ones being in Germany, Italy, Belgium, France, USA and Japan. The Company supplies 2759 dental laboratories and 30 dental practices throughout the United Kingdom and Ireland.

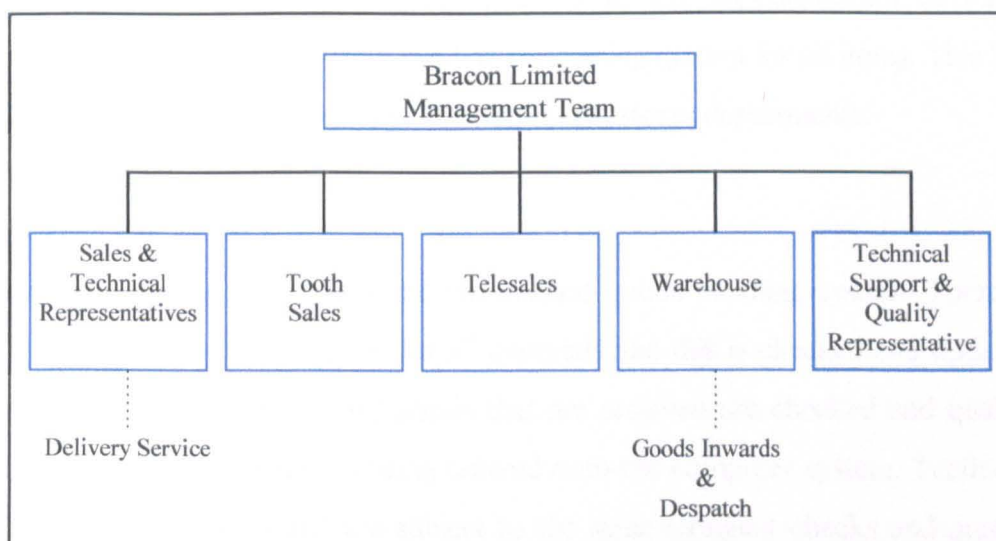


Figure 26 Bracon Limited - Operations

Bracon's computer network is UNIX based and the Company uses off-the shelf software for sales, stock control and word processing. There are currently 26 computer terminals on site with provision for expansion. The system is protected by a UPS automated backup computer. Bracon had already installed software to comply with the year 2000 at the time of the visit.

### ***Sales***

The sales and stores departments are the responsibility of the General Manager who also has overall responsibility for marketing, buying and wholesale aspects of the business. The sales representatives come under his supervision.

The Company relies heavily on the 4 tele-sales staff and 6 sales representatives for accepting and processing orders. They provide the essential communications link between the customers and the company and help promote and maintain the good reputation the company has built over the years. The provision of a good customer service has been an important feature of this success.

Implementation of ISO 9002 has resulted in the standardisation of batch numbers and introduction of a product processing system for all items. This has improved the overall efficiency of the sales and stores departments.

### ***Warehouse***

Bracon operates an efficient and streamlined goods handling system. There is an automatic ordering system for all materials and this is checked and updated by the General Manager. All goods that are received are checked and quality control carried out prior to being entered onto the computer system. Teeth are dealt with separately and are subject to the same stringent checks and quality control procedures.

### ***Purchasing***

The purchasing department is responsible for the ordering, registration and documentation of shipments, and transportation of goods from suppliers.

There are on average 1000 invoices from 200 suppliers being processed each month. All payments to suppliers are made through an electronic banking system.

### ***Accounts and Credit Control***

These departments are responsible for invoicing and receiving payments from customers and suppliers, and notifying customers of outstanding accounts. A monthly computer analysis report gives details of outstanding payments. Initial requests to customers for outstanding payments are made by telephone, followed by written requests if payments are not made by the customer. Between 500 and 600 letters are sent to customers each month, but the majority of customers do respond to the initial telephone call.

### ***Packaging and delivery***

Packaging is carried out under controlled conditions. All products and documents are correctly identified while in storage and transit, and appropriately protected to avoid damage during delivery. All orders are cross checked by a second member of staff on receipt from a supplier or prior to dispatch to a customer.

Deliveries to London, Kent and Sussex are made by company drivers. Sales representatives also provide a delivery service to their customers. This coincides with their monthly visits.

All other deliveries are made by Business Post who provide a next day service for packages under 2 kilograms or Carrier Services for goods over 2 kilograms. Goods can be delivered before 9.00am next day on request.

Bracon has a direct computer link with the delivery services and special labels are printed for all packages. This system allows for goods to be traced quickly if the need arises.

### ***Equipment***

Bracon engineers offer an installation and repair service for equipment supplied by the Company. Laboratory furniture purchased by the customer is also installed by the engineers. Bracon offers a dental laboratory design service and supplies laboratory furniture to new laboratories or those undergoing refurbishment.



## **Human Resources**

Bracon's philosophy has been to recruit young people to the Company and allow them to develop through in-house and external training courses. Bracon is committed to career development within the Company.

Staff are kept up to date with information on new products and price changes through regular meetings and information sheets.

More responsibility ( empowerment ) for employees has been introduced over the years. This has developed a feeling of trust between staff and management and had a positive affect on staff morale. Staff have become more motivated.

In a Company with such a small number of employees, emphasis has been put on employee performance in relation to customer service rather than personal development planning.

The majority of sales representatives have come from a dental technology background. Having a knowledge of dental laboratory materials and equipment means training is centred around specific Company products, knowledge, customers and sales training.

## Finance

### Record of Results - 1993 / 1997

	Year	Year	Year	Year	Year
	1993	1994	1995	1996	1997
	£	£	£	£	£
<b>Turn over</b>	2,925,253	3,133,346	3,357,931	3,610,749	3,651,485
<b>Operating profit</b>	81,257	64,724	130,569	142,825	106,140
Sundry Income	4,130	4,093	3,600		
<b>Net interest payable</b>	55,007	55,139	57,207	71,259	79,581
<b>Profit before taxation</b>	30,380	13,678	76,962	50,652	16,421
Taxation	7,901	0	18,125	20,914	10,138
<b>Profit after taxation</b>	22,479	13,678	58,837	71,566	26,559
Dividends	0	12,000	0	0	0
<b>Retained profit</b>	22,479	1,678	58,837	50,652	16,421
<b>Net assets employed</b>					
Fixed assets	318,943	331,845	321,905	551,089	739,444
Net current assets / ( Liabilities )	(43,794)	(49,751)	7,939	30,254	(55,370)
<b>Total assets less current liabilities</b>	275,149	282,094	329,844	581,343	684,047
Non-current liabilities	(12,289)	(17,556)	(6,469)	(207,316)	(293,626)
<b>Shareholder's funds</b>	262,860	264,538	323,375	374,027	390,448

Courtesy of Bracon Limited, September 1998

### *Summary of results for 1993 - 1997*

- Overall turnover up 19% ( £726,0232 ) between 1993 and 1997
- Profits up 61% ( £36,358 ) between 1993 and 1995
- Profits down 72% ( £42,416 ) between 1995 and 1997
- Fixed assets up 56% ( £42,0501 ) between 1993 and 1997<sup>[38]</sup>

#### *Contributing factors*

- Acquisition of the new premises at Etchingham and associated overhead costs
- Installation of the new computer network
- Installation of the new internal telephone system
- A reduction in sales to commercial laboratories providing an NHS service

Changes in dentistry are causing a considerable reduction in laboratory work to the extent that many commercial laboratories are becoming non-viable.<sup>[4]</sup> There has been a substantial move to the private sector as patients become more aware of the dental services that are available to them through the private sector.

Laboratories are now looking to provide a more extensive private service. They are taking the view that with the new changes that are being introduced, dentists will only be able to provide a limited service and this will affect the type of work available on the NHS.

This has had a knock-on affect on the dental trade. Commercial laboratories undertaking private work are ordering fewer materials because they need to produce less for the same income. This has increased the competition between dental companies and brought prices down.

Bracon's strategy is to promote and sell a number of high quality dental products for the private sector, and offer courses in the use of these products and technical support.

This, together with the existing customer base would provide the Company with the appropriate financial structure and funds to achieve its overall objectives of maintaining long term, consistent, above average performance. This will keep the Company's valuation relatively high, making it less vulnerable to a predator and making it easier to raise finance in the future.

### **Bracon Limited - Summary of Study**

The Company's strategy has been driven by the vision of Managing Director Michael Viney who, through his hard work, personality, and support of his management team, has created a service based business that can compete favourably with its competitors.

Bracon has grown over the years since being bought by Michael Viney in 1974. There have been successive waves of change aimed at transforming the Company in all its aspects. An important aspect has been the attitudes of the individuals and promotion of teamwork which has led to the Company's success and survival during difficult times.

The success of Bracon therefore, has been as a result of:

1. A centralised, entrepreneurial, functional structure
2. Strong and effective leadership by the management team
3. Teamwork
4. Product availability and competitive prices
5. An emphasis on quality products and customer service
6. Investing in infrastructure for future growth

## 15.4

### *TNT UK Limited*

#### **Background**

##### **TPG. The Global Express, Logistics and Mail Group**

TPG, the TNT Post Group, is one of the world's most innovative and dynamic transportation organisations. The Group employs a total of approximately 100,000 people operating from 3,000 locations in over 200 countries and handling billions of consignments every year.

The Group operates in many modes of transport. There are over 20,000 TNT trucks, vans, cars and motorcycles. In the air TNT has a fleet of 38 aircraft.

TPG is a major provider of domestic time-sensitive delivery services in Australia and Europe with developing operations in China and the rest of Asia. There are offices and depots in North America and in the former Eastern Block.

##### **TNT UK Limited**

TNT UK Limited started trading in the United Kingdom in 1978 when the TNT Group acquired Inter County Express Limited, a Northern based, reliable and successful carrier which provided at that time a profitable three day parcels delivery service. The Company had 500 employees with a turnover of £5 million per annum.

Until 1980, when TNT UK Limited introduced its TNT Overnite service, none of the parcel carriers in the UK had provided a nationwide, on demand next day delivery service, and systems to communicate with drivers on the road were almost non-existent.

The Company equipped all its vehicles with radios which enabled it to immediately collect parcels upon receipt of telephone requests from customers.

The Company also progressively introduced various other key innovations.

TNT's original next day delivery service was complemented in 1982 by the introduction of TNT Sameday, thus allowing the business to offer a full range of specialist nationwide door to door express delivery services including a new to the market on demand nationwide same day delivery service.

Over the next few years TNT Express UK Limited attained leadership in a number of transport sectors beyond the developing parcels market. A key factor in the Company's success was the ability to identify gaps in the market which it continued to fill throughout the mid 1980s.

In 1996 TNT UK became part of KPN, the Netherlands based company. The TNT Post Group ( TPG ) was formed as part of a corporate re-structure of KPN and is now one of the largest transport and distribution organisations in the world. TNT UK has complete operational and profit responsibility, retaining full autonomy in the management of its day to day activities.

Since 1978 TNT Express UK Limited has grown from strength to strength with the development of an immense portfolio of innovative, market leading services. The Company's turnover has grown in 15 years from £6 million a year to well over £7 million a week. TNT operates a fleet of more than 3,000 vehicles, across 400 locations in the UK and employs more than 9,300 people. The Company is client focused and enjoys an excellent reputation for customer care.

Sophisticated IT systems are at the heart of the Company's time sensitive operations. The TNT UK developed Universe ( Uniform Versatile System for Europe ) system is one of the most advanced Unix computer applications in the world. It provides the Company with the processing power to track, monitor and control millions of urgent consignments each year. Communications and handling technologies are essential to TNT's business and the Company has developed leading edge systems which enable it to compete with, and out perform opposition service providers.

The Company has achieved success in recent years by aspiring to win the European Quality Award and this involves working with the European Foundation for Quality Management ( EFQM ) business excellence model.

There are three main elements of the Company's winning formula which have been developed over many years:

- a) *Customer focus* - the Company is in business to provide excellent service and this involves providing all employees with the power to provide instant customer satisfaction.
- b) *Continuous improvement* - the Company is operating in ever-changing markets and must improve day in day out to stay ahead of the opposition.
- c) *Everyone involved* - the Company wants to receive as many ideas as possible for improving the business from people employed throughout the Company and this will help build on the Company's market-leading position.

### **Company Vision**

To be the best and most successful provider of time-certain express delivery and logistic services in the United Kingdom.

### **Company Mission**

To empower employees to give customers excellent service, which requires upholding Company principles for the benefit of all stakeholders involved in the organisation thereby enabling the Company to achieve its vision.

### **Company Stakeholders**

*People* - The Company employs enthusiastic people and gives them the necessary resources, training, rewards and recognition, thus enabling all employees to maximise their individual contributions to the success of its business.

*Customers* - The Company provides a unique range of reliable time-certain express delivery and logistic services which are continually developed in partnership with its customers to satisfy the ever changing needs of the market.

*Shareholders* - The Company maximises shareholder value by involving all of its stakeholders and suppliers in providing market leading services which satisfy the Company's customers within a framework of continuous improvement and sound financial management.

*Society* - The Company benefits society by operating safely, caring for the environment, helping appropriate voluntary organisations and promoting business excellence.

## **Company Principles**

*Customer care* - Always listening to and building first class relationships with its customers to help the Company provide excellent standards of service and client satisfaction.

*Leadership* - Inspiring all members of the TNT team to be outstanding achievers and building on the Company's "make it happen" policy through clear direction, support and accountability.

*People* - Recognising individual and team achievements, promoting from within wherever possible, and encouraging everyone to enjoy rewarding careers which provide security and job satisfaction.

*Communication* - Working hard at all times to encourage clear and honest two-way communication which fosters teamwork, the Company's 'must get through' attitude, and staff involvement through an open management style.



*Resources* - Employing the best people in a first class working environment and supporting them with ongoing training, reliable equipment and up-to-date systems.

*Suppliers* - Sharing the Company's plans with suppliers to help them obtain best value from bought in goods and services through long lasting relationships which are beneficial for both parties.

*Processes* - Continuously identifying better ways of working through innovation and the involvement of everyone in the ongoing measurement, review and improvement of all activities undertaken in the Company.

*Impact on society* - Earning recognition as a good neighbour, minimising pollution, reducing waste and helping the community through relevant youth and charity initiatives.

*Business results* - Achieving sustained growth and profitability for the benefit of all stakeholders in the business through a 'get it right first time' approach and always striving to "beat our previous best performance."

## **Company Culture**

*Care* - Being sensitive and responsive to the needs of the customers.

*Quality* - Producing consistent and reliable performance.

*Accountability* - Taking full responsibility for the results of one's actions.

*Innovation* - Developing improved methods of satisfying customer needs.

*Profit growth* - Always striving to beat the previous best performance.

## Management structure

This is a centralised functional structure ( #Figure 27 ).

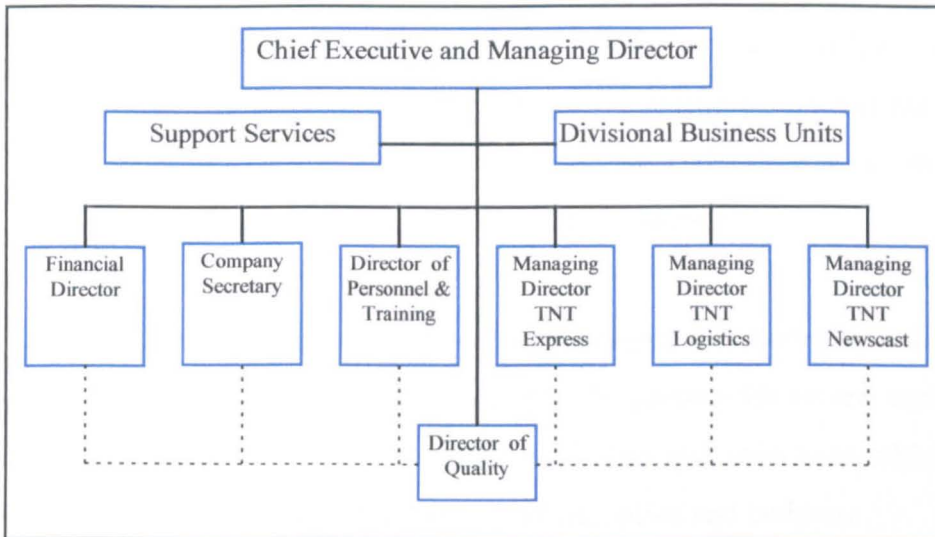


Figure 27 TNT UK Limited - Management structure

The Board of TNT UK Limited comprises:

Chairman

Managing Director and Chief Executive, TNT UK Limited

Non-executive Director ( formerly Deputy Managing Director and Chief Operating Officer, TNT Northern Europe )

Director of Administration and Company Secretary

Group Financial Director

## Leadership and management style<sup>[39]</sup>

### *Strategic planning*

TNT has an annual strategic planning system supported by quarterly board meetings to discuss corporate plans and budgets, all of which are continuously monitored and reassessed. Every location and cost centre in the Company inputs to the budget and plans. Each budget preparing manager allocates resources to achieve his / her objectives.

The board prioritises resource issues by reference to the Company vision and mission which are ingrained in the business.

The Company's strategic planning process is co-ordinated by the Financial Director. There is an interface with the parent Company to ensure TNT UK and Group objectives are compatible, otherwise there is complete autonomy. Improvement of the process is effected by identifying and sharing practice within the TPG Group, external benchmarking and reference to established business theory, published material and outside advisors.

The strategic planning process involves identifying the strengths and areas for improvement by annual self assessments. The process via review and analysis converts the defined inputs into high level aims and objectives which in turn help the Company produce detailed forecasts, plans and budgets.

All locations and functions prepare their business plans to support the Company policy and strategy over the forthcoming year. In the third quarter the location and functional managers consult with their direct reports and team leaders to review progress against the current year business plans and to prepare plans for the following year. It is at this point that bottom up input and acceptance is gained. Middle managers consult with first line managers and supervisors who in turn consult with their team members to ensure there is input and awareness at all levels in the organisation.

Once the plans have been refined by discussion between preparing managers, and regional and divisional directors they are presented at corporate level. Main board members re-evaluate the feasibility of the plans and align them with the overall Company policy and strategy.

The planning process is reviewed every year by the board and the divisional managing directors to ensure detailed plans are compatible and that the process is effective in supporting Company policy. Improvements are put forward at this stage.

### *Management style*

Every TNT site displays a copy of the TNT vision and mission statement. It is signed by the Chief Executive Officer ( CEO ) and it demonstrates the Company's commitment to a culture of Total Quality Management. Each year the TNT UK board reviews and commits again to the mission.

The principles are cascaded via the Company's organisational structure ensuring that everyone understands the overall mission and how this links to their individual objectives and goals.

Managing Directors of the trading divisions sign their own customer care charters which form personal undertakings to meet and exceed the customers expectations.

Each year the Company brings together all its managers at annual conferences. Directors and executives make presentations on the Company's principles, plans and quality improvements.

The Company's organisational structure facilitates upward, downward and lateral communication. Managers at every level interact with staff. Top level review is provided by the quality committee which includes the quality director and divisional managing directors and is chaired by the CEO. The committee is serviced by the quality manager who co-ordinates quality activities and assists the divisional and site quality representatives.

Each trading division has a quality representative who reports to the quality committee. Every TNT location has a management representative who leads local quality work. These representatives drive improvement activities and implement divisional and Company-wide initiatives at their locations.

Quality is an integral part of the TNT operation, which has adopted the European Business Excellence Model ( EFQM ) as a structured framework which not only pinpoints the Company's current position but also provides the means to plan, achieve and measure progress. Quality representatives hold operational or line positions and incorporate quality responsibilities within those roles. The quality representative is the most senior manager on site or his / her deputy.

The entire TNT UK workforce undertakes customer care and quality training. Managers are trained as facilitators and cascade the training to their direct reports. The senior manager from each location attends an initial course and then leads groups of up to fifteen of his / her own staff until everyone is trained.

Team meetings and projects take place at all locations and are attended by the quality representative with members of the management team. Management can be approached not just at regular depot meetings but at any time on quality matters. Timetabled depot meetings and briefings enable quality matters to be addressed formally. The Company's open door policy and management by walking about make it clear none of the managers is ever too busy to discuss quality. The Company has a Group-wide "open door" policy to maximise accessibility of managers.

The Company's communication structure includes depot briefings and regional meetings together with divisional and national management events which examine and review the whole quality process.

### *Leadership*

The Company measures the effectiveness of its approach to leadership by reference to people surveys. Leadership effectiveness criteria are checked and also tested via surveys which include questions on communication, recruitment, appraisals, support, planning and setting standards.

Survey feedback is incorporated in site, regional, divisional and Company-wide action plans so that leaders at all levels can identify their own personal priorities and plan their responses.

Effectiveness of leadership is also measured by consistent improvement in the Company's self assessment score against criteria set in the European Foundation for Quality Management model.

## Organisational structure

TNT UK Limited is a centralised, divisional organisation.

Within TNT UK Limited there are three major trading divisions ( #Figure 28 ), each of which specialises in a particular sector of the market.

These are:

**TNT Express Delivery Services** ( known as TNT Express ) which offers a unique range of reliable time certain parcel delivery services within the UK.

**TNT Newsfast** which is the leading carrier of national newspapers and magazines in the UK.

**TNT Logistics** which provides specialist warehousing and transport solutions for major companies which cannot justify exclusive use of distribution resources.

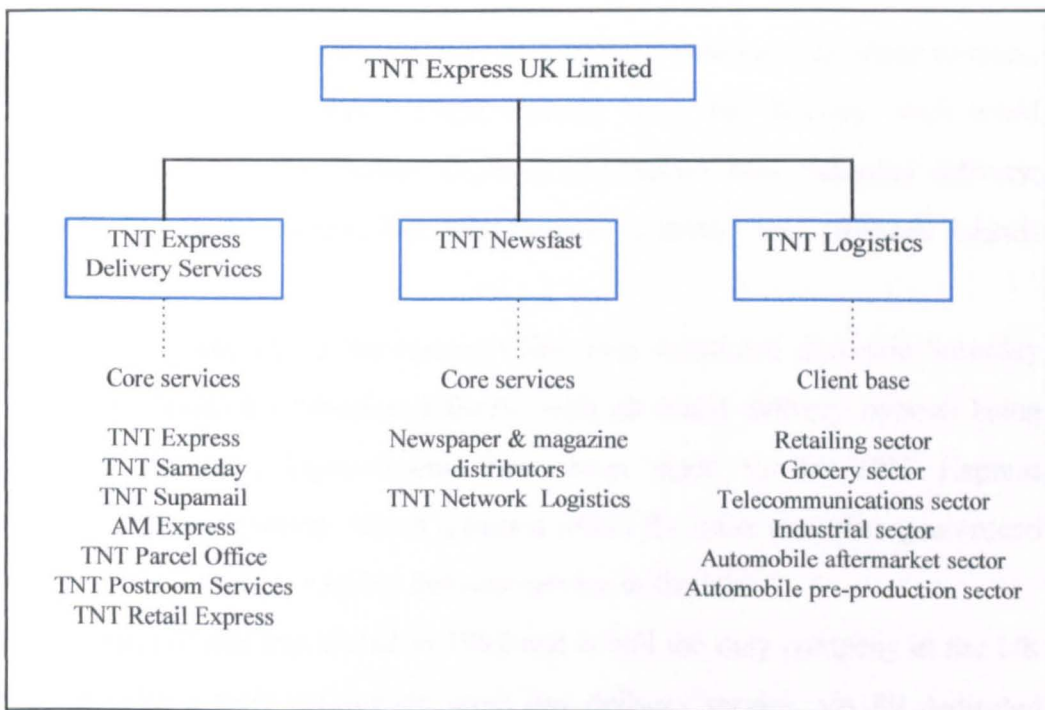


Figure 28 TNT UK Limited - Operations

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## **Review of the business<sup>[39]</sup>**

### **TNT Express Delivery Services**

TNT Express Delivery Services is the largest division. The core business is on demand, door to door, sameday and overnight delivery. TNT Express employs 5,500 staff and the time sensitive products carried by the Company range from human transplant organs to urgently required automotive parts.

Fifteen years ago, express delivery meant delivery within two or three days - and that was considered fast. But, as demands for improvement in all aspects of business efficiency have increased, so has the need for faster, reliable delivery and time sensitive services.

Today there are many companies offering specific express delivery services, but only TNT Express Delivery Services offers such a comprehensive choice.

The core services within TNT Express Delivery Services are **TNT Express, TNT Sameday and TNT Supamail.**

TNT Express is the flagship service. It focuses on nationwide, door-to-door, guaranteed express delivery. These include: Next day delivery, with timed options of Before noon, Before 10.30am and Before 9am; Saturday delivery; Carriage Forward delivery; Northern Ireland delivery; and Offshore Islands delivery.

TNT Express also offers the country's first ever scheduled domestic Saturday collection service for Monday delivery, with all timed delivery options being available. Recently, improvements have been made to the TNT Express guaranteed delivery areas, which means it offers the most complete guaranteed next day, door-to-door express delivery service in the UK.

TNT Sameday was introduced in 1982 and is still the only company in the UK that provides a truly nationwide same day delivery service, via 80 dedicated locations. Utilising motorcycles, vans and trucks, the service is available 24 hours a day, 365 days a year.

TNT Supamail is a secure next morning delivery service for urgent business mail, documents and small packages. It provides a guaranteed service for items considered too urgent or important to send by ordinary post. The full range of timed options are available. *Lateline*, a late collection service until 7.00pm is available for most major UK cities, with nationwide next morning delivery as early as 9.00am.

In recent years TNT UK has successfully developed tailor-made distribution services for specialised industries. *Printline* specialises in the distribution of print, point-of-sale and marketing material. *Meditrans* meets the distribution needs of companies in the medical and healthcare industries. Also included within TNT Express Delivery Services are specialist services such as *TNT Postroom Services*, *TNT Autoparts Express* and *TNT Technology Express*.

TNT Postroom Services provides on-site service and security for inter-office postal systems. A dedicated TNT team sorts inter-office mail at a centralised location for guaranteed delivery before 9am the next day. It's a service designed to save the customer time, money and space.

TNT Autoparts Express is a recent addition to the portfolio. It utilises a Shared-User-Single-Industry (SUSI ) network to provide a unique handling and distribution service for the automotive market.

TNT Technology Express, also a new development, uses a Shared-User network to provide a comprehensive range of distribution services tailor-made for 'Hi-tech' industries such as computing and telecommunications.

TNT Express Delivery Services was the first company to introduce guaranteed next day delivery to the UK in 1980. Today, next day delivery is the largest sector within the express delivery market.

TNT Express' achievements have set the standards for the industry. The demand for Before 9am delivery has increased by 29% over the past three years.

In comparison, usage of the TNT Express Before 9am delivery service has actually grown by more than 50%. This is a clear indication of customer confidence in the service.



Another successful response to market demands is the TNT Express Saturday Collection for Monday delivery service. Recognising that many industries now operate six or even seven days week, the Company made an important move and offered this improved service for customers, setting yet another precedent for the industry.

To meet the ever-increasing demand for fast, efficient service, TNT Express Delivery Services upgraded its automated parcels sorting system at Atherstone during 1995, to provide a 40% increase in sorting capacity.

TNT Express Delivery Services is always looking for ways to improve its service. To help combat the problems of traffic congestion, the Company is expanding its network of strategically located terminals, the most recent being Croydon, Park Royal, Inverness and Crawley.

Technological innovation also plays a major role improving service standards. The Company has developed TNT Tracker, a unique voice response computer system, which customers can access via telephone and TNT Track 'n' Trace, an on-line Internet based system. Both systems confirm the customer's consignment details and tell them the time their parcel was delivered and exactly who signed for it.

The Company has also made a £3 million investment in new in-cab terminals for its fleet of collection and delivery vehicles. The Private Mobile Radio System (PMR) transmits collection requests to drivers as soon as they are received.

A £6 million project to move all operational, administrative, sales and financial computer systems onto a new computer network is currently being introduced. The new system, called TNT Universe, will enable the Company to respond even more quickly to changes in the express delivery market and to further improve customer service.

Ideas for improvements from the TNT Express Delivery Services team are positively encouraged. In fact, the parcel-check weighing and routing system, known as GIZMO, was originally the idea of an employee. There are also a number of performance related incentive schemes, recognising and rewarding staff at all levels.

Commitment to continuous improvement helps the Company ensure it stays ahead of its competitors, motivating all of the Company's people whilst meeting and exceeding the expectations of its customers.

### **TNT Newsfast**

TNT Newsfast was launched in response to the demand by national newspaper publishers for a flexible, responsive delivery system that could support the changes delivered by Fleet Street new technology.

Established in 1986, the Division was the first operator in the country to provide a road based national distribution service for newspapers, a concept previously thought to be unworkable.

Ten years later, they provide the UK's most comprehensive, reliable and adaptable transportation service for a wide range of prestigious newspapers, magazines, publishers and distributors.

TNT Newsfast handles every stage of the distribution process, from the printing plant through to the wholesaler. It distributes twelve national newspapers - including The Times, The Financial Times, The Daily Express, The Sun and The Daily Telegraph to a national network of around 130 regional wholesalers every day. TNT Newsfast makes a further 2000 wholesale deliveries a week for 1200 magazine titles, including The Radio Times and Exchange & Mart Magazine.

In total, it handles 50 million newspapers and 24 million magazine copies a week. This adds up to a massive 17,000 tonnes of publications.

TNT Newsfast provides distribution solutions utilising a fleet of over 450 vehicles, a team of 760 staff and eight strategically located depots.

It has the flexibility to offer a precise combination of services, for a tailor made solution; from storage, consolidation and break bulk services to optional extras such as cover mounting and supplementary stockholding.

TNT Newsfast's nationwide resources and effective vehicle communication systems allow it to help publishers recover time that may be lost through delayed editorial and print deadlines. It can implement a range of contingency plans to ensure early delivery.

The system is monitored by a dedicated mainframe computer system that will provide customers with comprehensive up-to-the-minute management information on request.

### ***TNT Network Logistics***

In 1993 the Company became aware of a demand from non publishing customers who wanted to benefit from the same type of cost effective focused delivery solutions provided by TNT Newscast.

In response the Company launched TNT Network Logistics and utilised the extensive resources of TNT Newsfast to provide tailored shared user storage and distribution solutions for a wide range of new customers, from printers to packaging manufacturers.

Customers benefit from the cost effectiveness of sharing the Company's resources such as the fleet of 450 vehicles, but they still receive a tailor-made logistics solution to suit their requirements. All of the Company's distribution services offer the additional benefits of advanced computerised routing and scheduling systems.

TNT believes in a partnership approach and works alongside a number of prestigious companies including WH Smith, Business Supplies, Jiffy Packaging and Wiggins Teape.

## **TNT Logistics**

TNT Logistics provides specialist warehousing and transport solutions for major companies. It employs over 2,500 staff and handles a wide variety of goods which are vital to the success of the UK economy.

The logistics department is divided into small, highly focused teams led by a general manager. The general manager has a number of dedicated logistics analysts who, depending on the scope of the project, have a range of skills covering transport planning and warehouse design.

In addition, the full resources of TNT UK are available to the general managers who co-ordinate input from other areas of the business such as IT, finance, administration, operations, health and safety and other divisions as needed.

The TNT Logistic's development team is made up of individuals from a varied range of backgrounds with a wealth of industry experience between them. It includes everyone from graduates with logistics degrees to managers who started out as drivers or warehouse operatives.

The development team needs to have a good understanding of both the Company's and client's business in order to develop the optimum logistics solution, and present that solution in a clear and logical way that the client will understand and agree with.

On receipt of an Invitation to Tender ( ITT ) from a prospective client, the general manager liaises with the development team leader as to whether they can provide a sensible solution in response to the tender. The decision is based on whether it fits TNT's business, the likelihood of winning the tender and the commercial relationship with the client. The general manager will then decide what skills are required to put their response together, how much time it is likely to take and whether the right people are available when needed.

There are several ways of interpreting data and there can be several solutions which will meet the objective. However the team has to ensure that the right solution is acceptable to the client.

The team analyses client's data using specialist software packages to test 'what if' scenarios, and come up with solutions that are tailored to the prospective client's requirements.

Once the solutions have been finalised and agreed with the finance and operations departments within TNT Logistics, the documentation is designed and bound into presentation packs for the prospective client.

The proposal document that is left with the client must reflect the excellence of the logistics solution TNT Logistics has designed.

TNT Logistics customers include blue chip companies such as Xerox, Ford, Shell, Michelin, Esso, Continental Tyre, Volkswagen, Nutricia, DiverseyLever, BT, British Gas and General Electric,

Recently TNT Logistics has won in excess of £20 million worth of new business.

## **Human Resources<sup>[39]</sup>**

### *People management*

The Company's success in people management practices is demonstrated by the recognition which it has achieved as an Investor in People. The Company is the only express delivery and logistics service operator to be recognised as an Investor in People at every location and this unique achievement is a source of competitive advantage.

Each year TNT produces a three year strategic plan. Human Resource planning is linked to the Company's business objectives and the three year plan and is an integral part of Company strategy.

The Company's training programme is planned annually according to the needs of the business and a list of available courses is circulated well in advance. The list ensures all managers are aware of what is provided and are able to schedule attendance by their staff.

The Company's strategic plan is supported by its annual budgeting and planning system with quarterly board meetings to monitor and review performance. The budgeting and planning process with its integral human resource element is cascaded throughout the organisation to teams at all locations.

The director of personnel identifies the key elements of the human resource strategy and reports regularly to the board on these issues. The human resource plan is revised as part of the overall strategic plan. The divisional boards liaise with the director of personnel to ensure that the plan supports and is aligned with overall policy. Improvement and refinement resulting from the review include, for example, the introduction of profit related pay.

Progress on how the plan is supporting the business is reported to the quality committee by divisional managing directors and the director of personnel.

Each year the divisional managing directors plan, in conjunction with the director of personnel, the Company's proposed establishment for the next twelve months. The Company's objective is to ensure there are enough employees with the right skill sets for the Company to successfully follow its policies and strategies.

The Company's recruitment and selection process is carried out by managers and supervisors trained in interview and selection techniques. Recruitment and selection focus on competence and job descriptions to ensure the right people with the right skills and attributes are identified.

### *Empowerment*

The Company has learned that to meet customer requirements it is essential that its employees can make decisions. All employees are empowered to respond to normal and extraordinary situations without further resource. Every employee therefore has a job description setting out his / her responsibilities.

Job descriptions are responsibility based concentrating purposely on what needs to be achieved rather than the detail of achieving it to promote maximum use of initiative and empowerment. The Company has created a "no blame" culture where people are empowered to take decisions to achieve their objectives.

Achievement is recognised by commendation and / or financially in terms of commission or bonus. The Company has a variety of means for recognising excellent or outstanding performance for both teams and individuals.

### *Training*

The Company's commitment to continuous learning is supported by training needs assessment, frequent regular appraisal, a comprehensive training plan and a permanent training record.

Management training is designed to provide team building skills and all training modules include elements on team leadership. Communication skills have been identified as a key aspect of leadership and the management training modules contain suitable elements to cover this point.

Each employee takes part in an appraisal and training needs evaluation linked to time based business objectives as part of an ongoing process rather than a once yearly exercise. Appraisals and training needs are carried out by the line managers and are countersigned by the appraisals manager. In this way the Company secures quality control and consistency whilst dividing ownership of training and development issues to everyone in the Company.

The training and development needs of each person are converted into individual, team, depot, divisional and corporate training plans. Individual training plans are issued to everyone for their personal monitoring and retention in their records.

The training plan for each individual identifies whether the training is to be conducted on the job, off the job and internally or externally.

Informal meetings are held during which the line manager discusses with the employee what training is available and what the personal and corporate objectives might be. Immediately after training there is a de-brief during which the training is discussed.

## Finance<sup>[39]</sup>

### Company Growth

TNT Express Delivery Services now has 16.3% of the express delivery market, TNT Newsfast has won 68% of the national newspaper transport market and TNT Logistics has expanded its market share from zero to 2.5%.

### Company performance

Despite fierce price competition, TNT UK has maintained consistently high returns relative to the industry where low and reducing margins have been the norm in recent years

#### TNT UK Limited Revenue ( £m ) 1993 - 1997

	Budget	Actual
1993	248	244
1994	264	276
1995	315	330
1996	364	364
1997	397	411

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#### TNT UK Limited Profit before Tax ( £m ) 1993 - 1997

	Budget	Actual
1993	18.0	17.6
1994	17.9	22.5
1995	24.1	26.3
1996	27.9	29.6
1997	30.2	33.4

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<b>TNT UK Limited Profit Margin ( % ) 1993 - 1997</b>		
	<b>Budget</b>	<b>Actual</b>
<b>1993</b>	7.2	7.2
<b>1994</b>	6.8	8.1
<b>1995</b>	7.7	8.0
<b>1996</b>	7.7	8.1
<b>1997</b>	7.6	8.1

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### **TNT UK Limited - Summary of Study**

The structured framework of TNT UK Limited and the strategic planning within the Company is based on the European Business Excellence Model which is suited to the Company's needs. There have been both short and long term advantages as a result of using this model.

The Company has not only survived but prospered against the backdrop of a recession in an industry which has seen competitors cease to trade or withdraw from the sector.

The Company's vision and mission enables it to recognise its responsibilities to its stakeholders and these are further communicated to the people through the Company's principles.

TNT UK is a people Company and success has been due to the strong leadership, teamwork and enthusiasm. Total management commitment and the allocation of resources to the improvement process have proved fundamental to the Company's success.

The Company strategy has been to adopt a “get it right first time” approach to all elements of the business; introduce new technology to differentiate the Company’s service and improve quality; assimilate Total Quality Management in the Company’s culture; improve communications with staff ; improve the quality of work through training; and establish partnership relationships with key customers and suppliers to provide opportunities for continuous improvement.

The Company believes in empowerment and rewarding performance and recognising exceptional achievement. Commendation of effort and achievement is a routine part the Company’s working practices.

TNT UK Express Limited has grown considerably since 1978 and a clear Company vision, strategic and management policy, and strong leadership have ensured sustained growth and success within the Company.

## 15.5

### ***BETTYS & TAYLORS GROUP***

#### **Background**

Bettys and Taylors Group is a family business based in Yorkshire. Bettys was established in Harrogate in 1919 by a Swiss confectioner. In 1962 Bettys bought Taylors of Harrogate and over the last 36 years the two companies have gone from strength to strength, winning many accolades.

#### ***Bettys***

At the turn of the century Frederick Belmont, a young Swiss confectioner, travelled to England. On arrival, in London, unable to speak a word of English, he boarded the wrong train at the wrong station and found himself in the depths of Yorkshire. In 1919 he opened his first Café Tea Rooms in the fashionable spa town of Harrogate. Belmont's natural Swiss flair for hospitality and his mouthwatering cakes brought him both royal patronage and popular acclaim. At a time when gentlemen's clubs flourished, Bettys Café Tea Rooms offered ladies of Harrogate a safe place to meet and while away their afternoons.

The 1920s and 30s saw Bettys Café Tea Rooms opening in other popular Yorkshire towns. As a brilliant confectioner Frederick Belmont baked all the cakes and breads for the tea rooms building his own bakery in 1922 to meet the growing demand for Bettys products.

Today Bettys Café Tea Rooms are owned and managed by descendants of Frederick Belmont.

Much of Bettys success has been founded on the principle that 'if you want things right, we have to make them ourselves.'

## *Taylors*

Taylors of Harrogate was founded in 1886 in Leeds by Charles Taylor, who had acquired a wealth of experience while he was the northern agent for a London tea company. He had noticed how local variations in the water supply could affect the quality of a brew, and made it his first priority to supply the most suitable blend of tea for each area. His attention to detail was soon reflected in the success of his products, and the company grew. It diversified from being simply a regional wholesaler of teas and coffees, and a chain of coffee shops known as 'The Kiosk' were opened where coffee was freshly roasted in the shop window, and customers could meet over a cup of tea or coffee. Taylors Tea Rooms in Stoneygate, York, is one of the original 'Kiosks.

## *The Merger*

Taylors' Tea Rooms were very successful in the years leading up to the Second World War, culminating in the opening of the 'Café Imperial' in Harrogate, which served exotic teas from all over the World. After the War, however, it became increasingly difficult to keep the larger Tea Rooms open.

Along with cakes and bread, tea and coffee had always played a big part in Betty's business and in 1962 Bettys made the decision to merge with its friend and close rival, the Taylor family. Over thirty years later, Taylors of Harrogate is still thriving, supplying Bettys Cafes and Tea Rooms with the finest collection of specialty tea and coffee available in the country.

## **Company Mission**

Bettys and Taylors Group is a market leader in its field. Its mission is to be the best independent food and beverage company in the world, bringing pride and prosperity to all its stakeholders.

## **Company Culture**

The Company strives continuously to be the best and puts great emphasis on treating people in way that makes them feel valued for their contribution to the team.

The Company actively involves every member of staff in how the business is run, and shares the success with all its employees. Above all, quality, the desire to be best, sharing and mutual respect drives the Company forward.

The Company has a tightly controlled culture; its shared values are evident among its staff in each of the Company's Café Tea Rooms and manufacturing operations.

## **Company Strategy**

The company believes that people are its greatest asset, and great care is taken to improve their skills through training and communication.

The challenge has always been to maintain momentum and encourage staff to achieve even more during difficult times. This policy has contributed to the Company's success and its ability to compete in the market.

In 1991, Bettys and Taylors was one of the first companies in the UK to achieve 'Investors in People'\* status. It was re-accredited in 1994, and in March 1997 became the first company in the UK to qualify for 'Investor in People' status for the third time.

The Company formulates a strategic plan, setting clear objectives for the future and it is committed to encouraging and training everyone in order that they can play their part in striving for success.

*\*Investors in people is not so much about what the Company can do for the employees but what the individual can do for the Company.*

Individuals are expected to contribute to the overall Company objective of providing a high quality service to its customers. Continuous improvement has been achieved through both individual and team commitment.

‘Investors in People’ has contributed to the current position at Bettys and Taylors. Highly trained and skilled staff are able to work flexibly and respond to new challenges.

## Management structure

This a functional structure ( # Figure 29 )

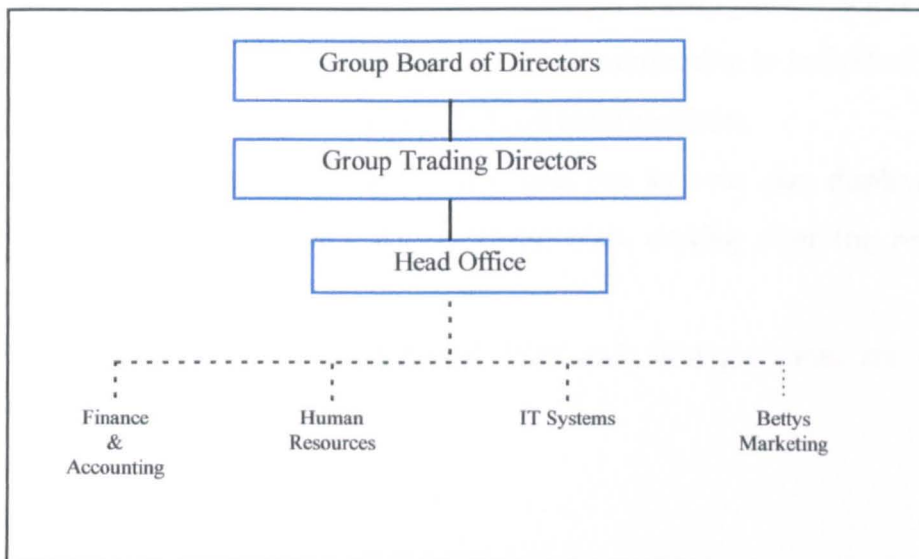


Figure 29 Bettys & Taylors Group - Management structure

## Leadership and management style

### *Strategic planning*

The Company’s business plan is totally integrated within the human resources plan. The ‘Investors in People’ standard is the catalyst for what has become a firm and clear management structure within the company.

Each year the Company has a strategic theme and focuses on one of the key areas such as operational efficiency, teamwork, customers, budgets and training.

In 1996, Bettys and Taylors decided to involve all 640 staff in planning the key strategic and communication document of the year - 'The Group Operational Plan'. The Group plan focused on four key areas:

1. teamwork
2. customer care
3. financial strength
4. preparing for the future.

The Group plan was split into two divisional plans for each of the Bettys and Taylors businesses and further divided into eight branch plans. Each branch plan was broken into department and team plans, culminating in individual plans set by team leaders and agreed with individual team members.

There are 102 team plans and every team has its own plan displayed in the working area along with the department plan, making clear the relationship between the two.

The completed Group Operational Plan and strategic aims are displayed throughout the Company.

#### *Management style*

The Company has an open door management style which is under-pinned by managers who are trained and committed to being approachable and receptive. Emphasis is placed on introducing communication channels which enable people at all levels of the Company to talk to each other.

Production teams work together to develop new products and front line staff are encouraged to become involved in the process.

Quarterly appraisals form part of this continuing dialogue. The appraisal system is objective based and all identified training and development needs are relevant to the achievement of the Company's business goals.

As the business has grown the Company has been careful to maintain the family feel and structure. This has been achieved, in part, through complementary sales growth being invested in technology to prevent employee growth.

There is a growing management team across the business and the Company has adopted a policy of promoting from within; however it does recruit people with new ideas and who will complement the business teams.

The Company operates a Group bonus scheme based on the profitability of the Company and it is paid quarterly. The Company interprets reward as not only financial but also encompassing a full range of benefits which both encourages improved performance and contributes to the well being of the employees.

## Review of the Business

### Organisational structure

This is a divisional structure ( # Figure 30 )

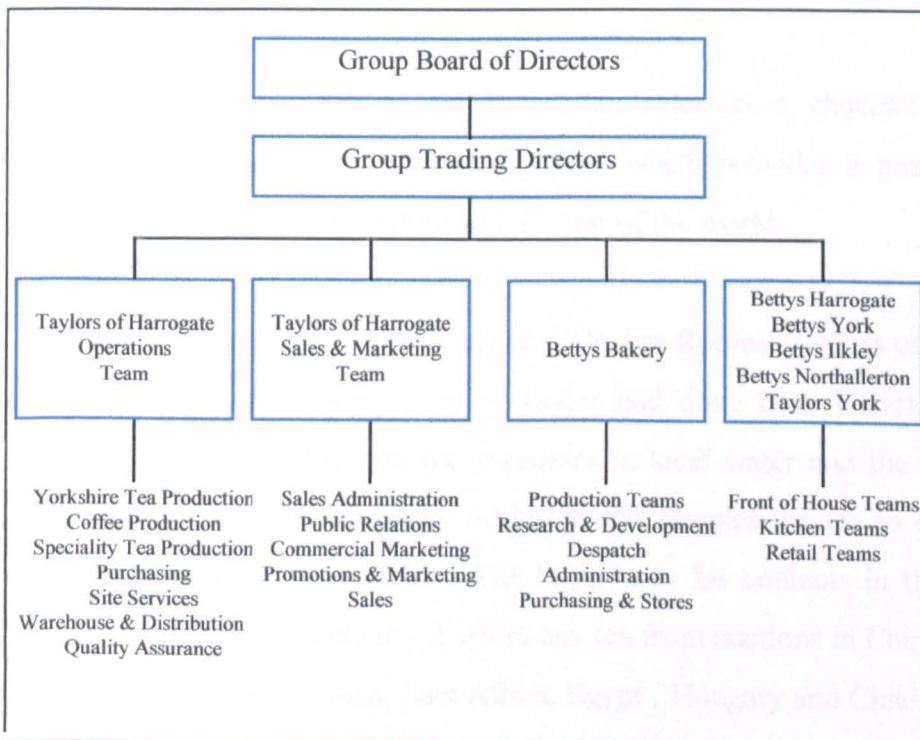


Figure 30 Bettys & Taylors - Operations

# Reproduced by kind permission of Bettys and Taylors Group



The business is owned and managed by descendants of the founder and the company employs 640 people in six Yorkshire sites. The business operates in four distinct but closely related areas:

- **Bettys Café Tea Rooms and Taylors Tea Rooms.**
- **Bettys Craft Bakery,**
- **Bettys & Taylors by Post**
- **Taylors of Harrogate**

**Bettys Café Tea Rooms and Taylors Tea Rooms** in Harrogate, York, Ilkley and Northallerton serve over one million customers a year and on three occasions have won the “Top tea place of the year” award.

**Bettys Craft Bakery** makes over six hundred different specialties of cakes, chocolates, bread, scones and muffins for sale exclusively in the Café tea Rooms. The Swiss connection has been kept alive, with Bettys Bakers and Confectioners training at the famous Richemont College in Lucerne, Switzerland.

Customers who are unable to visit Bettys can order cakes, chocolates, tea and coffee through **Bettys & Taylors by Post** which provides a postal service anywhere in the United Kingdom and the rest of the world.

With all Bettys experience at running its Café Tea Rooms, Taylors of Harrogate have concentrated on what Charles Taylor had done best, blending tea and coffee. Tea is blended to suit the variations in local water and the buyer who visits tea gardens all over the world tastes and samples the tea to ensure it is good enough for Taylors blends. The buyer uses his contacts in the trade to obtain only the best quality tea. Taylors buy tea from auctions in China, Taiwan, Ceylon, Kenya, India, Japan, East Africa, Egypt, Hungary and Chile. The tea is transported to the factory in Harrogate for blending.

The Company buys small parcels of the quality tea which are blended to get the right balance of colour, strength and flavour and only when the blender is completely satisfied is the tea ready for packing as leaf tea or into tea bags.

Taylors carefully monitor water supplies and send different blends of Yorkshire Tea to different regions to cater for the variations in the character of the water throughout the country.

‘Yorkshire Tea’, launched in 1977, has become one of the top three brands in the North and continues to win the loyalty of customers throughout the country.

Taylors coffee is selected and purchased by the Company’s buyer who visits coffee producers all over the world. Taylors blends of coffee include those from Brazil, Costa Rica, Mexico, Columbia, Java, Kenya, Ethiopia, Yemeni, Sumatra, India, Italy and the Caribbean.

Taylors is a major supplier of tea and coffee. The Company has 3,000 customers, distributing to supermarket chains, retailers, and caterers throughout the UK and 30 other countries. The Company has seen a rapid growth in its business between London and the Scottish Borders.

Every job is done by employees from within Bettys and Taylors. This includes production, tasting, packaging and distribution, marketing, sales and product development.

Quality is scrupulously monitored with the aim of achieving continuous improvement.

### **Packaging, supplies and distribution**

The Bettys & Taylors Group use local suppliers for its packaging, light volume materials and consumables in the Tea Rooms. Using local companies ensures that weekly and monthly deliveries can be guaranteed.

The Company uses its own fleet of lorries for the delivery of goods to independent retailers. Some deliveries are contracted out to larger distribution companies such as TNT Limited.

Taylor's tea and coffee for the major multiples ( supermarkets ) is delivered in bulk and stored in large third party warehouses. This arrangement allows the supermarkets to pull off supplies from the warehouse as and when required. The goods are invoiced when they have been received by the supermarket.

The need for improvement in all aspects of business efficiency is increasing and this includes the demand for a fast and reliable delivery service. The company is now looking at ways of providing a more comprehensive time-certain delivery and logistics service to its customers.

## **Human resources**

### **Training**

Team leaders are responsible for training, briefings, appraisals, objective setting and staff welfare. They set targets for individual team members at quarterly appraisals.

Team leaders are given a training prospectus at the beginning of the year and are asked to make a quarterly review of their own progress using team target check-lists.

All training is carried out in-house with the exception of professional certification. This provides employees with the opportunity to meet colleagues from other businesses.

All staff receive the same core curriculum training which includes basic food hygiene and health and safety training. All staff must attend a group induction day - a whirlwind tour of the business which is hosted by the chairman.

Briefing takes place before training, allowing team leaders and team members to discuss the importance of training and the setting of learning targets. A review meeting follows each course, allowing discussion and the implementation of action plans.

Training successes are shared at monthly briefings and in the staff newsletter which has a back page devoted to staff achievements.

## **Finance**

### **Results**

- Sales have increased by 44% since 1994.
- A group profit-sharing bonus of 24% was awarded to all staff in 1996.
- Customer complaints have been reduced by 22% year on year.
- Staff turnover has decreased and 65% of full-time staff have been with the business for at least two years.

The continuing success of the business has enabled the company to accept new challenges, including the refurbishing of Café Tea Rooms, building a new bakery and the development of new tea and coffee products for the UK and the expanding overseas market.

## **Bettys & Taylors Group - Summary of study**

The original vision of its owners, to be the best independent supplier of food and beverages, has been maintained by Bettys and Taylors over the years.

The Company has a decentralised, functional structure.

Members of the divisional and branch management teams of the Bettys & Taylors Group have been given the responsibility for formulating and implementing their own strategic plans.

The Company actively involves all employees in how the business operates and rewards and encourages performance by operating a profit sharing bonus scheme.

The Company has an open door management style policy.

The structure and planning within the Group is based on the 'Investors in People' standard which is suited to the Company's needs.

The Company is committed to providing an excellent standard of service through maintaining strong communication links with its customers and suppliers and improving individual skills through training.

The Company has resisted the temptation to use its profits to over expand internal operations and develop new external sites in order to maintain the family business environment.

## 15.6

### ***EDINBURGH DENTAL INSTITUTE DENTAL LABORATORY SERVICES***

#### **Edinburgh Dental Institute**

The Edinburgh Dental Hospital and School ceased to be a centre for teaching undergraduate dental students in 1994 / 1995. The Dental Hospital became an Institute as part of the Royal Infirmary of Edinburgh NHS Trust (RIE Trust) in 1994 and is funded by Lothian Health acting on behalf of the Medical Executive of the NHS in Scotland. In 1998 it moved to a new site as the Edinburgh Dental Institute ( EDI ).

#### **Mission statement**

As part of the NHS Trust our common mission statement is:

*"We at the Royal Infirmary NHS Trust will work together to become the best hospital in the country with an outstanding local and national reputation for treatment, research and teaching. We will give each patient the same care and consideration as we would our own family".*

The Edinburgh Dental Institute left the RIE Trust in April 1999 to become part of Lothian Primary Care NHS Trust. This study relates to the period up to April 1999.

## **The Dental Institute philosophy of care and core values**

The Edinburgh Dental Institute will endeavour to:

- Ensure that the individual patient / client is of prime importance at all times. Patients' needs, wishes and expectations must come first, and patients should be treated with dignity, feel important and in control, and receive services appropriate to their age, ethnic background and other personal characteristics.
- Ensure that each patient's right to privacy and confidentiality is respected.
- Promote and safeguard the well being and interests of every patient in our care.
- Ensure that our patients are partners in care and that information relating to choice is made available.
- Care for every patient in a way which is both competent and compassionate. The technical, professional and managerial competence of staff will be subject to regular review.
- Recognise the needs of relatives, carers, general dental practitioners and other parts of the NHS, such as community services, in the provision of care.
- Achieve our quality goals by ensuring that all staff and disciplines contribute to, understand, and are committed to, quality standards.

## **Postgraduate Dental Institute**

The Postgraduate Dental Institute is now situated in the Edinburgh Dental Institute and is a tripartite partnership between the Scottish Council for Postgraduate Medical and Dental Education, the University of Edinburgh and the EDI. It offers a comprehensive programme for the continuing education of general dental practitioners ( g d p s ).

The programme consists of intensive courses in subjects relevant to general practice and is intended primarily for gbps in Lothian, Fife and the Borders. There are currently 55 courses listed in the programme. The Institute also provides courses for postgraduate degrees and diplomas.

## **Dental Laboratory Services**

### **Background**

Due to the closure of the Dental School in 1994 / 95, a decision was taken by the Health Board to reduce the overall number of technicians and alter the technical grades and management structure. A choice had to be made either to:

- a) Close the Dental Hospital completely and make all the clinical, technical and administrative staff redundant. The Community Dental Service, which had its own staff ( including seven dental technicians ), would centralise to provide a service to the public.
  
- b) Keep the Dental Hospital open without undergraduate students. There would be a reduction in the number of technicians which would affect the Prosthetic and Conservation Departments more than the Orthodontic Department and Area Orthodontic Clinic.

The latter course of action was taken and this resulted in a regrading / restructuring exercise within the laboratory. Part of the community technical service was relocated to the Dental Hospital prior to its closure. The salaries of the two technicians were transferred from the Community budget to the Dental Hospital and a contract was drawn up to cover prosthetic and orthodontic technical work. The contract was costed annually and was based on materials only.



Dental Laboratory Manager and Deputy Laboratory Manager posts were established. The four existing laboratories were restructured to create one laboratory known as the Dental Hospital Laboratory Services. There was a reduction in staff from 21 to 14 and a new grading and organisational structure was put in place ( #Figure 31 ).

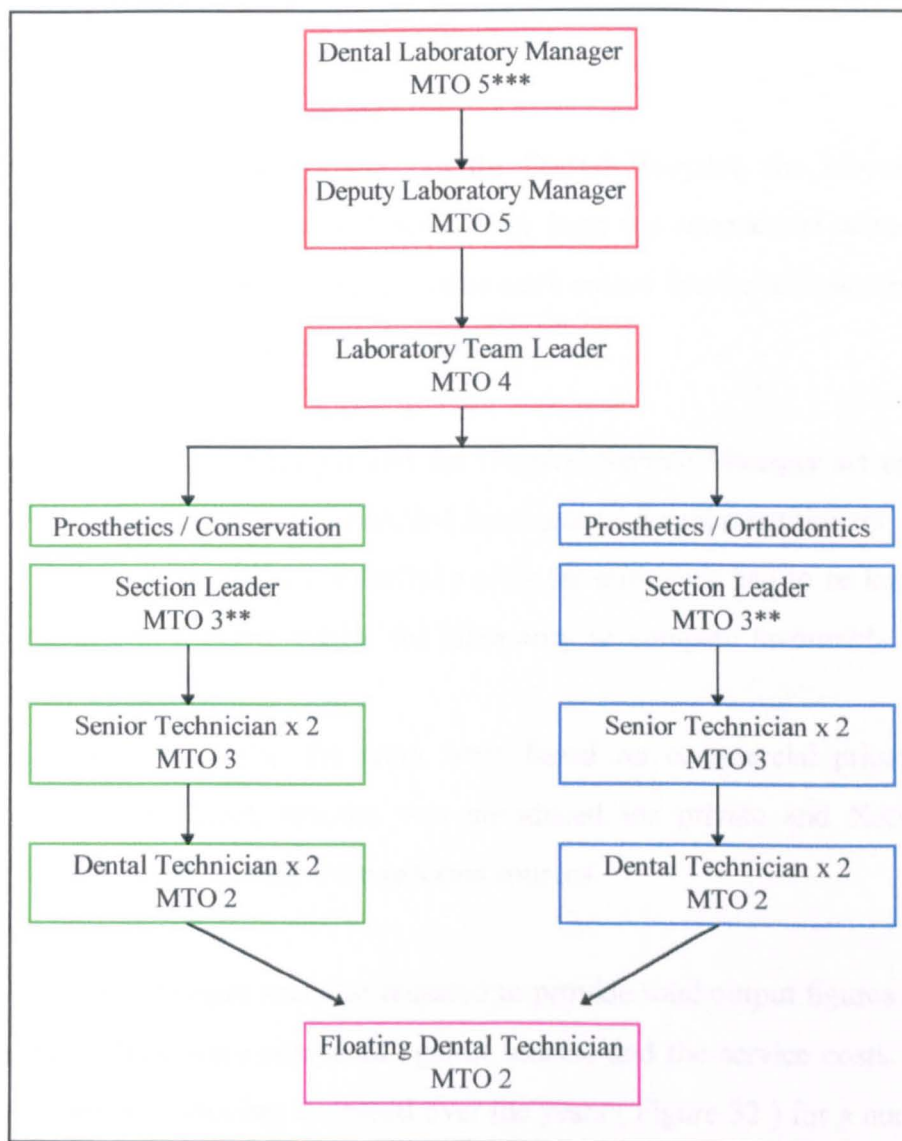


Figure 31 EDI Laboratory Services - organisational structure

The reduction in staff was achieved through early retirement and redeployment over a nine month period ( one person was under training and not included in these calculations ).

The majority of posts were of different grades to those previously allocated, and the grading exercise resulted in a number of downgradings but with protected salaries ranging from 4 - 14 years. The regrading exercise caused considerable resentment and created an on-going problem of resistance to change among the technical staff.

Due to the decline in workload from the Dental Hospital, the laboratory management team decided to undertake work from the commercial sector. It was hoped that income generated from this work would finance technical posts that were lost during the regrading exercise.

The Dental Laboratory Manager and the Hospital Service Manager set up an annual income target for work generated from general dental practitioners ( gdps ) within the area. The productivity costs for gdp work had to be kept as low as possible in order to enable the laboratory to compete favourably with the commercial sector.

The guidelines for costing the work were based on commercial prices. A different price and work practise was introduced for private and National Health Service ( NHS ) work from external sources.

The Laboratory Manager was also required to provide total output figures on a regular basis; these were compared against income and the service costs. The target for external work has increased over the years ( Figure 32 ) for a number of reasons:

- 1) The Community Dental Service re-negotiated the annual contract after one year and withdrew the prosthetic work leaving the orthodontic work only. The laboratory was left with two technicians, MTO 4 and MTO 3 on protected salary and insufficient work and income to maintain the existing staffing levels.

- 2) Funding of the salary cost implications resulting from further restructuring in 1995/ 96.
- 3) Cost saving targets were imposed on the Institute as part of the redistribution of resources from Acute to Community and Primary Care policy passed by Lothian Health.

<b>Income</b>	<b>Target</b>	<b>Actual</b>
1993/94	£25,000	£33,000
1994/95	£50,000	£60,000
1995/96	£75,000	£89,000
1996/97	£ 75,000	£93,000
1997/98	£115,00	£125,000
1998/99	£150,00	£165,000

#Figure 32 EDI Annual income target

Booking in and out of the laboratory work and monthly invoicing were carried out on a manual basis and this, together with other administrative duties, was causing considerable problems.

The time spent at the work bench by senior members of staff became less and less and invariably resulted in a drop in standards. The laboratory management team felt that it would be more cost efficient to employ a clerical assistant to undertake these administrative duties.

The laboratory moved from the Edinburgh Dental Hospital to the new EDI in November 1997, initially part of the RIE Trust, Surgical Services Division, but now part of the Lothian Primary Care NHS Trust.

## **Dental Laboratory Services - Current Service**

Since 1994 the Dental Laboratory Services have not only overcome the difficulties created by the closure of the Dental School but have exceeded all expectations, achieving the objectives set out in the Five Year Business Plan for that year. These were:

- reduction in the number of technicians from 21 whole time equivalents to 14
- income generation in order to maintain the Laboratory Service to a viable level, and to keep the impact of the closure of the Dental School to a minimum.
- reduction in the number of working areas from four to one
- introduction of a computer management system to replace the existing manual system for recording patient and customer information. The system would also monitor workloads, provide analysis reports and customer invoicing.
- ISO 9002 Quality Assurance accreditation.

There are many changes taking place in dentistry, and this will result in the Laboratory Services introducing further changes to maintain the quality and standard expected by its customers.

### **Core values**

- The Dental Laboratory Services are committed to the provision of dental technical excellence and to deliver this service to customers of the laboratory.
- They aim to encourage the personal and professional development of all staff, using the most appropriate means, tailored to suit the individual and the corporate objectives of the Directorate and the Trust as a whole.
- The goals and objectives will only be achieved when staff work as a team, feel proud of the service they provide and are valued and rewarded.

- They endeavour to accomplish this through open management which is caring and devolutionary, encouraging the pursuit of excellence in all aspects of the service.
- Staff should also treat others with respect and courtesy, valuing the dignity of others as they would their own.

## **Quality policy**

*Edinburgh Dental Institute Laboratory Services, part of the RIE NHS Trust, from now on known as the 'EDI Laboratory Services', is committed to providing customers with a high quality service. This commitment to quality encompasses all manufacturing and administrative services required to ensure that the provision of dental appliances is efficient, effective and meets customer approval.*

*To meet this commitment it is the policy of the EDI Laboratory Services to control quality and to comply with recognised standards. This policy commitment is strengthened by the application of a formal documented quality system meeting the requirements of BS EN ISO 9002: 1994. The principles and methodologies are set out in the Quality Manual.*

The EDI Laboratory Services commitment to quality continues to be maintained by the Assistant Laboratory Manager who ensures that the EDI Laboratory Services policy is carried out in order to:

- promote each member of staff's involvement in maintaining high quality standards
- ensure all quality system documentation is understood, operative and effective
- identify, report and record any non conformity and take the necessary corrective action
- ensure it reflects customer and EDI Laboratory Services requirements

## **Strategic plan**

There is concern that the Laboratory Services have developed too quickly and therefore there is a need to consolidate and build on its achievements. The objectives over the next five years are to:

- continue to improve the standard and efficiency of service to the customers and offer a more comprehensive specialist service to the hospital
- install a computer management system
- introduce in-house training for laboratory staff and offer specialist training courses for overseas technicians.
- develop the external customer base into a mainly private / insurance service
- introduce a service to veterinary dentistry
- develop a range of dental technology video training programmes
- establish a post of clerical assistant
- create a laboratory structure that can be expanded in the future while remaining within the Trust and Whitley Council policy for pay and conditions of service
- ensure technical staff are praised and valued for their achievements

## Laboratory Services - line management and accountability

( #Figure 33 )

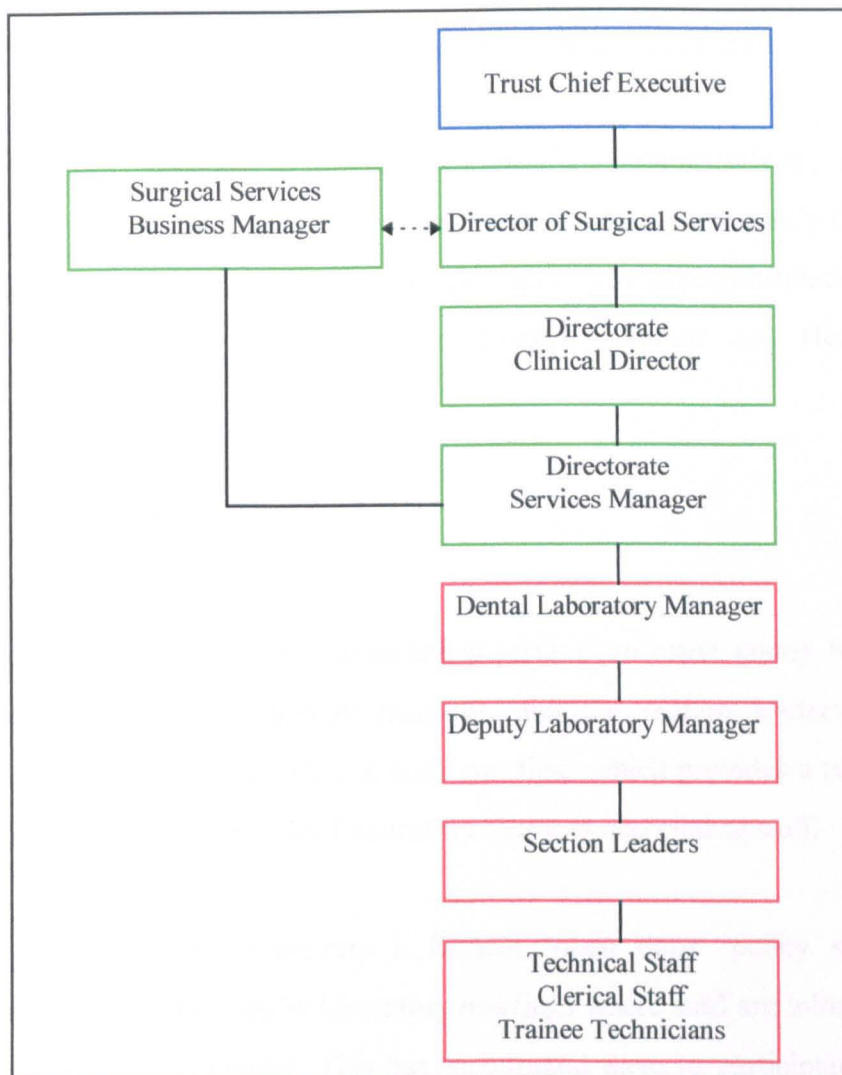


Figure 33 EDI Laboratory Services - line management structure

The dental laboratory has three sections, Prosthetic, Orthodontic and Conservation. The Laboratory Manager is responsible for the overall management of these sections and has a deputy manager whose main responsibility is maintaining the formal documentation of the laboratory's Quality System which meets the requirements of BS EN ISO 9002: 1994 and the computer Management System. Both managers undertake some technical work.

There are six section leaders, two in each section, who have a defined responsibility for monitoring the workload of hospital and NHS / private work. One of the section leaders has been given the additional responsibility for organising the training and career development of the technical staff.

The Laboratory Manager is directly responsible, administratively, to the Directorate Services Manager and professionally to the Directorate's Clinical Director. Most decisions that need to be taken quickly require consultation and agreement from the Services Manager, Clinical Director and Heads of Departments.

### **Management style**

Strategic decisions concerning the technical service are made jointly between the Laboratory Manager, deputy manager, and the section leaders. Both managers attend the monthly clinical audit meetings which provides a two-way communication link between the Laboratory Services and clinical staff.

The laboratory managers operate a flexible 'open door' policy style of management. There are regular laboratory meetings where staff are informed of proposed operational changes. This has encouraged them to participate in the decision making process. This has improved the communication link between management and staff.



## **Technical service**

The Laboratory Services now comprise:

1. A full in-house technical service for Oral Surgery, Oral Medicine, Oral Pathology, Oral Radiology, Paediatric Dentistry, Orthodontic and Restorative departments.
2. A contract with the Community Dental Service to provide technical support for orthodontic work undertaken in Midlothian.
3. Income generation through the provision of technical services for gbps within Lothian, the Borders, Fife and other parts of Scotland.

Staff are allocated prosthetic and orthodontic work on a daily basis; crown and bridge work is allocated weekly. The time element for each piece of work has been calculated by the two laboratory managers and staff are allocated a fixed amount of work which corresponds to the number of hours to be worked each day. Consideration is also given to the technician's grade and skill level.

There is an ongoing problem with the work coming into the laboratory in peaks and troughs. The manager has been provided with predicted figures for hospital clinical requirements; however it is difficult to assess the amount of work arriving from external customers.

Flexible working hours have been introduced to meet the variations in workload but staff have difficulty in taking the time that is owed. The manager is also able to authorise overtime if it can be justified and the benefits demonstrated. This has resulted in difficulty maintaining consistent standards during exceptionally busy periods and staff working on cases right up to the deadline time for despatch, allowing little time for quality control and booking out.

The work for external customers is collected and delivered by courier service on a daily basis. Delivery is organised into three separate areas with pre-set collection / delivery times and in the event of any urgent collections the laboratory is able to contact the courier by mobile phone.

The Laboratory Services have recently employed a clerical assistant to book work in and out of the laboratory, invoice and deal with customer enquiries.

A computerised Dental Laboratory Management System has been introduced and when fully operational will record the Laboratory Services customer base, work being received and despatched, work allocation and delivery schedules. It will also provide an automatic invoicing system and the management and control of laboratory stock.

### **Summary of the study**

The Laboratory Services and RIE Trust is equipped sufficiently to operate in the commercial environment although the Service does have difficulty coping with the fluctuations in workload. Improvements in the present invoicing system are required to make it more customer friendly.

The whole of the EDI budget is held centrally and this does not allow the Laboratory Manager to have the overall budgetary control. Although he does have overall responsibility for the management of the Laboratory Services he does not have the same degree of flexibility as a commercial laboratory manager.

A large amount of money has been invested in building and re-equipping the new laboratory, staff regrading, recruitment of an administrative assistant and a computer management system.

The downgrading caused resentment amongst staff. The fear of failure in maintaining targets and remaining viable has created additional pressure on them.

There has been a considerable resistance by some staff to the changes that have taken place. Despite considerable effort from laboratory management to assure staff of the positive aspects of the changes, it has had an adverse effect on morale, productivity, standard of work and quality of service

Following the closure of the Dental School the Laboratory Services produced a Five Year Plan designed to take account of the changes that had taken place, which included maintaining staffing levels, generating an external customer base, developing a service that would compete within the commercial sector, attaining BS EN ISO 9002 accreditation, and providing a high quality service to the hospital.

The continued success and viability of the service is due to the vision, hard work and determination of the laboratory staff and management team in achieving their objectives.

The move to the new Dental Institute has provided staff with an excellent working environment. There is considerable optimism about the future of the service. Plans to expand the private sector customer base, and the introduction of a range of new specialist services and training courses can only provide positive results and improve the efficiency and standard of service to customers.

## 15.7

### ***DUBLIN DENTAL HOSPITAL PRODUCTION LABORATORY SERVICES***

#### **Introduction**

In 1994 the Minister of Finance approved funding through the Department of Health & Children budget for a new hospital facility.

The Hospital's project team, including officials of the Departments of Health & Children and Education & Science, managed the building project which was completed in July 1998.

The Dublin Dental Hospital Production Laboratory Service was re-located from the old Hospital into the new Hospital development in September 1998 and was seen as an opportunity to review the existing service and introduce changes that would improve the overall quality of service to patients and clinical staff.

The Chief Administrative Officer agreed that a case study of the laboratory services would:

- determine the problems that exist within the present service
- identify the areas that require immediate change
- look at the options that are available
- provide management with a strategic plan for the future
- determine methods for encouraging feedback and monitoring progress of the changes

It was also agreed that identified problems, solutions and recommendations resulting from the case study should be presented and discussed with Hospital Management, the Dental Laboratories Co-ordinator and the people that would be affected by the proposed changes. Any resource implications that might affect the implementation of future changes would also be highlighted.

## **Dublin Dental Hospital - Mission Statement**

The primary functions of the Dublin Dental Hospital together with its School of Dental Science are to:

- *educate and train all categories of dental health care personnel appropriate to the needs of the community*
- *carry out research, and*
- *provide primary care and secondary oral health care services*

Activities must be in accordance with the Hospital's Statutory Instrument and carried out in collaboration with the University of Dublin, Trinity College. The two dental schools in Ireland ( Dublin and Cork ) are responsible, subject to the regulations of the Dental Council and international accreditation bodies, for producing virtually all of the clinical dental healthcare workforce in the country. It is their responsibility to guide the public towards better oral health and provide appropriate oral health care services, subject to the National Health Care Strategy, on a prioritised and equitable basis.<sup>[40]</sup>

## **Dental Hospital and Production Laboratory Services**

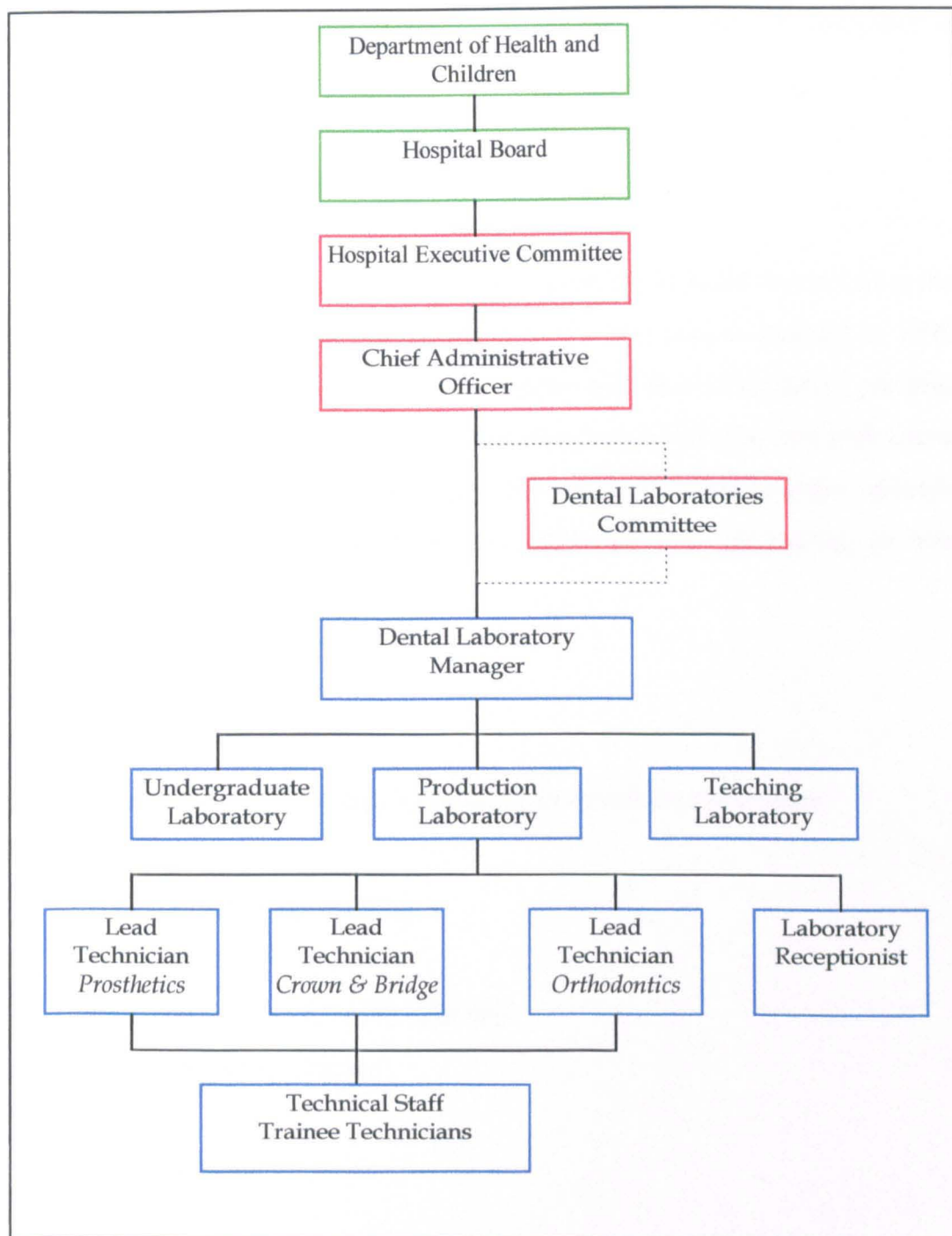
### **Organisational structure**

The Dental Hospital and School is managed by a Hospital Board whose members are appointed by the Government.

The day to day administration of the Hospital comes under the auspices of the Hospital Executive Committee, comprising the Heads of Departments, Professors, Consultants, Nursing and Hospital Managers ( eg. Head of Finance ). The Dental Laboratories Co-ordinator ( Laboratory Manager ) also sits on the Executive Committee.

There is a Laboratory Committee which includes the Lead technicians, senior nurses, clinical representatives and Laboratory Manager. The manager is responsible to the Chief Administrative Officer ( Figure 34 ).

There are three Hospital Departments: Restorative Dentistry and Periodontology; Public and Child Dental Health; Oral Surgery, Oral Medicine and Oral Pathology. There is an annual intake of 40 dental undergraduates.



#Figure 34 Dublin Dental Hospital - organisational structure

## **Dental Hospital Service plan**

### **Education and training**

The Hospital is the principal dental education and training institution in the Republic and provides programmes across the full range of specialties in dentistry ( Figure 35 ).

#### *Undergraduate dental training*

The undergraduate course is of five years duration ( reduced recently from five and a half years ). The first graduates of the new course qualified in 1998. Teaching methods changed in 1998 to student self-directed learning ( problem-based learning ). The Dental School and Hospital provides the only Irish course in health care using this methodology, although an increasing number of health courses in the United Kingdom and Europe are now introducing, or have introduced it already.

#### *Postgraduate training*

The hospital provides a range of graduate programmes and courses:

- Higher / Consultant training
- Specialist training
- Pre-Fellowship and Pre-Membership
- Higher university degrees

#### *Dental Auxiliaries*

The Hospital provides formal training programmes in dental hygiene, dental nursing and dental technology. It is now the only training centre for dental technology in Ireland.

## **Continuing education**

Continuing education programmes are provided in these areas and the hospital facilitates an evening training programme for those working in dental practices who wish to become nurses. The training of dental nurses will change in 1999 when the Hospital introduces changes to its dental nurse training programmes. A range of continuing education lecture programmes and clinical courses are provided for dental practitioners.

### *Management training*

The Hospital identifies a clear need to support and develop management and other training for its staff, both clinical and non-clinical. In the past year the Hospital has supported two members of the administrative / management staff to successful completion of degree courses. At present a further five administrative / management staff are undertaking degree courses in areas ranging from healthcare management to information technology. The Hospital also supports nursing, portering and clerical staff in the completion of diploma and certificate courses in areas such as desk-top publishing, communication and supervisory management. These training and development programmes are undertaken in the staff members' own time with financial and study leave support from the Hospital.

The Hospital also provides regular ongoing training, both internally and externally, in health and safety matters and relevant job skills across a wide range of staff.



<b>Numbers Undergoing Training</b>			
	Actual 1996	Actual 1997	Actual 1998
<b>Dental Undergraduates</b>	237	239	202
<b>Higher Training</b>			
<i>Orthodontics</i>	3	2	1
<i>Restorative Dentistry</i>	2	2	2
<i>Dental Radiology</i>	1	1	1
<i>Oral Medicine</i>	1	1	0
<b>Specialist Trainees</b>			
<i>Orthodontics</i>	3	2	4
<i>Oral surgery</i>	0	2	4
<i>Restorative</i>	2	4	2
<i>Periodontology</i>	1	1	2
<i>Paedodontics</i>	0	0	1
<i>Oral Pathology</i>	1	0	0
<b>Pre-Fellowship and Pre-Membership Courses</b>	12	12	12
<b>Higher University Degrees</b>			
<i>Ph.D</i>	4	4	5
<i>M.Sc.</i>	0	2	1
<i>MD</i>	1	1	1
<b>Dental Auxiliary Training</b>			
<i>Dental Nurse ( full-time )</i>	19	17	20
<i>Dental Nurse ( part-time )</i>	0	0	40
<i>Dental Hygiene</i>	13	15	16
<i>Dental Technology</i>	15	13	12
<b>Continuing Education</b>			
<i>Monthly Lecture Course</i>	75	75	100
<i>Weekly Hands-on Course</i>	0	0	40
<i>Radiography Course for Dental Nurses</i>	37	19	33
<i>Local Infiltration Courses for Hygienists</i>	0	0	32
<b>Total</b>	427	412	531

#Figure 35 Education and training programmes

## Budget and finance

#Figure 36 provides an overview of the non capital income and expenditure for 1998 / 1999.

### Summary non-capital income and expenditure (£ Punts)

	Budget 1998 £ million	Preliminary out turn 1998 £ million	Budget 1999 £ million
Gross pay expenditure	4,999	4,968	5,443
Gross non pay expenditure	<u>1,642</u>	<u>1,759</u>	<u>1,814</u>
Total gross expenditure	6,641	6,727	7,257
Less gross income	<u>1,339</u>	<u>1,372</u>	<u>1,543</u>
Total net expenditure	<u>5,032</u>	<u>5,355</u>	<u>5,714</u>
<b>Funded by:</b>			
Accumulated (deficit) surplus	(0.028)	(0.028)	(0.053)
Department of Education and Science	3,589	3,589	3,885
Department of Health and Children	<u>1,741</u>	<u>1,741</u>	<u>1,882</u>
Total allocation	5,302	5,302	5,714
Deficit 1998		(0.053)	
Total net income	<u>5,302</u>	<u>5,355</u>	<u>5,714</u>

Figure 36 Dental Hospital income and expenditure - 1998 / 1999

### **Oral Health Care Services**

In overall terms, some 90,000 patient treatments were carried out in the Hospital in 1997. It is anticipated that this volume of treatment, when taken together with the level of services provided to external agencies, will reach 100,000.

### **Research**

In recent years the research activity of the School and Hospital has expanded and also raised the profile of Irish dentistry internationally. The objective measurements to demonstrate activities and achievements in this area are by reference to publications in international peer reviewed journals and invited presentations to international conferences. Other important measurements are published theses and grants awarded.

## **Dental Hospital Production Laboratory Services**

### **Introduction**

The Dental Hospital has three separate dental technology laboratories - Production Laboratory, Dental Technology Teaching Laboratory and Undergraduate Teaching Laboratory. The Laboratory Manager has overall managerial responsibility for all three. As well as his managerial duties, the Laboratory Manager is required to undertake some patient work within prosthetics and also supervise any trainees.

All the technical staff are on a University scale of pay which differs from University scales that are used in teaching hospitals in the UK. Their salaries are also lower than technicians with similar duties who are on the MTO salary scale.

Historically the production laboratory has existed in isolation and conflict of purpose. The aim now is to include the laboratory in the overall strategic plan for the Dental Hospital with a view to improving its viability, efficiency and quality of service to patients.

### **The Production Laboratory**

#### *Structure*

The laboratory has three distinct areas / sections and each has its own Lead technician with specific responsibilities that include the day to day administration of that section.

The staff complement for each of these areas are ( as of June 1998 ):

Crown and Bridge / Ceramics /	4
Prosthetics ( including 1 vacant	3
Cobalt Chrome technician post )	
Orthodontics	1
<b>Total</b>	<b>8</b>

#### *Accountability and responsibility*

The Laboratory Manager has been given responsibility for monitoring the laboratory budget and, although he can order materials, does not have any control over how the funding for staff salaries is used. The present budget has been determined from expenditure over previous years and increases in the overall budget have been made to meet the needs of the service.

The Dean has requested that the Head of Department of Restorative Dentistry liaises with the Laboratory Manager as much as possible; however many of the decisions which affect the laboratories are taken by the Hospital Executive.

There is a good working relationship between the manager and hospital management in their endeavours to develop an agreed agenda for future laboratory services.

#### *Technical service*

Over the past ten years the staffing levels have dropped from 15 to 8. Following a strategic review it was suggested that the staffing level for the laboratories be reduced to 7. This would mean that of the two posts where technicians are due to retire, one would not be replaced.

The reduction in staffing levels has had a considerable effect on the productivity of all the laboratory sections. Although the Laboratory Manager has been reluctant to send work out to external laboratories, this has been necessary to meet productivity levels with the present staff. The external laboratory work is funded from the clinical budgets but is a source of worry to the technicians who feel that this money could be better used in recruiting additional staff to improve the efficiency of the in-house service.

The Laboratory Manager is currently carrying out a comparison analysis of cost and quality between work done in-house and externally. This is a difficult area which all dental hospital laboratories have had to face at different times. If all the work is sent out, not only would standards drop, but clinicians would lose the service element provided by the hospital laboratory. There is also a worry that the quality of the work done in-house is falling as technicians try to produce more in order to minimise the amount going out.

There is also the added problem of work coming into the laboratories in peaks and troughs, which results in difficulty controlling the workload and determining the turn round times. An advanced booking system has been introduced which may help to alleviate the problem once it is full utilised.

The overall effect on the laboratory is that staff morale has become low. Working conditions in the old laboratory were poor, with old workbenches and equipment in need of constant repair. The new laboratory has provided staff with improved working conditions, but the size of the area may be inadequate, with fewer workplaces for technicians.

There is concern amongst the technical staff that unless positive moves are made to change the type of service the laboratories provide, they may come under threat from the larger commercial laboratories in Ireland.

The work is booked in and out on a manual basis by the Lead technicians and this has had a considerable effect on productivity. A link to the new computerised patient appointment system would improve efficiency in this area.

Hospital management and clinical staff are agreed with the Laboratory Manager that changes are necessary to improve the overall standard of the existing service, and that priority should be given to defining the type of service to be provided in the future. It was also agreed the strategic plan for the Hospital should include proposed changes for the laboratory services. Any changes would be dependent on the availability of necessary resources.

### *Training*

There is a full-time training course for technicians in the Dental Hospital. Six students per year pay for the course and are taught by University instructors. It is a full time course over three years leading to the Trinity College Diploma in Dental Technology.

With the reduction in staffing levels and space in the new laboratory, and with only one large commercial laboratory in the area, there is no guarantee of employment for the students when they qualify.

## **Production Laboratory Services - proposed strategic plan**

### **Mission Statement**

The Dublin Dental Hospital Dental Technology Production Laboratory is committed to providing its customers with a high quality service by:

- Managing all technical services in a responsible, purposeful and effective way, including the services contracted out.
- Developing a culture which fosters teamwork and promotes pride in delivering a quality service.
- Providing technical services at the highest level of quality within the available resources in a safe, caring and healthy environment.
- Providing a friendly, personal service which respects the needs of the individual.
- Creating an environment in which staff, with support and development, realise their full potential.
- Constantly seeking to improve quality standards in all areas and being at the cutting edge of innovation and developments in advanced dental technology.

This commitment to quality encompasses all manufacturing and administrative services required to ensure that the provision of dental appliances is efficient, effective and meets customer approval.

To meet this commitment it is the policy of the Dental Technology Production Laboratory to comply with recognised standards. This policy commitment will be strengthened by a formal documented quality system that meets the requirements of the 'Medical Devices Directive ( 93/42/EEC )' and 'Quality Assurance Standard ISO 9002'.



## **Plan of action**

The following were identified as areas of potential change:

### *Laboratory management*

The Dental Laboratory Manager is a member of the Hospital Executive and is therefore part of the overall strategic planning process within the hospital. This provides him with a forum for suggesting and agreeing necessary strategic changes that will maintain objectives, targets and efficiency of the laboratory service.

### *Technical services*

1. Changes in the management of the workload and operational procedures.
2. The introduction of a computerised laboratory management system to record and monitor the workload.
3. The provision of a more expansive high value, high skill service ( with routine work sent out ).
4. Analysis of the type, volume and cost of work sent out to external laboratories and comparison with the analysis of work undertaken in-house.
5. The costing of products to determine the total income generated through in-house productivity.
6. Possible changes in the teaching programme and time-tabling for Dental Technology Diploma students to allow more involvement with production work, and help reduce the pressure on the technical service.
7. Encourage input from clinical staff into the reorganisation of the laboratory services.
8. Determine the future service requirement for postgraduate / undergraduate teaching and clinical services, and determine the type and volume of work generated by these areas that will influence the in-house and external laboratory services .

9. The introduction of a suitable storage system for all technical work.
10. A review of operational procedures, management systems and Health and Safety in accordance with the Medical Devices Directive and ISO 9002 Quality Assurance standard.

### *Technical staff*

1. A review of existing staffing levels in relation to workload, and the time taken by the technicians in charge on administrative duties.
2. The employment of a clerical member of staff to undertake routine administrative duties such as the booking in and out of work, ordering materials and dealing with enquires would allow managers to utilise their technical skills more effectively.
3. Identify the training and development requirements and encourage technical staff to attend specialist courses that will develop their knowledge and skills in new techniques.
4. Encourage staff to participate in the decision making process and contribute to the best of their ability.
5. Develop team working within the laboratory and with those other areas that work closely with the laboratory i.e. nursing, supplies and administration.
6. Introduce formal and informal communication systems that will improve staff awareness within the Hospital and laboratory.
7. Actively reduce the situations which can give rise to stress to staff and develop health promotion programmes.

## **Factors affecting implementation of the strategic plan**

It was acknowledged by the Chief Administrative Officer that changes in line with the proposed strategic plan were needed to improve the existing laboratory services. Unfortunately financial constraints within the Dental Hospital do impact on the funding resources available to implement the service development it would like to make. The Hospital recognises that it is, therefore, important to continue to explore every opportunity to generate additional resources internally in order to maintain its good record of developing and improving services independently. There are several factors that will determine how quickly the proposed changes can be implemented, particularly in relation to availability of resources, discussions with clinical staff and the difficult choices which must be made regarding prioritisation of the requirements of different departments (which includes clerical / administrative assistance).

The teaching philosophy in the Dental Hospital is that undergraduate students undertake all necessary restorative and orthodontic treatment for their patients. There are no requirements in terms of specific numbers of particular items of treatment; however it is necessary that students gain a wide experience of different patient procedures.

There is a feeling that there is a changing pattern of dental health, with more patients requiring fixed and removable partial denture prostheses. Although the number of patients requiring complete dentures is reducing, they will become more difficult to treat as the age at which patients become edentulous increases. The need for implant retained prostheses is also increasing.

Ideally, undergraduates should be exposed to in-house technical production work in order to promote a closer working relationship between student and technician.

However, staff numbers within the laboratory at present are insufficient for this to be done on a regular basis. Undergraduates also require the experience of having their technical work provided by a commercial laboratory.

The long term strategy should be to introduce appropriate staffing levels and skill mix by ensuring the laboratory has technicians who have the necessary qualifications, experience, and skills to undertake work in the individual specialist areas. As recruitment is restricted, due to overall size of the new laboratory in which only two additional workplaces are available, existing staff should be encouraged to develop their skills in the necessary areas.

It is necessary to look at the needs and requirements of undergraduate students in order to identify the type and number of laboratory constructed restorations and prostheses to be provided. The type of service required by clinical staff should also be assessed.

A closer link between the production laboratory and the Dental Technology School that would enable diploma students to undertake production work during the 2<sup>nd</sup> and 3<sup>rd</sup> years should also be considered.

While agreeing the proposed strategic plan in principle, hospital management decided that, with the help of the Laboratory Manager, it would look more closely at the following issues before implementing the proposed changes. These were:

- the type of service required by the laboratory
- the volume of work to be undertaken in-house
- the type of work to be sent out to external laboratories and associated costs
- the number of additional technical staff and associated costs
- future development programmes for technical staff
- departmental priorities and funding in relation to clerical assistance

## **Summary of the study**

The study has shown that Hospital Management and the Laboratory Manager have a clear and visible commitment to ensuring the long term future of the Production Laboratory Services as part of the overall Hospital services.

It has also identified the problems that exist and which have had an impact on the efficiency and cost of the service, and the areas of potential change that would bring improvements to the overall service to clinical staff and patients.

The proposed changes to the Production Laboratory Services have been both reactive and proactive and these elements have been combined to ensure the change in direction of the technical services will maximise long term success and viability.

Hospital Management and the Laboratory Manager are agreed that to ensure the proposed changes to the service are lasting and effective, there must be a change in the culture of the organisation, particularly in the way of thinking among both technical and clinical staff in order that implementation of the changes is carried out with the minimum of resistance.

It was also agreed that the Laboratory Manager should take responsibility for the implementation and monitoring of the proposed changes. Regular audits to monitor progress should be considered.

The study also highlighted that successful change will only result through the participation and commitment of all staff involved in the implementation of the agreed plan. Good communication between all those involved will also play an important role in enabling actions and decisions to be taken quickly and efficiently.

By the conclusion of the case study, agreement had been reached to employ a clerical assistant, install a computer into the laboratory and purchase an appropriate computer management system. The system will enable the Laboratory Manager to monitor and analyse the type, volume, and cost of work undertaken in-house and by commercial laboratories. The laboratory now meets the 'Medical Devices Directive ( 93/42/EEC)'.

## 15.8

### ***PACOR DENTAL CERAMICS***

#### **Background of the business**

Pacor Dental Ceramics was established in 1985 by the present owner / manager Andrew Taylor, a former senior dental technician at the Charles Clifford Dental Hospital and School in Sheffield.

Working from a hayloft in the Hunters Bar area of the city, Andrew's vision for the business was to provide a high quality crown and bridge service to general practitioners in the Sheffield and other areas within the United Kingdom. Overhead costs for the premises were low and this allowed him to buy items of equipment and invest for the future.

Andrew gradually built up his customer base over the next two years before moving to new premises in Dronfield near Chesterfield. Help for financing the purchase of the building and new items of essential equipment was provided by the bank and dental companies. The modern laboratory has six workplaces and is equipped to meet all the necessary Health and Safety requirements. It provides an excellent working environment for the technical staff.

During the early years Pacor employed 6 staff including the manager. This has now been reduced to four and includes Andrew's wife who is responsible for the financial aspects of the business.

Pacor now provides a comprehensive high quality specialist crown and bridge service to local general practitioners within a twenty mile radius of the laboratory. It also has customers in Glasgow, Bolton, Luton and Nottinghamshire.

Clients who have moved abroad to Canada, Holland, Spain and the Channel Islands have also continued to use the service. Maintaining an efficient service to these customers has proved difficult due to work being delayed in transit.

## Laboratory organisational and management structure

The laboratory's structure ( Figure 37 ) is totally centralised and often described as simple or entrepreneurial. This type of structure is established because the owner / manager has contacts and expertise in particular products or service and wants his / her own business.

There is no need for a formal marketing department or other functional departments and although additional staff were employed as the business grew, the size and scale of the operations were such that all the key technical and managerial decisions were made by the owner / manager without any formal division of responsibility. This type of structure is common in many small businesses.

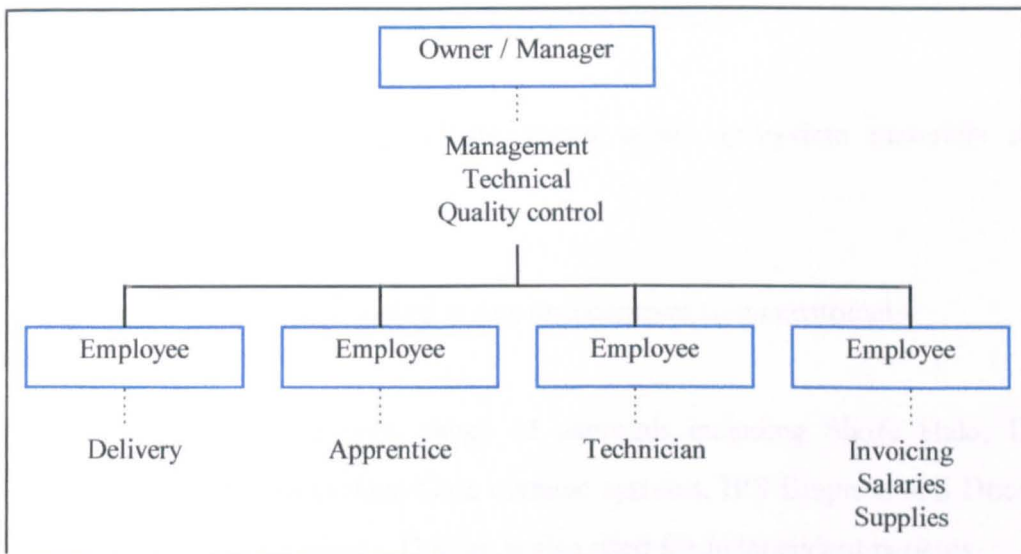


Figure 37 Pacor Dental Ceramics - organisational and management structure

Although the business is operating efficiently at its present size, any further expansion could make it difficult for the manager to undertake his present workload and technical responsibilities and deal with the wider range of management issues within the business.



## **Review of the business**

### **Technical services**

Pacor Dental Ceramics offers a comprehensive NHS and independent crown and bridge service for patients. However the business is directed mainly at the private sector. Pacor also offers an implantology service using Astra and Branemark systems.

### *Types of service*

*NHS* - is designed to give excellent value to NHS patients.

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*Independent* - is intended to be an enhancement of the NHS standard and is offered specifically to local general dental practitioners.

*Private* - is aimed at the private sector using up-to-date materials and techniques.

Pacor does not offer discounted prices or incentives to its customers.

The laboratory uses a wide range of materials including Shofu Halo, IPS Empress, and Ducera Golden Gate ceramic systems. IPS Empress and Ducera are used for private patients. Ducera is also used for independent patients.

All metal castings for the crown and bridge work, including bonded restorations, are undertaken by one technician who is highly skilled in this type of work. The ceramic work is done exclusively by Andrew Taylor. His expertise and high standards are the hallmark of the quality restorations produced by the laboratory.

All dental impressions are checked and assessed on arrival in the laboratory and faulty impressions are rejected. All completed work is quality controlled by Andrew prior to delivery to the customer.

The laboratory has a set daily target for the number of units produced and the turn round time for all work is two weeks from the date of receipt. Work is completed 3 days prior to the delivery date to allow for unforeseen technical problems.

Fifty percent of the laboratory work is collected and delivered using a postal service. A driver is employed on a part time basis each day to collect and deliver work from local customers.

In the event of customer demand exceeding the set daily output, the laboratory will ensure that all postal work is completed first, followed by customers within a 10 mile radius and local customers last. Any increase in workload is absorbed by the laboratory through careful planning or if necessary by increasing the working hours. Andrew is careful to ensure the standard and quality of service is not compromised by any increase in productivity.

### **Administration**

The booking in and out of the work is done using a manual system and as this method is working efficiently the laboratory has no plans to introduce a computerised system.

Andrew Taylor undertakes technical duties and most of the responsibilities of management including the ordering of supplies. Andrew's wife is responsible for customer invoicing and employee salaries.

The laboratory's operational and business management systems are registered in accordance with the Medical Devices Directive ( 93/42EEC ).

## **Leadership and management style**

Pacor's success is due to the ability of the owner / manager and staff to work closely as a team, and support each other with simple lines of communication. Andrew Taylor has ensured that he has stayed informed and responsive to changes within the product and material market. Close communication with his customers keeps him informed of their individual needs.

Andrew leads by example, particularly in respect of the quality of his work and he has developed a friendly 'family type' business working environment. He has developed a culture in which the employees are working for the success of the business.

There are no formal strategic or organisational planning systems or meetings. Planning is based on the needs of the customer i.e. the quality of service, delivery times and types of materials and products they require. This can vary from month to month and any decisions are made at the time and are dependent on available resources.

## **Training and recruitment**

Andrew has experienced problems when recruiting newly qualified technicians. Most are knowledgeable about dental technology, and may possess a wide range of skills, but they are unable to work initially at the speed and high standards required. Andrew recruits unqualified people as dental laboratory assistants and teaches them using the old apprenticeship methods. The apprentices are given the opportunity to attend college on a part time basis to give them the opportunity to obtain the BTEC National Diploma in Science (Dental Technology).

## **Problems within the commercial sector**

Andrew Taylor's main concerns are the pressures and potential threats from the larger dental laboratories who can afford to market their services widely, offer a more extensive service, faster turnaround of work, cheaper prices and discounts. The situation is not helped by dentists subcontracting work to laboratories who are offering the cheapest options with little regard for quality. There is also the worry of being subjected to a possible takeover by a larger competitor.

Cash flow is also a major problem for the smaller laboratory particularly when the workload reduces. There are occasions when the monthly figures show the laboratory just breaking even or that it is working a month in arrears. Maintaining an acceptable cash flow that will allow the laboratory to function efficiently, pay suppliers and employees, and purchase equipment is an ongoing concern that the smaller laboratories, like Pacor, have to contend with. It is during these difficult times that the owner has to think about a number of possible solutions, for example increasing the number of private customers or increasing the existing NHS / Independent service by offering lower prices while maintaining the existing number of employees. Alternatively he could reduce his existing overheads which would prove difficult.

## **Summary of the study**

The study has shown how smaller businesses differ in the way they operate and function in comparison with the larger companies. Although they are subjected to the same problems, i.e. remaining competitive and viable, providing a quality service to their customers and meeting their needs, smaller businesses like Pacor with fewer employees and customers do not require the same organisational structures or formal strategic management methods to function efficiently. They tend to use basic management principles and keep operational and management procedures simple.

Andrew Taylor has justified his decision to establish his own business and has been able to compete favourably with his competitors. He is committed to putting the customer first through good communication, loyalty and ensuring they receive a high quality service.

He has shown strong and effective leadership during difficult times. An important aspect has been his ability to promote teamwork within the business. His reluctance to expand his existing service for financial gain has not affected the success of the business.

## Chapter 16

### RESULTS

#### 16.1 Strategic management and change

Chapters 5 to 13, and the relevant literature, have drawn together the essential themes upon which successful management and change is based.

##### **Chapter 5 - Introduction to strategy and strategic management**

- Strategies are means to ends. The ends concern the purpose and objectives of the organisation. Companies must have a corporate strategy for the whole organisation which reflects the range and diversity of activities and a competitive strategy for each activity. Functional strategies contribute directly to competitive strategies. Companies which fail to adapt and to innovate will eventually experience decline.
- Strategic management is the process by which organisations formulate, implement, monitor and control their strategies.
- Effective strategic management implies that companies manage their resources in such a way that they both respond to, and manage, their environment. The culture and style of management are critical factors, and the impact of the strategic leader should not be underestimated.
- Strategy success is very dependent upon architecture. This relates to internal linkages between businesses and functions, and the external alliances between members of the added value ( or supply ) chain. Interdependencies must be fostered if potential synergies ( the added value from linkages ) are to be attained.

- Corporate planning is an important aspect of strategic management, but it does not fully explain how strategies are created and implemented.
- The business environment can be evaluated in a number of ways;
  - a) the expectations of the stakeholders
  - b) political, economic, social and technological forces
- All employees contribute to strategic change. The structure of the organisation, empowerment and reward systems will influence the contributions that people make.
- The model used in Figure 2 summarises the key points in this Chapter.

### **Chapter 6 - The concept of strategic management**

- An analysis of strengths, weaknesses, opportunities and threats (SWOT analysis) is a useful framework for strategic awareness. Organisations need to match their resources with their environment.
- Because the environment can be unpredictable, changing this matching process needs to be managed. Values and culture determine the organisation's ability to create and maintain an effective match. A more useful framework which encapsulates this theme is E-V-R Congruence (Figure 3).
- The environment and the organisation's stakeholders determine the key success factors, those factors that an organisation really needs to address for long term competitive advantage and strategic success.
- A clear and understood mission statement, which explains the basic purpose of the business, is helpful both for strategy planning and explaining current strategies.

## **Chapter 7 - Strategic success**

- Strategic success implies that stakeholder needs and expectations are being satisfied, and that an organisation is out performing its competitors.
- Strategic success requires that value is added for customers through the supply chain. This implies internal and external linkages and co-operation. Organisations which are most successful in meeting key success factors are those which harness their core competencies and strategic capabilities to add value for customers.
- The basic themes for competitive advantage are lower costs, differentiation and speed. These again must represent added value for customers.
- Innovation, empowerment and the ability to learn and share are critical for achieving and maintaining competitiveness.
- The real challenge for many organisations's strategic regeneration is simultaneously changing strategies, structures and styles of managing the organisation.
- Feedback of progress is essential if organisations are to build on success and remedy weaknesses. Vigilance is important, and it is necessary to determine the most appropriate factors to measure. Measuring effectiveness is more subjective, and quite possibly indicators, as opposed to definitive measures, may have to be used.

## **Chapter 8 - Strategic planning**

- Planning is vital for thinking and learning about future strategic issues, challenges and opportunities.
- The actual process of thinking and planning is more important than the plan itself, which really should be seen as a framework for guidance



- Overall action plans have to be operationalised into smaller plans and tasks for employees to carry out. The planning process includes the development of plans at appropriate levels to produce the actions required to implement the strategic plan. The plans and actions of functional departments need to be drawn together so that the organisation operates smoothly.
- There are individual, organisational and environmental barriers to planning which experienced management can overcome. Business plans establish how organisations intend to organise themselves to satisfy the demands of customers.
- Organisational development can help managers to deal with changes through staff training and development, team building and internal communication.
- Strategic objectives can be implemented by processes such as management by objectives and performance related pay. These systems focus on individual objectives and feedback on their achievement.

## **Chapter 9 - Strategic leadership**

- It can be argued that management is largely concerned with leadership because managers need to establish a sense of direction and to motivate people to move in that direction.
- The understanding of theories of leadership provides a basis for analysing leadership and management styles. This understanding is also a factor in the process of making decisions.
- The key aspects of effective leadership are vision and pragmatism ( the ability to make things happen and bring results ). It is necessary for the leader to ensure the organisation has a clear direction and purpose and is action orientated. Strategic decisions must be capable of implementation. The organisation must be able to respond to competitive and change pressures in the appropriate timescale.

- The strategic leader takes responsibility for ensuring that the needs and expectations of important stakeholders are being met.
- Visionary leaders have a vision for the future of the organisation and the commitment to making it happen. They understand intuitively which strategies will satisfy important stakeholders. They also rely heavily on other people, and consequently their skills at motivating, developing trust and inspiring others are critical issues.
- It is important that the style of leadership fits the strategic circumstances. Leaders must be flexible and capable of adapting.

#### **Chapter 10 - Power politics and culture**

- The ability of an organisation to learn, and to adopt and incrementally change strategies is dependent on politics power and culture.
- Culture defines how things happen inside organisations, the decisions people take and the actions they follow. Behaviour is often affected unconsciously as people simply accept 'this is the way things are done in this organisation'.
- The culture can be best understood by considering its manifestations, including values and behaviours, people and communication.
- Cultural change is difficult and takes time. Effective leadership is a fundamental requirement. People are invariably resistant to change.
- Both strategic choice and strategy implementation are affected.
- The selection and implementation of strategies reflects internal and external power and influence. We need to understand how people acquire and use power to drive decision making.

- The term re-organisational politics describes the use of power and influence. Used in the best interests of the organisation, politics is positive and an important skill for every manager. It is also necessary to appreciate that some politically astute managers will seek to manipulate situations and decisions for their own personal benefit rather than the long term needs of the organisation.
- Powerful external stakeholders, such as governments and major customers can constrain organisations and impose strategies on them.
- Organisations with more adaptive cultures are able to initiate change in strategies more readily and effectively.
- It is realistic to suggest that all modes of strategy creation can be found in an organisation at any time, driven by strategic leadership, culture and power. It is however far less realistic to believe we can explain exactly what happens in any particular organisation. Managers in different parts of an organisation will have different perspectives and opinions.

### **Chapter 11 - Strategy implementation and organisational structure**

- Strategic management comprises analysis choice and implementation. Strategies are implemented through the organisational structure. However, the structural processes are the determinants of adaptive and incremental changes. As a result there is a circular relationship between strategy and structure.
- Effective control is achieved when strategy and structure are matched and are also congruent with the style of corporate management. Simultaneous change to these three, what has been earlier termed strategic regeneration, is difficult, but sometimes necessary for organisations.

- Structures are designed to first split up and separate the activities and tasks which the organisation must carry out, and second, integrate and co-ordinate efforts to achieve synergies. In relation to this organisations must decide how much responsibility should be centralised and how much can be effectively decentralised and devolved to divisions, business units and individuals.
- Centralisation yields control. Decentralisation may be required for growth and flexibility. It is also more likely to motivate managers.
- There are a variety of organisational structures which help to achieve the strategic objectives of a company. Without these structures, actions that will achieve these objectives and ensure the quality of products and services provided cannot be taken.
- Organisations are likely to conform, either closely or loosely to one of five identifiable structural forms: The entrepreneurial structure, functional structure, divisional structure, matrix structure and holding company.

## **Chapter 12 - Total quality management**

- Total quality management is a key organisational value which can contribute significantly towards the achievement of customer satisfaction and lower costs.
- Underlying the quest for quality is the need to increase productivity by raising investment levels in technology, and by making the most of the work force. This involves delegation of decision making and responsibility in the process of achieving quality objectives. It also involves a concentration on training and development based on high expectations and increasing people's ability to deal with modern technology and participative management.
- Actions to achieve quality include the introduction of Total Quality Management ( TQM ) programmes, focusing on the customer, and the development of techniques such as 'right first time' and 'just in time'.

- Performance management programmes are another way of concentrating the attention of managers and everybody else in the organisation on the quality of their work and ultimately on the quality of products and services.

### **Chapter 13 - Strategic success and change**

- Organisations which aim to be successful must address five critical issues:
  1. adding value
  2. core competencies and strategic capabilities
  3. architecture, linkages and synergy
  4. competitive advantage and innovation
  5. strategic regeneration
- Strategic success requires leadership, planning and an ability to manage change, together with an ability to manage the various strategic dilemmas faced by an organisation.
- The timing of change is essential. Companies which enjoy long term strategic success change proactively while they are still successful. If they wait too long they will be forced on the defensive.
- Companies must not only be able to manage a programme of change, they should look to develop a culture which is responsive to perpetual change pressures.
- Strategic change implies a corporate juggling act. The expectations of shareholders and customers must be considered alongside the pressures placed by competitors.
- Strategic change can be categorised in six layers:
  1. corporate culture
  2. organisational mission
  3. corporate strategies
  4. structure, systems and processes
  5. competitive strategies
  6. functional strategies

- These six layers can be seen as a hierarchy of complexity. Competitive and functional strategies can be changed far more easily than the corporate culture, for example.
- It is useful to examine the forces for and against change. Resistance can always be expected.
- A culture of change requires empowerment. This in turn must be linked to an appropriate system.
- Some organisations are faced with powerful, discontinuous pressures. Gradual, emergent change will be adequate. They need to change strategies, structures and styles of management simultaneously. This constitutes a major challenge which few organisations will truly relish.

## 16.2 Results of the case studies

### 16.2.1 Private sector companies

One should be wary of drawing any firm conclusions about the theory and practice of strategic management from such a small number of case studies. However they have presented a number of important issues regarding strategic management and change over an extended period of time.

#### **Company strategy / vision / mission / principles**

The strategy of all the companies was driven by a clear *vision* for the future and in some cases triggered by perceived opportunities. In the studies of TNT UK Limited ( TNT ) and Bettys & Taylors ( B&T ) the strategy was developed by the Chief Executive and /or Management Board. The strategy for Finelist Group PLC ( FLG ) and Bracon Limited ( BL ) was driven by the vision of the Managing Director. While decisions were made in order to achieve the companies' objectives, these were themselves constrained by the companies' *mission* which clearly identified its major strategic purpose and responsibility to its stakeholders.

This was explicitly documented in the mission statements of all the companies studied and included broad references to the companies' philosophy, commitment to its people, customers, suppliers, shareholders, profitability and growth. The mission statement provided a framework for the companies' objectives which were consistent with the companies' mission.

## **Company objectives**

A variety of objectives could be discerned from the studies, ranging from localised structural and operational change to organisational and cultural change that involved the company, people, customers and suppliers.

We can see from the studies that, depending on the circumstances or constraints, strategy development can take different forms. In the case studies of TNT and FLG we can see that deliberate and conscious decisions were made to shape future strategy in order to expand the companies' range and quality of products / service to its customers.

We can also see that BL's strategy programme resulted from the constraints and competitive environment the Company faced. However, as in the case of B&T the change, although planned, was based on the principles on which the Company was founded.

## **Strategic planning and implementation**

The study of TNT showed that this Company's objectives and strategy were changed deliberately in response to environmental changes, because the Company itself had changed as it had grown and gained experience, or through the need to develop and expand its products or service.

TNT and FLG highlighted the need for Company strategies to be carefully planned through a thorough analysis of its present situation and future objectives. In circumstances where the future was uncertain, as in the case of BL, it was unwise to make detailed plans for the future and therefore a more flexible approach was adopted by setting short term targets, adapting to the environment and learning from experience as it continued in the desired direction to achieve success.



As well as a vision and statement of objectives the companies had a clear understanding of their strengths, weaknesses opportunities and threats and a business plan that convinced prospective investors who the company's customers were and what finance and resources were required in order to implement the plan.

The study highlighted the importance of determining customer requirements in respect of the type of products and / or service they required, and their views on the products / service available. This was achieved through good communication links between the company, suppliers and customers.

A variety of approaches to change management can be seen from the case studies. These range from instances where all the major decisions were taken by one manager to others where decisions were empowered to managers and staff in the affected areas.

In the case of BL, all the major decisions were taken jointly by the Managing Director and two senior managers. In the larger companies ( TNT, FLG and B&T ), there were a number of planning levels, with each management team, division, function or unit producing its own business plan to support company policy and strategy and introduce the necessary actions for implementation.

The plans and actions of the functional departments were evaluated to ensure they were compatible with company policy. The input from lower levels also ensured acceptance of the overall corporate plan.

Successful development and implementation of the strategic plans and changes were as a result of the understanding and commitment of the management teams and employees. Without this, implementation is likely to be slow and uncertain and be accompanied by political manoeuvring designed to slow, speed or shape the process.

In all the cases examined, the Managing Director / Chief Executive Officer and Management Board played a critical role in initiating or developing the vision and strategy of the company.

The studies also showed that the companies based the quality of the service and planning on one or more of the following recognised structured frameworks:

European Business Excellence Model, Time Management programme,  
Investors in People and Quality Assurance Standard

BS EN ISO 9002

### **Leadership**

The studies highlighted how the company culture can reflect the management style of the Chief Executive / Managing Director and how the quality of leadership is crucial to the Company's success and that this is equally as important as good and efficient management, particularly in a challenging environment. In the larger companies such as TNT and FLG, where more complex situations exist, analytical skills are seen as essential qualities, whereas in a simple environment like BL decisiveness is seen to be more important.

The study of FLG has also shown that where the management style and culture is tough and objective led, strong and clear leadership is essential in achieving major change and there needs to be a continuity of management style throughout the Company.

All the companies had adopted an 'Open door' policy in order to maximise accessibility to managers and placed significant importance on employees being made to feel part of the company through clarity of purpose, personal development and empowerment.

## **Organisational structure**

Several key points concerning the determination and design of the company's organisational structure were highlighted.

As the organisation grows larger and becomes increasingly complex and diverse, as is the case in TNT, FLG and B&T, the structure needs to allow for effective communication. It must take account of the information needs and exchanges which are required for effective decision making. BL, being a smaller company, showed a more simplified owner / manager structure.

The companies in the studies have designed their organisational structures to make the complexity manageable so that the company can perform efficiently with existing strategies and deal with the formulation and implementation of any future strategic change which may include changes in the organisational structure.

The organisational designs have also been determined by the key environmental issues which concern the nature of the pressures for change and the speed at which the company is able to respond and act ( FLG ). The extent of centralisation and decentralisation is also an important factor.

Organisational charts have been used to indicate the lines of authority ( levels of management ), identify the different functions directly involved in the manufacturing process, distribution and marketing as well as the support services and the need not only to differentiate between these functions but also integrate them so they play their part in achieving the company's objectives.

## Quality of service to customers

Quality implies more than the quality of the product itself, although this is obviously important. It incorporates the company's ability to meet the specific needs and requirements of its customers, such as delivery on time, of the right quantity and packaged appropriately. Moreover, improving the quality of the way activities are managed and carried out invariably leads to lower costs, less waste and, through 'getting it right first time', a central theme of total quality management.

There was ample demonstration of the manner in which companies are changing not just their internal relationships but also their external ones. They have highlighted the priority companies give their customers and the urgency with which they are considered.

The focus of the business strategy for all the companies in the study has been customer satisfaction, which means; identifying and satisfying customer needs, providing the benefits sought, and doing so better than their competitors while making satisfactory profit; in other words gaining differential advantage by giving better value.

The companies studied have gone to extreme lengths to achieve quality and an efficient and reliable service. In reviewing these studies what is remarkable is the extent to which the companies have changed their own internal and external operations and relationships in order to improve their performance and meet the needs and expectations of their customers more efficiently than their competitors.

The introduction of 'just in time' systems which sequence operations so that products / services are delivered as and when required by the customer has been an important feature of improving customer service.

Other important changes that have been introduced are the adding to and / or upgrading of information technology systems. Regular feedback from customers, suppliers and employees, improved invoicing and communication and reviewing and upgrading in-house training.

All the companies in the study had introduced quality systems which comply with the requirements of approved standards in relation to documented work instructions, the monitoring of control processes and equipment together with stipulated criteria for workmanship.

### **Training**

All the companies provided management training designed to improve team building skills and leadership qualities for the employees.

They all received in-house on-the-job and personal development training which provided better customer service and employee motivation. In some cases employees were sent on external courses. Appraisal and training plans were used to evaluate and monitor the training needs and development of individuals.

## Company Growth and profitability

Actual profit is important as it determines the amount of money that a company has available for paying dividends and for re-investment.

What is also important is how the money invested in the company is being used, i.e. profitability, a measure of how well the company is performing.

The studies have highlighted the companies priority to establish and sustain long term profitability which satisfies the needs of both the company and its shareholders.

Companies grow as long as there are unused resources, diversifying when they can no longer grow with existing products, services and markets.

The companies studied have highlighted three different growth strategies.

- *Organic growth / related diversification* - re-investment of past profits and building on existing strengths, capabilities and key strategic abilities ( B&T, BL ).
- *Acquisition / diversification* - Adding value by acquiring and improving under performing companies and / or diversifying into different parts of the supply chain and distribution ( FLG, TNT ).

All the companies have shown sustained growth and profitability over a period of five years.

## 16.2.2 Dental laboratories

### Introduction

The studies of the private sector companies provide an overview of the business and identify the number and type of functional departments / areas in the company, how they are encouraged to produce individual plans that will be included in the company's overall strategic plan, the methods used, and the difficulties and constraints encountered during planning and implementation.

The studies of the dental laboratories are used as a comparison with the methods used by the companies to develop methods and models that could be used by laboratory managers in the management of strategic change, particularly in relation to the critical success factors highlighted in Chapter 13.

The case study of the Edinburgh Dental Institute ( EDI ) was carried out after the laboratory had gone through the planning and implementation changes to the laboratory service. The study of the Dublin Dental Hospital ( DDH ) was carried out over a twelve month period which covered the review and planning stages, agreement of the action plan and the initial implementation of the changes. Pacor Dental Ceramics ( PDC ) provided a contrast in the way small laboratories in the commercial sector, similar in size to some of those in dental hospitals, deal with strategic / organisational issues.

## **Strategy, vision and mission**

The case studies highlighted a number of differences between the private sector companies and the dental laboratories in respect of the understanding of strategic management issues, planning methods and implementation of change.

The EDI and DDH studies showed that although hospital managers did have a clear vision, mission and objectives for the laboratory service, they highlighted the difficulties in implementing an effective strategic programme because of the political culture that existed within the hospital and the differing and often conflicting priorities of the NHS, university and hospital management. Implementation is only possible through the understanding, agreement and commitment of everyone involved in the change process. Vital time was lost developing and implementing a strategic plan for the DDH laboratory because of political manoeuvring and the failure of all parties to agree common objectives. However the EDI and DDH studies did show that action plans were eventually agreed and implemented.

The objectives and strategic plans for both the EDI and DDH were based on the hospitals' commitment to improving the quality and efficiency of the service to patients; however this did not form part of the hospitals' overall corporate plan. The laboratories were treated as a separate issue, aimed specifically at changing the structure and type of service, and dealing with human resource issues.

Commercial laboratories similar to PDC are not subjected to the same political interference. Planning is constrained by the ever changing commercial environment and competition. A high degree of flexibility is required with short term objectives and targets.



Strategic issues which are within the control of the owner / manager are often forgotten when the pressure to turn round work quickly becomes the main priority each day.

### **Planning and implementation**

The EDI and DDH set clear objectives in relation to the type of service / products that would improve the service. All major decisions were taken jointly at formal meetings by the laboratory managers, hospital management and Clinical Directors / Heads of Department.

There were regular meetings between the laboratory manager and senior / lead technicians before and after the formal planning meetings.

Agreement of the proposed EDI and DDH plans was determined by the availability of resources and the prioritisation of the requirements of the other departments within the hospitals. This was a major factor in the DDH study.

Staff were kept regularly informed of the proposed changes; however there was some resentment, resistance and lack of commitment to change, as highlighted in the studies of the EDI and DDH. This delayed the successful implementation of the changes.

Commercial laboratory managers, especially those in smaller laboratories ( e.g. PDC ), tend to act in a reactive rather than pro-active way. Operational problems and those of the customer are worked around rather than analysed and solved.

## **Leadership and management style**

The laboratory managers were aware of the needs and expectations of the staff and encouraged participation by the staff in the decision making process. They played a crucial role in ensuring that staff were kept informed and their views were heard by employing an 'open door' style of management, and through good communication links.

## **Organisational structure**

The EDI and DDH laboratory structures were designed to reflect the type of work undertaken in each section within the department and the grades of the technical staff employed within these sections. They defined the technical and managerial responsibility within the laboratory and lines of accountability within the department and hospital.

Most commercial laboratories are managed by the owner / manager and defined managerial / administrative responsibilities are not delegated down to other staff; therefore formal organisational structures are not used.

Larger companies with more than one laboratory employ similar strategic planning methods and organisational structures as private sector companies.

## **Quality**

All the laboratories studied had introduced quality assurance standards for their operational procedures and management systems. These complied with BS EN ISO 9002 and / or Medical Devices Directive ( 93/42EEC ) standards.

The managers were committed to maintaining and improving the quality of service and to meeting the requirements of the laboratory's customers. This included similar methods used by the companies studied, for example, improving / updating technology and materials, effective quality control, the personal development and training of staff and the introduction of computerised management systems ( EDI, DDH ).

### **Technical service**

Growth of private dentistry at the expense of the National Health Service ( NHS ) is a manifestation of a more general trend towards consumerism across all healthcare services. Private payment for dental treatment has been increasing since the early 1990's when a cut in the NHS fee rates led to widespread dissatisfaction among dentists. Increasingly general dental practitioners have reduced their reliance on the NHS as a source of income and chosen to treat adults privately, generating more private income.

Many believe that NHS fees are at a level that threatens quality as well as restricting choice of dental treatment. Aesthetic dental care and more advanced specialised treatments are areas that have become increasingly popular within the private sector, largely consumer led.

The previous study<sup>[4]</sup> and the case study of PDC have shown that dental laboratories within the commercial sector provide a varied and extensive service to their customers in terms of both cost and the type of service offered. Those laboratories with a large customer base within the United Kingdom and Europe provide an extensive service in all areas of dental technology. Some of these larger laboratories have contracts with Dental Hospitals and Schools, Community Health Centres and the Armed Forces.

The smaller laboratories ( e.g. PDC ) tend to offer a more specialised service which enables them to keep the prices competitive with their larger counterparts. The majority of laboratories offer a two tier system of prices, one for the NHS and the other for the private sector. This system was adopted by the EDI.

There is a significant difference between the commercial sector ( e.g. PDC ) and dental hospitals over the qualification requirement for the employment of staff. The working practices and procedures of commercial laboratories also differ, in that-

- non qualified staff are employed to undertake the routine work
- the more skilled tasks are undertaken by qualified / non qualified staff known as skilled process workers
- technical staff construct individual stages of work rather than the entire restoration

By using this method of production the laboratories are able to keep production costs low and productivity high. The policy of employing single skilled technicians means that they are more proficient in their particular skill, although this does not automatically mean better restorations for the patient.

Factors that affected the hospital laboratories' services were the fluctuations in type and volume of work, the shortage of technical staff and the lack of information on the specific requirements for the undergraduate / postgraduate student teaching programme.

## **Financial / budgetary control**

The company case studies showed that finance and budgetary control and company objectives are clearly related. The allocation of resources to managers is dependent upon the strategies which the organisation has decided to develop and implement, and where growth and profits are seen to be priorities.

All managers who spend money and whose departments consume resources should ideally be given a budget which should represent agreed targets for individual departments and the organisation as a whole.

Unlike managers of functional departments in private sector companies or managers of commercial laboratories ( PDC ), hospital laboratory managers do not have financial control of resources and, as highlighted in the studies of EDI and DDH, laboratory budgets are held centrally and managers are responsible for monitoring and ordering laboratory supplies.

## Chapter 17

### DISCUSSION

#### 17.1 Literature review and case studies

Change and the means by which it may be brought about remains, as the literature and case studies suggest, one of the abiding pre-occupations of business leaders in both public and private sectors. The need to change in response to internal and external influences is indispensable if an organisation, large or small, wants to be successful. Even the most powerful leaders are highly dependent on the capacity of the organisation and the people they lead to produce the changes they require.

In recent years a great deal has been written about strategic management and change. Much of the current literature defines the objectives an organisation should have when contemplating change but often it does not tell those involved how to meet them.

The literature review and the case studies carried out in this study have examined the theory and practice of how organisations develop and change. They have identified different approaches and methods of strategic management and change, leadership / management style and training.

They have also examined the different management and organisational structures that can be and have been developed to ensure the successful implementation of strategic change.

The review in Chapters 5 to 13 provides a comprehensive coverage of the theories, principles, models and concepts that help ensure an understanding of the complexity of strategic management and change. It has shown that because of economic fluctuations, the development of new products and processes, competition, politics or cultural change, organisations operate in an unpredictable environment and must therefore be prepared for change. It has also shown that the pace and uncertainty of change can vary from company to company and that the pertinent issue is how organisations can cope with both the environment in which they operate and the constraints, challenges and threats they face.

In reading the literature on strategy management and change, one might be forgiven for asking whether managers, and what they do, matter at all. If strategy is emergent, often related to conscious decisions, what role exists for managers?

Alternatively, if, as the evolutionary perspective on strategy would have it, luck plays a greater part in success than conscious action, does the quality of manager matter? The answer of course is yes, as the case studies have shown. Managers have increasingly had to recognise that the only way to confront strategic issues is to be ready for change, radical as it may be, and to become resilient to it.

The literature suggests that some experts claim some sort of universal applicability for their favoured approach or theory; the reality is, as the case studies show, that such approaches are developed in particular circumstances, at particular times, and often with a particular type of organisation.

It follows therefore that a key role for managers is to understand the approaches on offer, identify their own circumstances and needs and choose the approach that suits them best. By doing this, the literature suggests, managers can make their own choices about the future operation and direction of their organisation, and the strategic plan required to implement these changes successfully.

The view of most authors is that leadership is the essence of successful change and that leadership begins with '*defining the vision*' as a basis for rallying the organisation around a sense of purpose.

They also suggest that, perhaps more difficult than creating the vision, is to be selective in making the right choices and having the ability to implement them rapidly and effectively for the best results in terms of value, cost and time. The case studies have also identified this view as being the key to effective strategic change management.

Although there is no universal method for change management, the literature proposed a variety of models for understanding and implementing organisational change, which not only incorporate planned and emergent approaches to change but also how managers and employees can restore freedom of choice. They are a set of guidelines drawn from a wealth of experience and case histories.

The literature has discussed the theoretical background as well as giving advice on managing change and has provided a general framework for understanding and assessing any given situation to enable changes to be put into effect.



Although planning, and in particular strategic planning ( deciding the overall and long term direction of an organisation ) is central to the traditional view of strategic management and, while it reflects that importance, it also shows that strategic management involves much more than making plans. It draws on a number of competencies, techniques and knowledge at all levels of the organisation relating to both short-term and long-term issues, but it is particularly, although not exclusively, concerned with the future impact on the organisation of current decisions by managers at all levels. This implies that decisions concerning the current situation should be made with an eye to the future.

Different needs lead to different strategies and to different criteria for judging success. This is reflected in the 'positioning' of the organisation's products or services ( the way management would like these to be seen by the outside world and internally ). It is also reflected in the organisational culture and focus of its strategy, for example, value for money, innovation, high quality, reliability, helpfulness and, in particular, the image it attempts to project in order to differentiate itself, or its products, from competitors. The particular strategic approach that an organisation ( or rather its management ) adopts is limited by, and to a certain extent must accommodate, social, environmental, financial and organisational constraints.

In order to be successful and survive, the companies that were studied applied a wide range of strategies, some of which can be incorporated into dental laboratories. They needed to be proactive as well as reactive, creative, and innovative and to use all the strategies available to them. The frameworks and methods used by the companies for implementing and managing the change process, and the emphasis on good leadership, culture and people are areas that can be developed and used in laboratory management.

Some companies expanded their markets and developed their products and service. Others gained control of supply and distribution channels and control of competitors through merger / acquisition allowing the company to diversify, spreading the company beyond its main business. This cannot, of course, apply to hospital dental laboratories.

The studies have highlighted how companies have changed and are changing as a result of a greater focus on quality and the customer; it is now recognised that meeting customer's needs is the foundation of any successful company; *and the customer comes first.*

## 17.2 National Health Service

National Health Service ( NHS ) reforms have sought to make managers at all levels accountable for the resources they use and a requirement to develop information systems against which performance can be measured.<sup>[3]</sup> Accountable management therefore gives managers budgets for which they would be responsible and targets which they would agree to meet. This is seen on the one hand to install greater control and accountability over resources used in the NHS and on the other to have the potential to liberate managers to be entrepreneurial. That is, at least in theory, meant to imply that resource use was best determined by those at grass root level, and if savings and improved efficiencies could be made then, ideally they might be deployed by budget holders in the ways that they thought best.

Glynn and Perkins<sup>[3]</sup> refer to Gray *et al.*<sup>[41]</sup> and Humphrey *et al.*<sup>[42]</sup>, who state that various studies have demonstrated that theory may be one matter, practice another, and that accountable management is intended to be part of a wider programme of change that includes the development of performance indicators, management information systems and top management systems that *together* are intended to form a powerful integrated system of managing the organisation from operational level to that of strategic departmental management.

In reality not *all* of this has materialised. At the end of the day the NHS remains, as it always has been, an organisation which is accountable to the Secretary of State for Health and through him or her to Parliament. There is therefore a high degree of centralisation and control from the top despite the rhetoric over many years of devolved management and responsibility. Accountability remains firmly upwards both in respect of the purchasers and providers.

During the early period following the creation of the internal market strategy, implementation in Trust hospitals was varied and as problematical as it was for the purchasers.<sup>[3]</sup> Many hospitals focused on operational rather than strategic planning and have been more concerned about survival and winning contracts than about the strategic direction they may take in the future.

Trusts are faced with difficult choices regarding the prioritisation of services. It was essential, that as new structures and working relationships developed, investment was maintained in order to develop services to a standard consistent with both public ( customer ) expectations and advancing technologies.

Financial constraints within which hospitals work often mean there are insufficient resources available to implement the service developments that the hospital and / or individual departments wish to make. It is important therefore to explore opportunities for income generation in order to maintain and improve service efficiency and quality.

In 1997 the Government introduced a White paper outlining its proposals to gradually dismantle the internal market and replace it with a more collaborative partnership based approach.<sup>[43]</sup>

The proposals in the White Paper free NHS Trusts to use their managerial and clinical expertise to concentrate on providing improved services for patients. There will be incentives available to help NHS Trusts succeed and they will be backed by a tough approach to performance management to drive improvement in quality and efficiency.

The changes will enable NHS Trusts to retain full local responsibility for operational management so that they can make best use of resources for patient care. They will do so within a local service framework that they themselves have played a significant part in creating. NHS Trusts will be accountable to Health Authorities and Primary Care Groups for the services they drive and the NHS Executive for their statutory duties.

A system of 'clinical governance' has been introduced by the Secretary of State for Health to focus on quality in NHS Trusts and ensure that quality improvement processes are in place and integrated with the quality programme for the organisation as a whole.

Every NHS Trust is required to embrace this new concept so that quality is at the core, both in terms of their responsibilities as organisations and of each of their staff as individual professionals.

Staff will be involved in service developments and planning change through collaboration. NHS Trusts will be expected to be open with, and involve, their own staff. There will be open communication, including early discussion of any changes, and all staff will have greater opportunity to contribute ideas for service improvements.

In the internal market, NHS Trusts received their funding under annually negotiated contracts. Many treatments were funded on a 'cost-per-case' or 'extra-contractual-referral' basis. The new funding arrangements will see resources distributed fairly through Health Authorities to inclusive Primary Care groups. NHS Trusts will continue to devolve budgetary responsibility to clinical teams and managers.

The vision set out in the White Paper is aimed at ensuring NHS Trusts provide a high quality and efficient service to patients while at the same time involving staff at all levels in planning change through empowerment and improved communication links.

This approach to putting patients ( customers ) first is one that has been adopted successfully by private sector companies and highlighted in the case studies.

NHS Trust hospitals will approach this change in direction with some caution, particularly at a time when financial pressure on hospitals continues to increase year on year and the financial position of the purchasers means they are increasingly unable to purchase services to match demand.<sup>[44]</sup>

### **17.3 Hospital dental laboratories - an overview**

The problems laboratory managers are faced with have been highlighted in Chapter 2, the previous study<sup>[4]</sup> and the case studies ( Chapter 15 ). They include:

1. Changing patterns of dental health have resulted in changes in the types of treatment and the introduction of new techniques and materials.
2. Fluctuations in workload due to the lack of information on the specific service requirements for undergraduate / postgraduate students and clinical staff.
3. Lack of control of resources makes it difficult to prepare a strategic plan that would spell out specific attainable objectives and targets for productivity, staffing and training.

It would appear that most laboratory managers within the hospital service feel that control of laboratory resources and autonomy to participate in strategic planning would allow them to respond to the changing focus in the environment and would enable them to meet clinical and customer needs. However improvements in the overall quality of the service can be made with careful planning and allocation of resources.

Visits to hospital laboratories, which formed part of the previous study<sup>[4]</sup>, showed that there are some well managed successful hospital laboratories, small and large. However there are some that could significantly improve the overall efficiency, standard and quality of service by careful strategic planning and developing their management skills to the same degree as their technical ones.

There was also a feeling among laboratory managers that technical training and education offered and taken, is out of balance with that of the business and management training available.

Only a small percentage of laboratory staff develop management skills to a degree of competence. Yet a wide range of skills is required to manage a hospital laboratory that provides a high quality service.

It is fair to say, and one must accept the premise, that management skills are as complex as technical ones. Management skills are necessary to succeed in business. This is equally true of small or large laboratories. The difference is whether these diversified skills are possessed by the manager in smaller laboratories or those delegated in the larger ones.

There are innumerable commercial companies engaged in providing management courses, seminars and counselling services in other businesses. Additionally there are extensive courses offered by universities and colleges, but there are none designed exclusively for the needs of dental laboratory managers in dental hospitals.

Although dental technology accredited courses include some form of management / administration modules, emphasis is put on technical education and training. No course offers a comprehensive curriculum dealing with the complexities of managing a dental laboratory run on business principles. Courses should be available to include planning and implementing change within a laboratory environment and people management skills.

Customers are demanding higher standards, quality of service and faster delivery times from laboratories. It is not enough to be organised and have up to date products and processes if the needs, wants and desires of the customers are being ignored. If the laboratory is not offering what the customer ( clinical staff ) wants, then no matter how good the product or service to patients it will be rejected.

An NHS Trust hospital's corporate strategy is the process by which the vision or mission of an organisation is converted into a strategic plan.

The purpose of the plan is to ensure that everybody in the Trust hospital understands the objectives of the organisation, their responsibilities in relation to them, and how to put those into action in order to achieve the desired results.

The planning process includes the development of plans at all the appropriate levels to produce the actions required to implement the overall Trust's corporate strategic plan. The plans and actions of functional departments need to be drawn together so that the organisation operates smoothly. Matching customer requirements to the final product or service is the integrating factor.

Once the Trust has decided on its strategy, the strategic planning committee have then to decide how to implement it. Overall strategic plans have to be operationalised into smaller plans and tasks for departments and employees to carry out.

The dental laboratory, although smaller than other departments within the hospital, should be included in the Trust's overall strategic plan, as is the policy with private sector companies.



It would encourage laboratory managers to look ahead in order to establish the way forward for achieving their desired objectives and linking them to the overall strategic plan of the hospital in a well organised and coordinated way. This would be based on an effective understanding of customer needs.

There are operational, organisational, environmental and financial barriers which managers must overcome, and the whole process should be reviewed and monitored at regular intervals and adjusted as necessary.

Strategic planning will establish how laboratories intend to organise themselves to satisfy the demands of customers and improve the quality and standard of service to patients. This process would be supported by forecasting techniques, both qualitative and quantitative, through regular auditing.

Organisational development would help laboratory managers to deal with changes through staff training and development, team building and internal communication. If managers resist change or attempt to avoid implementing it, strategic drift can occur.

## **17.4 Planning and managing strategic change in a hospital dental laboratory**

The aims and objectives of the study outlined in Chapter 3 was to examine the models and theories of strategic management to determine how strategies are formulated and implemented, how the process of strategic change is managed, and ascertain from the results a suitable framework which will help dental laboratory managers introduce and manage strategic change effectively.

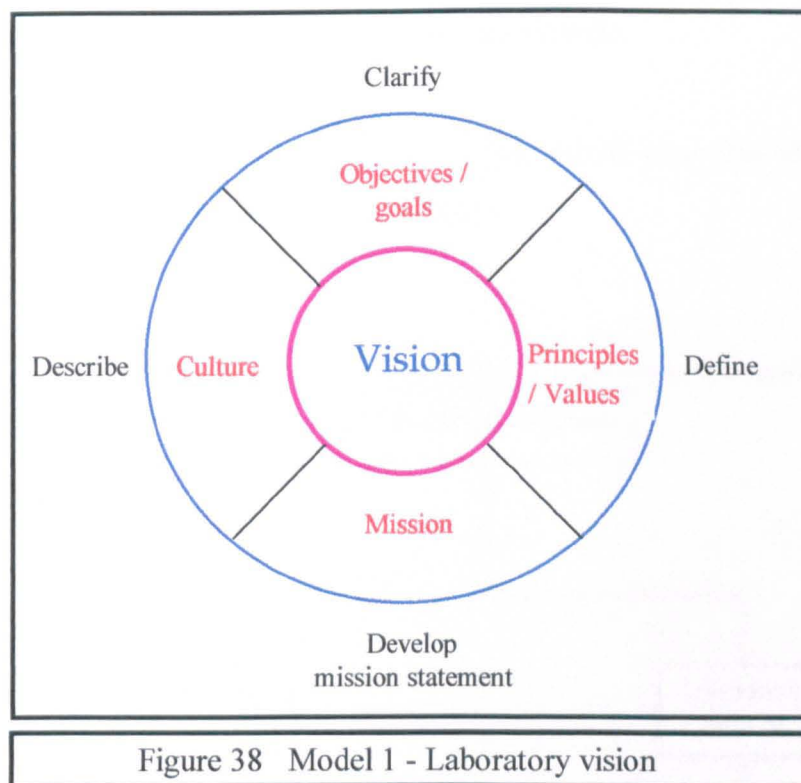
Strategic change management in a hospital dental laboratory environment can follow the same principles and methods as outlined earlier only on a smaller scale.

Planning and managing strategic change in a dental laboratory should be undertaken using a systematic, analytical approach which reviews the laboratory service as a whole in relation to its environment. This has two major functions:

1. To develop an integrated, coordinated and consistent view of the route the laboratory service wishes to follow in order to provide an efficient high standard of service for patients.
2. To facilitate adaptation of the laboratory to environmental change.

The aim of planning is to create a viable link between the laboratory's objectives and those of the hospital's overall corporate plan. This involves the formulation of strategies within a framework of hospital policies and processes of strategic management which, through various operations and project plans, will lead to action and achievement of goals.

The results have shown that the planning process should start with a vision and a mission, from which is derived the laboratory's values / principles, culture, and overall objectives and goals. This is shown in Model 1 ( Figure 38 ).



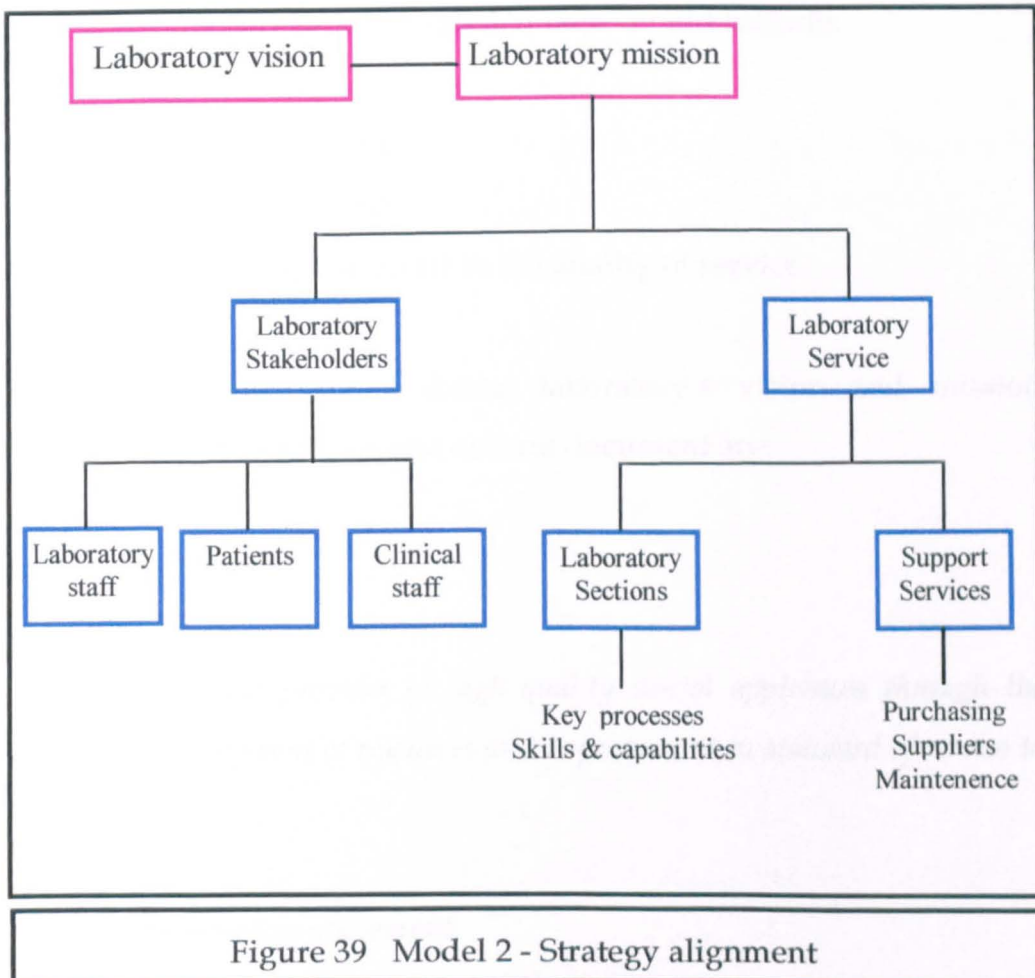
The study has shown that it is the initial vision that both prompts and justifies change. It has also shown that this vision will continue to guide and act as a reference point throughout the change process. It is not concerned with the details of the process but touches on every aspect of change: its causes, the ultimate objective and the broad outline of the action needing to be taken.

The definition of the vision must be based on a profound understanding of the requirements of the laboratory service and its environment. The vision will in fact be used by laboratory managers as a landmark by which to steer the process of change and ensure its successful implementation and outcome.

The mission and vision statements should describe the laboratory's aspirations and additionally recognise the laboratory's responsibilities to its stakeholders. These should be further demonstrated to staff in a document outlining the laboratory's principles and culture.

**It is important to note that sometimes visions fail because, from the very outset, they are too ambitious or unrealistic.**

Model 2 ( Figure 39 ) can be used to demonstrate how the vision and mission are linked in strategy alignment.



The study also highlighted the need not to understate the importance of forming and using a mission statement. The vision must stand on its own as a source of inspiration and direction. A mission statement is a complementary statement, much less visionary but of value in shaping the laboratory's future. A mission is the link between vision and strategy. While strategic decisions are made in order to achieve objectives, both objectives and strategy are themselves constrained by the laboratory's mission.

The laboratory's mission must in the first instance identify the needs and requirements of the clinical staff and more importantly the customer ( the patient ). The mission then should include:

- the service to customers
- the involvement of staff
- the continued improvement in the quality of service

Suggested formats for a dental laboratory's vision and mission statements and principles and culture document are:

#### *Laboratory vision*

*To be a successful provider of high quality dental appliances through the continued development of resources and improvement in standard of service to our customers.*

#### *Laboratory mission statement*

*To empower staff to continue to provide an excellent standard of service to clinical staff and patients which requires upholding laboratory principles for the benefit of all stakeholders involved in the hospital and department enabling the laboratory to achieve its vision.*

## Laboratory principles

*Customer service* - The laboratory is committed to developing a good working relationship with clinical staff to help the laboratory provide excellent standards of service and patient satisfaction.

*Laboratory staff* - We employ the best people who work as a team, are committed and enthusiastic and are valued for what they achieve and their contribution to the department.

*Resources* - The laboratory provides staff with a first class working environment and supports them with continuous career development, training and up-to-date equipment and materials.

*Service and products* - The laboratory provides a reliable service and offers a wide range of high quality dental appliances.

*Leadership* - We empower all members of the team to achieve the laboratory's objectives through clear direction, support and accountability.

*Suppliers* - The laboratory is committed to developing a long term relationship which benefits both parties.

## Laboratory Culture

*Accountability* - Taking full responsibility for the results of our actions.

*Care* - Being responsive and sensitive to the needs of the patient.

*Quality* - Producing a consistent and reliable service and always striving to improve on the previous best performance.

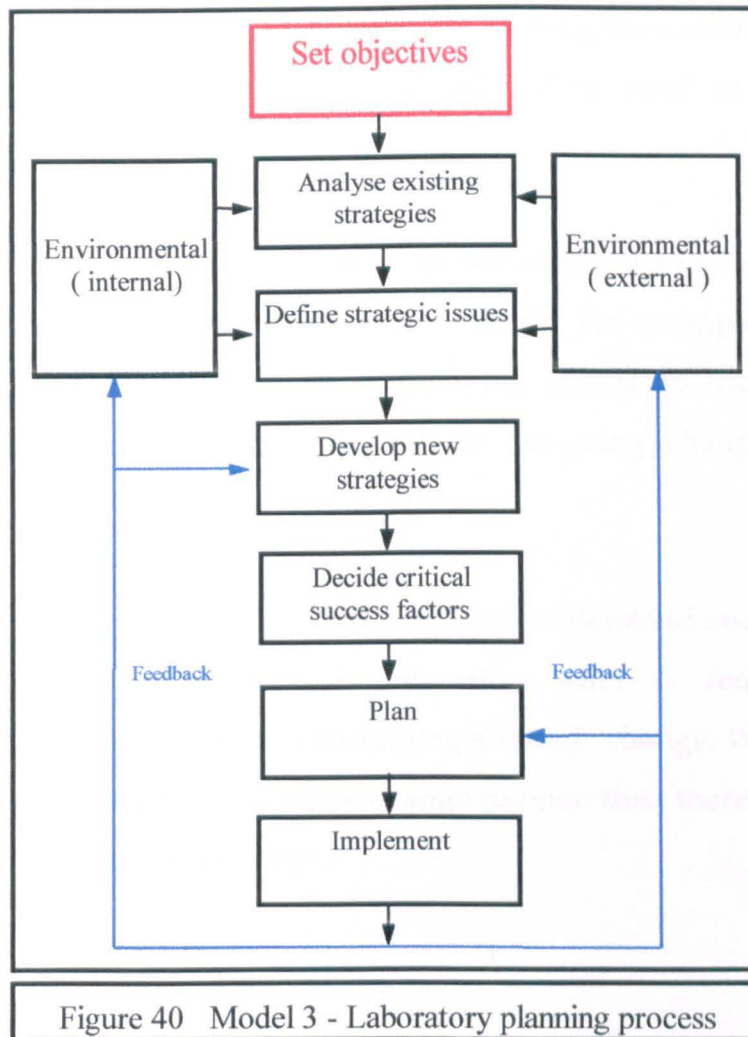
*Communication* - Promoting open communication throughout the laboratory and recognising the importance of two-way communication.

The planning and implementation of strategies can be conducted without using any formal processes. But a comprehensive approach in the shape of strategic planning can insure that all the factors are taken into consideration.

Having determined the dental laboratory's objectives by setting out its vision and mission, the next key element vital in implementing sustainable strategic change is defining the need for change by diagnosing the laboratory's capability to introduce the kind of changes which will improve the service and meet the customer's requirements. Strategic awareness consists of the following processes:

1. *Environmental analysis* - Where are the laboratory's future opportunities and threats? How can it capitalise on its strengths and reduce its weaknesses.
2. *Analysing existing strategies* - Are they relevant to the environmental analysis? Where is the laboratory doing well, or badly, and why?
3. *Defining the strategic issues* - In light of the laboratory service analysis, what are the key issues the laboratory has to address in developing its strategic plan? These may include:
  - a) Where does it want to go and what future objectives are realistic?
  - b) Can the laboratory improve with its existing service and products?
  - c) What can / cannot, should / should not the laboratory do?
  - d) What are the effective criteria for change?
  - e) How might the change be managed?
4. *Planning and implementation* - How can the strategies be planned and implemented? Who will be involved?
5. *Monitoring* - How will the results and feedback be monitored against the objectives and plans? What methods will be used for taking corrective action?

Model 3 ( Figure 40 ) can be used by laboratory managers to demonstrate these processes.



The study has highlighted the need to avoid changes which are merely cosmetic or short lived. Laboratory managers have to introduce change to the service extensively across all aspects of the structure, systems and people if the change is to be lasting and successful.

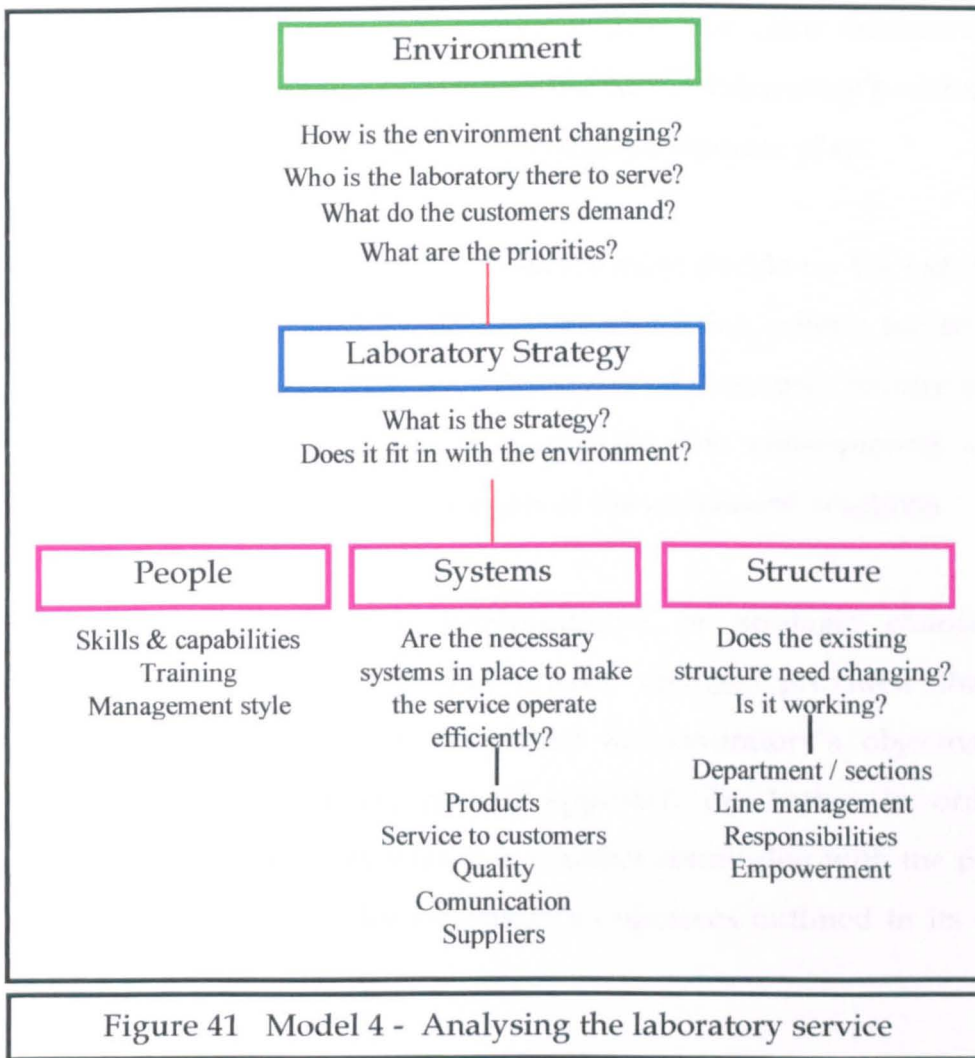
It would be useful for managers to use a model which would help them understand the link between these three key areas and analyse the laboratory's ability to change by building a picture of the service present, how it should operate in the future, and the agenda that will create that change. It will also help pinpoint which aspects of the service fit the plan for strategic change and which aspects will themselves need to be changed to achieve the desired objectives.



A SWOT analysis is a useful method of clarifying the current strategic situation and is arguably more valuable when used as basis for projecting forward.

The dilemma for managers is how to introduce change which will alleviate the problems highlighted in the study. For example; demand for increased production while maintaining standards, variations in workload, patient expectations, and the on-going changes within dentistry.

Model 4 ( Figure 41 ) could help managers to understand and be aware of the present situation and determine what is required for implementing, managing and sustaining strategic change. Without the organisational capability to make change happen then there can be no deliverable strategy for change.



Putting in place an effective strategy means:

1. Identifying what the customers expect from the laboratory service in the future and how their changing needs can be satisfied.
2. Assessing the laboratory's strengths and weaknesses in relation to its existing organisational capability i.e. products, current staffing and skill levels, operational systems and structure. Determining what opportunities there are for exploiting its strengths.
3. Deciding whether the present resources, systems and structure will enable the objectives to be achieved.
4. Identifying the problems and translating them into the agenda for change - the strategic plan.

**This analysis should take place within the clear framework of direction and purpose as represented in the laboratory's vision and mission which is linked to the hospital's corporate plan.**

From the analysis laboratory managers must decide on the extent and type of strategic change that is required. Listing criteria for strategic choice is a suggested approach. A number of these may require further analysis to be undertaken. For example, the consequences of the strategy failing or the consequences of the customers' reactions.

Strategies that minimise organisational or strategic change are preferable to those requiring greater change, provided that the resulting strategic choice will meet the laboratory's objectives. In general the simpler the overall approach the better. In order to minimise change the first issue is whether continuing with the present strategy will achieve the laboratory's objectives outlined in its vision and mission.

Laboratory managers could be faced with the following scenarios:

1. If the present strategy does appear to be appropriate, then the next step is to ensure that the laboratory will have, or can acquire the resources necessary either to successfully maintain or improve efficiency and quality of service. If the analysis then reveals that not only is the current strategy still appropriate but the laboratory is capable of any necessary adaptations to the service, then a major review of strategy is not urgent and attention can turn to improving performance further using the results of the SWOT findings. It may, however, be desirable to set more ambitious targets / objectives and improve the overall performance accordingly or perhaps alter the laboratory's mission in the light of the findings.

2. If the Strategy either:

- a) will not work in the future because environmental changes have made it inappropriate; or
- b) cannot work because internally, the laboratory is incapable of adapting to the requirements of the strategy, i.e. the weaknesses cannot be overcome, then a new or modified strategy is clearly necessary and, preferably, should be based on existing strengths ( as shown in the case study of The Edinburgh Dental Institute ), since this will minimise major internal changes.

3. If, however, the analysis suggests that:

- a) existing strengths are inadequate to meet the objectives, cannot fully take advantage of an opportunity, or meet a threat that jeopardises improvement in the efficiency of the service; or
- b) existing weaknesses, which are the reason for the inadequacies in the service, cannot be overcome, then a more fundamental change may be needed. This may imply a major input of resources ( mainly financial ).

In order for laboratory managers to make a choice between the number of alternative strategies, there must be criteria against which they can be evaluated. Suggested criteria for choosing suitable strategies are:

- a) How well does it contribute to the laboratory's objectives?
- b) Is the strategy consistent with the laboratory's policies / culture?
- c) Does the strategy overcome the strategic weaknesses and counter the environmental threats?
- d) What would be the consequences of the strategy failing or being a partial success?
- e) Is the strategy feasible and what are the potential rewards?
- f) What will the stakeholders' ( customers / hospital Trust ) requirements be?

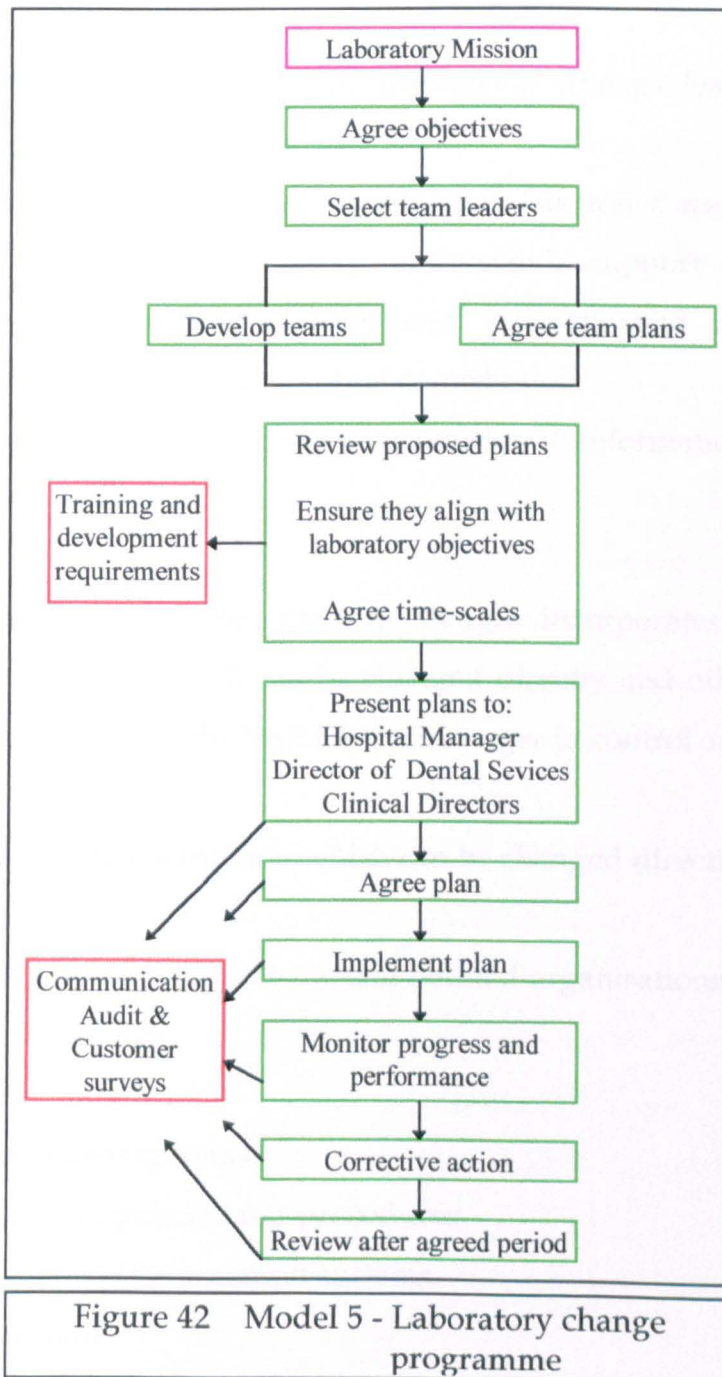
Change programmes must be fully comprehensive if they are to last and be successful. From their analysis, laboratory managers, as strategic leaders, should identify the key areas which require change, have most impact, and then focus attention more widely as the laboratory activities are interdependent and should not be approached in isolation, i.e. the changes can affect other areas within the hospital. Having fully examined the priorities and proposed changes managers must ensure that sufficient time and resources are available to implement the changes.

The appropriate process for implementing change within the laboratory will depend on a number of factors such as urgency, culture management / leadership style and the degree of autonomy given to the manager; for example, the need to consult and seek approval from third parties who will be directly or indirectly affected by the change.

From the analysis of the laboratory service the laboratory manager should be able to determine appropriate, feasible and desirable areas for strategic / organisational change which will form the framework of the laboratory's mission. They must also ensure that the laboratory is able to maintain and manage existing services efficiently and effectively during the change process. Figure 42 shows a suitable model for implementing a change programme within a laboratory

Team leaders are selected from the departmental sections who will then prepare plans for their individual areas in consultation with their team members. The laboratory manager will then review the plans to ensure the proposals align with the laboratory's overall objectives and the plans are refined through discussion with departmental / section leaders. Training and development needs are identified at this time.

The agreed plans should be reviewed by the Hospital Manager and / or the Directors of Dental Services and Clinical Directors to ensure that the plan meets with, and can be incorporated in the hospital's overall strategic plan. The importance of this is highlighted in the study of Dublin Dental Hospital.



The changes that have been introduced should be monitored closely and corrective action taken when necessary. The plan is reviewed at the end of the agreed period.

The outcome in terms of the laboratory's strategic management and organisational success, as highlighted in the case studies and review, will be dependent on:

- a) the direction provided by the manager as strategic leader
- b) the culture of the laboratory
- c) the extent to which the departmental /section / team leaders and staff within the laboratory understand, support and own the laboratory's vision, mission and strategy, and appreciate the significance of their individual contribution.
- d) the effectiveness of the communication / information, monitoring and control systems.

Implementation of the planned changes incorporates a number of aspects, some of which can be changed directly and others indirectly. The latter are more difficult for the manager to control and change.

Aspects of implementation which can be changed directly are:

1. laboratory structure ( the actual defined organisational structure )
2. service delivery
3. activity targets
4. management systems
5. operational policies and procedures
6. management information systems
7. action plans

Actions of implementation which are changed indirectly are:

- a) *Communication systems* - adequate communication systems determine the awareness of change. Such communication is affected and influenced by the degree of co-operation between managers, team leaders and staff. Problems in communication can result in the change not being monitored correctly and resistance from those affected by the change.
- b) *Managing and developing quality and excellence* - Attention to detail, delivery of the service on time ( and to the appropriate quality ), and the personal development and training of managers / section leaders and staff are all factors of this. As well as developing management skills it is also important to consider the quality of management.
- c) *Values and laboratory culture* - This involves the way things are done, standards and attitudes which are held and practised.
- d) *Fostering of innovation* - The willingness of people to search for improvements and better ways of doing things. Encouragement and reward is important and is very much influenced by the strategic leader.

To ensure successful implementation of planned changes the following areas must therefore be addressed by the laboratory manager:

1. The necessary actions required to implement the changes should be identified and planned and clear responsibility for the successful outcome of the strategic / organisational change should be allocated.
2. The number of strategies and changes pursued at any time should be limited.



3. Appropriate timescales and processes for monitoring progress and performance should be established.
4. The availability of necessary and adequate resources to cope with the changes should be seen as a key determinant of the strategy and not be overlooked.
5. The involvement and support of people who will be affected by the changes must be considered and the implications of the proposed changes should be communicated widely, awareness created and commitment and involvement sought. Encouragement, incentives / reward systems can help this.
6. The style of leadership will be influential. The structure of the laboratory, delegation of responsibilities, the freedom of team leaders to act, their willingness to exercise initiative and incentives will all be determined and influenced by the leader. These in turn determine the effectiveness of the implementation. The manager's choices and autonomy may be influenced / constrained by environmental forces and resource limitations.
7. The timing of when to act and make changes is also important in reducing resistance to change.

It should be mentioned that since 1990 many companies / businesses throughout the United Kingdom have become involved in 'Investors in People Standard'; for example Finelist Group PLC and Bettys & Taylors Group. Hospital Trusts are also introducing the standard which would involve dental laboratory managers. However they would still be required to formulate their individual strategic plans for the laboratory and process of implementation.

The Investors in People Standard offers a framework that encourages a planned approach to achieve the organisation's objectives through the development of people.

Working to achieve the standard:

1. Gives ownership to employees for their training and development needs. There is a willing acceptance of new technology, industrial relations are improved due to greater job satisfaction and awareness of common goals; staff turnover and absenteeism are reduced.
2. Focuses on the training needs of managers working as a team to achieve common goals for the mutual benefit of all employees. Managers and staff are more closely involved in business planning, and awareness of business objectives among all employees is raised.
3. Helps management put a greater value on learning time in everyday work experience.
4. Creates the confidence to approach quality assurance, adding value to BS EN ISO 9002 accreditation and continuous improvement initiatives.
5. Brings public recognition, by customers, suppliers, stakeholders and employees alike, for achievements measured against a rigorous National Standard.
6. Provides evidence of improvements through monitoring and evaluation.
7. Brings a new competitive advantage.

The process involves auditing current business practice, processes and systems such as:

- business planning
- training and development planning
- resource planning to meet identified development needs
- communication
- induction
- performance review
- evaluation / audit

**Working towards achieving the Investors in People Standard requires total visible commitment from the top level of management within the company / hospital Trust.**

Other companies ( TNT UK Limited ) use self assessment against a structured framework of the European Business Excellence Model as a means of reviewing their approach to policy, strategy and quality.

Successful implementation is based on task alignment. Individual attitudes and behaviours are strongly moulded by the roles, responsibilities and working methods assigned to them. This means that if the individual, and as a consequence, laboratory cultures are to change they must first be assigned a new role and given new responsibilities.

In order to achieve its goals and objectives the tasks of a dental laboratory have to be divided among its staff. Some structure is necessary to make possible the effective performance of key activities and to support staff.

The case studies have shown that structure provides the framework of a company and its pattern of management. The structure defines tasks and responsibilities, work roles and relationships, and channels of communication.

Structure is clearly important for any laboratory whatever its size. However, in the smaller laboratories there are likely to be fewer problems of structure. The distribution of tasks, the definition of authority and responsibilities, and the relationship between staff within the laboratory can be established on a personal and informal basis. With increasing size, however, there is greater need for a carefully designed and purposeful form of organisational structure within the laboratory. The structure of the laboratory affects not only productivity and efficiency but also morale and job satisfaction.

The structure should be depicted in the form of an organisational chart as demonstrated in the case studies. This will show how tasks are divided, the grouping together of activities and the levels of authority. The chart provides a pictorial representation of the structural framework of the laboratory and can include additional details such as an indication of the broad nature of duties and responsibilities of the individuals and various sections' teams, and the names and grading of postholders.

The laboratory's structure and management systems are reorganised at the same time. As a result, employees' working methods will change, their behavioural patterns will also alter and finally, the laboratory culture will be modified. Any change programme therefore starts by redefining tasks and responsibilities. This can be brought about, for example, through training sessions, seminars and team briefing.

Management practices are the mechanisms through which the leadership of the laboratory will shape the behaviours which are appropriate for developing the culture and which drives the day to day actions and procedures that will ultimately affect both individual, section / team and overall laboratory performance.

One of the main objectives of change is to make the laboratory service more customer orientated at all levels. The delivery process will give priority to customer contact by all members of staff and an appreciation of customer needs and expectations.

The manner in which managers seek to introduce change has a direct and significant impact on the way change is implemented. Since changes in practice and behaviour cannot be affected by decree or by issuing orders, the way managers go about delivering change is itself the vehicle for creating the evolution to the new state of affairs.

The studies of the companies have shown that effective leadership, within which vision makes a major contribution, is a critical element. Too many people tend to think that responsibility for leadership is restricted to the strategic leader of the organisation ( Chief Executive of the organisation ) but this is a mistake. Leadership qualities need to be developed at all levels in the organisation.

Laboratory managers as leaders can follow the examples of the type and quality of leadership adopted by managers in the companies studied. To be an effective leader, laboratory managers must have a clear purpose and direction, and a means to achieve that purpose. In other words he / she will provide the 'where' and the 'how'.

To be successful managers must:

- ensure that they stay informed
- want to be a successful manager
- deploy their energy into making things happen
- improve and persuade others to become involved
- be responsive to change pressures
- be flexible and adaptive
- adopt the 'open door' style of leadership

Laboratory managers must be flexible, capable of adapting and willing to relinquish personal control. They should also ensure that the laboratory possesses the skills and competencies that will enable it to adapt and deal with the various issues and challenges it faces. Ideally managers will empower the section / team leaders and encourage them to be visionary and become confident in their own abilities.

Strategic planning and implementation is not a static process. Once the framework is in place and working it needs to be reviewed in the light of any changes or problems. Laboratory managers should review all aspects of the strategic plan at frequent intervals. At one extreme the action plan requires constant monitoring and adjustment, while at the other, the mission statement may need to be altered. This should reflect the fact that while the direction of the laboratory should not be changing too frequently, the actions required to maintain that direction will entail frequent adjustment.

Managers should look at the existing strategies and perform what is called 'gap analysis'. Here they simply attempt to determine whether a performance gap exists between what their existing strategy can realistically be expected to accomplish and the objectives that have been established.

This can be in areas such as productivity, training and development, customer care and environmental issues. Where there is not a gap, then managers can assume that the current strategy is the appropriate one. Where serious gaps exist then managers will need to investigate these and look for alternative strategies. This process was particularly important in the companies studied if they were to remain competitive.

The monitoring and review process provides the loop back to all stages of the planning process, as shown in Model 3 ( Figure 40 ), and should provide a reminder that change and improvement are a constant feature of strategic planning.

In monitoring the laboratory's strategic plan it should be matched against the Trust / Hospital's values, principles and corporate plan.

Revision of the change programme requires data and feedback. Once the plan has been implemented its results should be measured, and opinions and suggestions obtained from all those involved. This can be achieved through audit, customer and people ( employee ) surveys and product analysis.

As previously discussed, strategic change requires change in behaviour which in turn flows from and creates changes in attitude. Even if people's behaviour complies with the changes, managers must not assume that all is well; attitudes can become negative, and this can undermine morale. Regular meetings are essential to maintain good communication links and ensure that people still support the change programme, strategies and objectives; especially if these are being revised or replaced.

Human resources are the laboratory's most important asset and the effective management of human resources is a key determinant of effective and efficient implementation of change and of the laboratory's success in achieving its objectives. As we have seen from the studies, human resource management is much more than the application within the organisation of a set of management techniques. It is concerned with the wider implications of management of change and not just with the effects of change on working practices. It seeks proactively to encourage flexible attitudes and the acceptance of new working practices.

Human resource planning should be linked to the laboratory's objectives, strategic plan and targets. The competence and commitment of staff and the use made of skills learned should be reviewed at all levels against these objectives and targets.

The training and development needs of each member of staff should be converted into individual, section / team and laboratory plans. Individual training plans should identify whether training is conducted internally or externally, and the line manager should discuss with staff what the type of training is, and what the personal and laboratory objectives will be.

Ideally all staff should be appraised through an objectives based appraisal process as shown in Model 6 ( Figure 43 ). Objectives agreed should always be time based, preferably over a twelve month period, which means that as each completion date arrives there is an automatic review of progress.



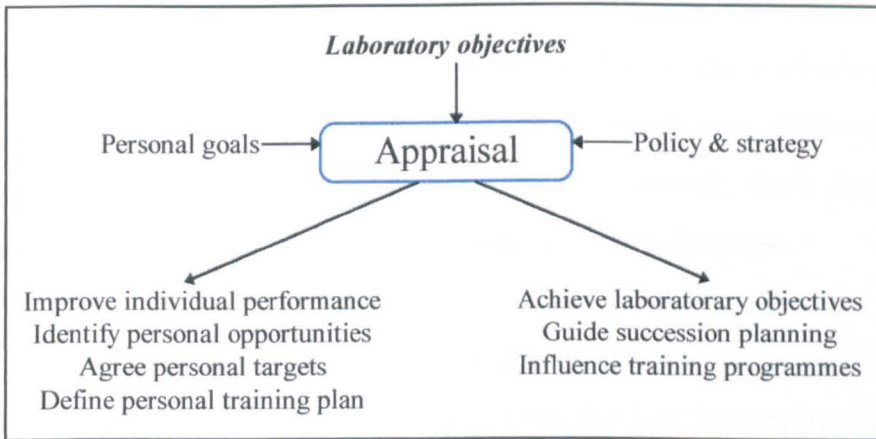


Figure 43 Model 6 - Employee appraisal

The main point of appraisal is to align personal objectives with those of the section / team and laboratory, and help the individuals concerned achieve their full potential.

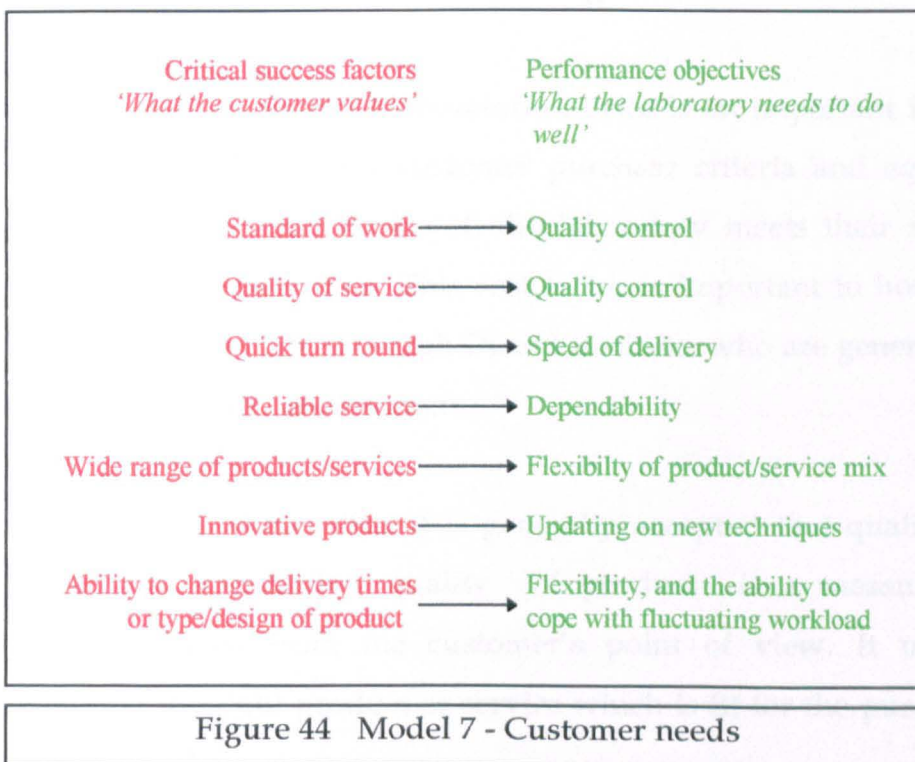
The appraisal identifies the individual strengths and areas for development. The appraisal interview is a two way discussion on the employee's performance during the past twelve months against the agreed objectives.

Managers conducting appraisals should be required to attend training in appraisal skills

The case studies have identified the importance of customers for any organisation, and that interaction between companies and their customers has increased in the past few years and is likely to continue to do so. It has also been shown that the customer has needs which should be met by the organisation and that customer requirements are not simply concerned with the product or service provided, but also the way in which the operation is carried out and the expected effect on the customer.

Hospital dental laboratories provide an extensive service to clinical staff and undergraduate / postgraduate students. This includes a wide range of routine, complex and specialised prostheses. Although they do not provide this service directly to the patient, their needs and those of the clinical staff must be taken into consideration.

The laboratory's customers have a direct influence on performance objectives, through critical success factors: the key factors by which the customer decides whether the laboratory and its service / products are suitable for their needs. The link between them can be demonstrated in Model 7 ( Figure 44 )



Laboratory managers need to understand their customers in order to meet the specific requirements of each and whether these requirements can be segmented. If there are well defined customer segments, this can have important implications for product design and operational procedures.

The managers in hospital laboratories do attempt to segment customer requirements in order to satisfy as many people as possible and on the other hand attempt to meet the preferential design requirements of clinical staff. The latter applies to undergraduate students whose design requirements for some products remain consistent for teaching purposes.

At the same time clinical staff will have different ideas and priorities in terms of standard of work and quality of service. These include design, technical preferences ( materials ), reliability and service delivery. Managers and technical staff need to know how important these factors are to their customers before they decide on which aspect to concentrate on improving.

In the case of commercial laboratories, price is an important factor and it is critical to know customer purchase criteria and equally critical to understand how well the laboratory meets their needs relative to its competitors. This cost factor is important to hospital laboratories like the Edinburgh Dental Institute, who are generating income from external customers.

The study has shown that it is generally accepted that quality of service and standard / quality of product is a measure of excellence taken from the customer's point of view. It means delivering the right product or service which is fit for the purposes required by the customer.

Quality control often occurs at the end of the production process and is a method of monitoring the conformity of the product to the agreed specifications.

A concept which builds on quality control is the 'just-in-time' principle which has been adopted by TNT UK Limited and could be used in hospital laboratories. This is concerned with improving production efficiency and reducing waste. It is a technique for minimising storage of materials through careful planning and purchasing to meet the exact requirements of the customer, internal or external. This requires co-operation from suppliers.

It is at strategic management level that decisions are made about total quality management ( the management and implementation of a change process which will provide the best product and service possible to meet customer needs ) and systems of quality control.

The companies that were studied have introduced Quality Assurance frameworks for quality control and quality improvement. Quality Assurance supports the teams of employees with systems, resources and discretion appropriate to the company, to keep them in tune with progress of quality management and improvement.

The concentration on customer specification has produced standard registration marks / accreditation such as BS EN ISO 9002: 1994 and Medical Devices Directive ( 93/42/EEC ) ( MDD ). These standards which have been adopted by hospital laboratories ( and which were mandatory from June 1998 in the case of MDD ) do not establish a level of excellence for a product or service, but they do provide a way of describing the capability of a system to produce products or services to a specification.

Customers should not expect these standards to make a product the best available and registration is not a necessary prerequisite to total quality management. Quality Assurance supplies the customer with written evidence, documented systems and procedures on the laboratory's effectiveness.

These standards are designed to control each step in the process so that products and services match the specification. The procedures must be regularly audited to ensure they are being adhered to in detail, and form a basis for and must be taken into consideration during the planning and implementation of change.

Although most people will understand in their own minds what is meant by organisational culture, the study has shown that it is a general concept which is difficult to define or explain precisely. People may not be aware of culture, but it has a pervasive influence over their behaviour and actions: However as we have seen, there is no consensus on its meaning or its applications to the analysis of organisations. The popular and simple way of defining culture is *'how things are done around here'*. A more detailed definition is *'the collection of traditions, values, policies, beliefs and attitudes that constitute a pervasive context for everything we do in an organisation'*.<sup>[14]</sup>

The culture and structure of hospital laboratories have developed and will continue to develop over time in response to a complex set of factors. We can, however, identify a number of key influences that are likely to play an important role in any planned changes and development of any laboratory's culture. These include: history, primary function, technology, goals and objectives, size, location, management style and leadership, staffing and the environment.

The reason, and the manner in which, the hospital and laboratory were formed, its age, and the philosophy and values of the first senior managers and clinical staff will affect culture. A key event in the organisation's history such as the merger of the dental hospital and dental school or the dental hospital's integration with another hospital trust may bring about a change in culture.

The nature of the laboratory's 'business' and its primary function have an important influence in its culture. This includes the range and quality of products and services provided, the importance and type of customer i.e. hospital clinical staff, undergraduate students or general dental practitioners. The primary function of the laboratory and the nature of the technological processes and methods will affect the structure and culture.

The laboratory must give attention to its objectives in all areas of its operations. The combination of objectives and resultant strategies will influence culture and may itself be influenced by changes in culture.

Usually larger laboratories have more formalised structures and cultures. Increased size is likely to result in separate departments / sections and split operations i.e. Prosthetics, Crown and Bridge and Orthodontics. This may cause difficulties in communication and inter departmental / section rivalries with the need for effective co-ordination. A rapid expansion, or decline, in size and resultant changes in staffing will influence structure and culture.

The location of the laboratory to its customers ( clinical areas ) can have an influence on culture, for example whether the laboratory is near and readily accessible to clinical staff. An accessible and direct link between clinical staff, undergraduate students and technical staff is essential to good communication and continuity in teaching.

Senior managers and clinical staff can have a considerable influence on the nature of the laboratory's culture. However, all members of staff help to shape the dominant culture of a laboratory, irrespective of what senior management feel it should be.

Culture is determined by the nature of staff employed and the extent to which they accept management philosophy and policies or pay only 'lip service'.

In order to be effective , the laboratory must be responsive to external environmental influences. For example, if the laboratory operates within a dynamic environment it requires a structure and culture that is sensitive and readily adaptable to change. An organic structure is more likely to respond effectively to new opportunities and challenges, and risks and limitations presented by the external environment.

Culture helps to account for variations among hospital laboratories. It helps to explain why different groups of people perceive things in their own way and perform things differently from other groups. Culture can help reduce complexity and uncertainty. It provides a consistency in outlook and values and is clearly an important ingredient of effective laboratory performance.

Without exception, the dominance and coherence of culture proved to be an essential quality of the successful companies in the study. In these companies, all the people knew what they were supposed to do in most situations because the guiding values and objectives were crystal clear.

In addition to the planning and implementation of changes to the laboratory's operational procedures and management systems and structure, laboratory managers have a responsibility for creating a climate in which staff are motivated to work willingly and effectively. Laboratory climate is a general concept and difficult to define precisely. It is more something which is felt.

Applied to the laboratory, climate can be said to relate to the prevailing atmosphere surrounding the laboratory and the hospital, to the level of morale, and to the strength of feeling of belonging and care and goodwill among staff.

Climate will influence the attitudes which staff in the laboratory bring to bear on their work performance and personal relationships. The extent to which staff accept the culture of the laboratory will have a significant effect on climate. It is based on the perceptions of staff towards the laboratory and hospital.

Organisational climate was characterised in the companies studied by the nature of the people-organisation relationship and the management-staff relationship. These relationships were determined by the interactions among the goals, objectives, formal structure, management / leadership style and the behaviour of people.

Although similar types of companies will share common features and norms, each company will have its own different and distinctive climate and culture. This will also apply to dental laboratories.

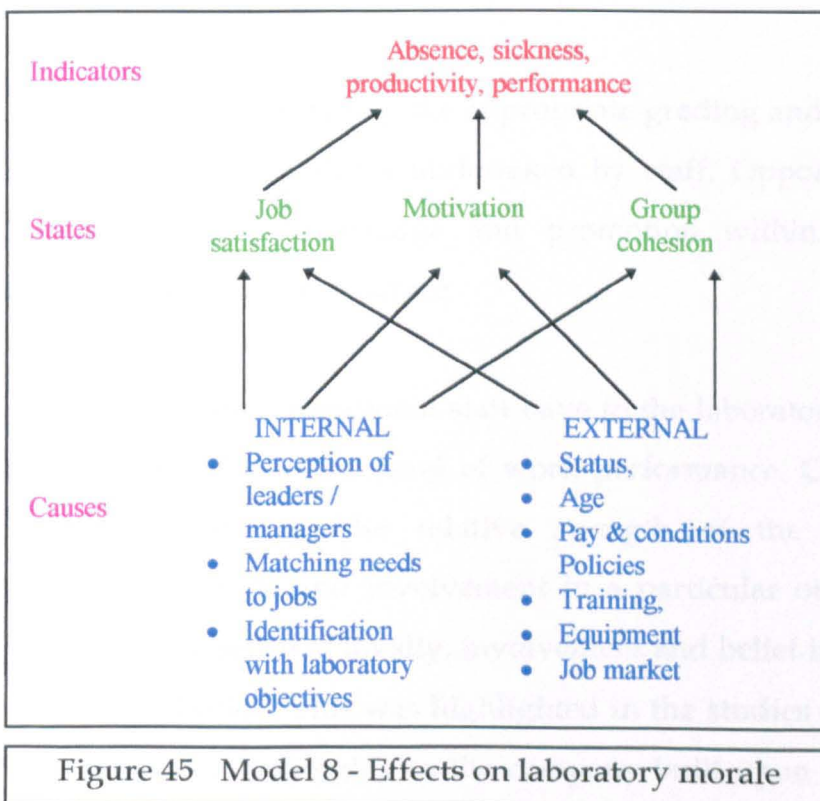
A laboratory is unlikely to sustain change and attain optimum operational performance if the culture and climate does not evoke a spirit of co-operation throughout the laboratory and is not conducive to motivating staff to work willingly and effectively.

Climate will influence the level of morale and the attitudes laboratory staff bring to bear on their work performance and personal relationships. Morale, however, is another general concept which is difficult to measure objectively.



A carefully designed and conducted attitude survey, which most successful companies undertake, can help to establish the feelings of staff on factors contributing to the laboratory's climate. When morale is low, it is important that positive action is taken to remedy the causes.

Model 8 ( Figure 45 ) shows how the interrelated states of motivation, job satisfaction and group cohesiveness can affect laboratory morale which in turn can affect the successful implementation of change.



Morale can be viewed in terms of mental attitudes which staff have towards their duties and responsibilities. Before laboratory managers can start to improve morale they should review the main areas in which to develop the best possible attitudes in their staff.

*Being valued* - A feeling of being valued for their contribution to the success of the laboratory. Job satisfaction based on competent performance.

*Team work amongst staff* - A sense of group pride and self esteem, good interaction and working relations with colleagues and other members of the dental team, team effort and support of other staff including team / section leaders and manager.

*Management care about staff welfare* - Just reward to staff for their contribution and effort. A clear statement of management objectives, and an attempt to create a feeling of mutual trust and respect with staff.

*Economic rewards* - Ensuring the appropriate grading and pay for the duties and responsibilities undertaken by staff. Opportunities for improving skills, knowledge and promotion within a defined laboratory and career structure.

The extent of the commitment staff have to the laboratory will have a major influence in the level of work performance. Commitment can be defined as 'the relative strength of the employee's identification with, and involvement in a particular organisation'. This initiates a sense of loyalty, involvement and belief in the values of the organisation. This was highlighted in the studies of TNT and FLG. A sense of belonging to the company built upon loyalty was seen as an essential part of industrial relations. The sense of belonging was created by managers through ensuring that the workforce was:

- ◆ informed
- ◆ involved
- ◆ sharing the success of the company

Motivated through:

- ◆ trust
- ◆ pride
- ◆ accountability for results

Respect and confidence in management through attention to:

- ◆ authority
- ◆ dedication
- ◆ competence

A large measure of the success of the companies studied derives from the management of people and from creating a climate of commitment. This also applies to laboratory staff. If, for example, they feel trusted, respected and valued they will make the effort to show it is warranted. Commitment from staff not only improves the overall performance of the laboratory, it also affects the successful implementation of change within the laboratory. It also ensures that the laboratory becomes a better place to work in.

Despite the potential positive outcomes, change is often resisted at both individual and the organisational level. Resistance to change, or the thought of the implications of the change, appears to be a common phenomenon. People are naturally wary of change. "Among many there is an uneasy mood - suspicion that change is out of control"<sup>[45]</sup>

Resistance to change can take many forms and it is often difficult to pinpoint the exact reasons for resistance. The forces against change in work organisations include: ignoring the needs and expectations of people; when people have insufficient information about the nature of the change or if they do not perceive the need for change.

Fears may be expressed over such matters as employment levels, job security, de-skilling of work, loss of job satisfaction, salary, change to social structures and working conditions, loss of individual control over work and greater management control.

Some common reasons for individual resistance within dental laboratories include the following:

*Selective perception* - The staff's own perception of stimuli presents a unique picture or image of the 'real' world and can result in selective perception. This can lead to a biased view of a particular situation which fits most comfortably into a person's own perception of reality, and this can cause resistance to change. For example, management may have been stereotyped as being untrustworthy, which will result in opposition to any proposed change.

*Habit* - Staff tend to respond to situations in an established and accustomed manner. Habits may serve as a means of comfort and security and as a guide for easy decision making.

*Inconvenience or loss of freedom* - If the change is seen as likely to prove inconvenient, make life difficult, reduce freedom of action or result in increased control there will be resistance.

*Economic implications* - Staff are likely to resist change which is perceived as reducing their pay either directly or indirectly, is requiring them to produce an increase in work for the same level of pay or is acting as a threat to their job security. This was highlighted in the study of the Edinburgh Dental Institute where staff had established grades and patterns of work and a vested interest in maintaining the status quo.

*Security in the past* - There is a tendency for some staff to find a sense of security in the past. In times of frustration or difficulty, or when faced with new or unfamiliar ideas or methods, they may reflect in the past. There is a wish to retain the old comfortable ways. For example, placing faith in well established ( 'tried and trusted' ) procedures and clinging to these for a feeling of security.

*Fear of the unknown* - Changes which confront staff with the unknown tend to cause anxiety or fear. Major changes in a working environment present a degree of uncertainty. For example, the introduction of new technology or methods of working, or, a member of staff may resist promotion because of uncertainty over the changes in responsibilities and increased demands of the higher position.

Budgetary control is a vital part of the financial management of any organisation. Budgets in trust hospitals are prepared for each cost centre or budget controlled by a manager of a Directorate or department. As a non-profit making organisation, the budget is a system for recording and measuring expenditure against activity.

Although dental laboratory managers do not have responsibility for their departmental budget it is important that they are aware of, and are able to analyse, the cost of the products and services to their customers. This is particularly important if, like the EDI, they are providing a service to external customers.

There is also an increasing need for managers to submit business plans for increasing staffing levels, purchasing expensive equipment or materials and training and development. They would have to show the financial implications of the plans, define the resources to achieve the plans and provide a means of measuring, monitoring and controlling results against the plans.

Four important approaches to cost classification are:

- a) *Cost by service* - staff salaries and indirect costs or overheads not directly attributable to the service.
- b) *Cost by productivity* - how will the total costs change as a result of an increase or decrease in productivity.
- c) *Cost by controllability* - who is responsible for controlling and monitoring the costs being incurred.
- d) *Cost by relevance* - what would the consequences of pursuing a particular course of action or considering alternative strategies.

## **17.5 Summary of the discussion**

### **Background - the need for change**

Organisations, whether they are private sector companies or non-profit public sector organisations, have to meet customer demands if they are to succeed. This is obvious from the case studies, but is now also true in the public sector for organisations such as schools, universities and NHS trust hospitals. As customer needs alter, so the business must change by anticipating customer wants, leading these where appropriate as well as responding to them. The emphasis today is a focus on the customer so that all managers are concerned with leading their organisation, department, section, unit or team to enable planning for the future and work to be carried out successfully in response to the needs of the market and / or customer.

Hospital dental laboratories, like the companies studied, have a function to perform. They exist to achieve objectives and provide a high quality service and standard of products to clinical staff and students.

### **The change process**

The objectives of any strategy and /or planned change undertaken by companies and laboratories cannot be achieved by the efforts of individuals on their own. It is through the co-operative action of all the people within the company or laboratory.

Laboratories are set up to serve a number of different purposes and meet a variety of needs required from their customers. The structure, management and working practices vary because of differences in the nature and type of laboratory.

The underlying theme of the study has been the methods and their effectiveness in the planning and implementation of strategic change, and the role of management as an integrated activity. The success of the change process is affected by a number of variables. Dental laboratories, like companies, need to be efficient in doing the 'right things first time every time' with the optimum use of available resources. Performance should be related to improved service delivery. Laboratories must also ensure that they meet satisfactorily the demands and requirements of customers. A key factor in the effectiveness of a laboratory must be the successful management of change and innovation in response to the constant changes in its internal and external environment.

To be effective, change has to encompass, and treat as independent, at least seven variables: strategy, structure, people, management / leadership style, symptoms and procedures, guiding concepts and values ( i.e. culture ) and the strengths and skills within the laboratory.

The need for a clear and defined vision and strategy is essential. It provides a framework in which priorities can be set and decisions made. It provides direction to staff and gives them confidence that management knows why change is happening and how they can play a role in it. The rationale for introducing change in strategic terms should be linked to a review of the principle strengths, weaknesses, opportunities and threats in the existing operational procedures, skills, structure and service delivery to the customers.



## **Management and leadership**

Leadership is vitally important at all levels within an organisation. It is the ability to visualise and work for what is best in the organisation at all levels. Good leadership helps to develop teamwork and the integration of individual and group goals and provides motivation by emphasising the importance of the work people do.<sup>[46]</sup>

Managers at all levels within the NHS and private sector need a diversity of skills because of the ever increasing complexity of the job. Managers need the ability to see the organisation as a whole and the relationship of its various parts.

As people or managers are promoted into more senior positions, the ability to think strategically becomes more important. They must develop conceptual and strategic skills or their performance will be poor.

Managers are responsible for organising and controlling people. The ability to work with people is an essential skill for managers. People management skills are demonstrated by the way managers at all levels are able to motivate, co-ordinate and communicate with people, and focus their efforts on the objectives of the organisation.<sup>[46]</sup> As the study has shown, excellent companies encourage team work and a high level of motivation in order to provide for the needs of customers.

## **Human resources**

Human resources are clearly the most important asset of any company or laboratory and a resource which needs to be managed, but it is important to remember that, unlike physical resources, people are not owned by the organisation.

People are individuals who bring their own perceptions, feelings and attitudes towards the organisation, systems and states of management, their duties and responsibilities and the conditions under which they are working.

Achievement in the private sector is recognised by commendation and / or reward in terms of commission or bonus. The grading and salary structure as defined in the "Technical Staffs 'B' Whitley Council pay and Conditions of Service" does not allow for this type of system to be introduced for NHS employees ( dental technicians ). They are restricted to overtime / long hours gratuity. Often the only way individuals can increase their remuneration is by being promoted. This can result in employees looking at ways of how their present post may be upgraded rather than striving to improve the contribution they make in their present job. Trust hospitals which have transferred staff to trust pay spines can include reward systems as part of an employee's conditions of service.

Whatever the nature of the company / laboratory, a manager achieves results through the performance of other people. Recognition of the needs and wants of staff and the nature of their grievances is a positive step in motivating them to perform well. The efficiency of staff, the commitment to the management's objectives and goals and the skills and attitudes they bring to bear on the quality and standard of services offered are fostered by good human relationships.

The effective management of people during the change process is influenced by the philosophy of management and the attitudes which they bring to bear or, relationships with staff and the problems which affect them. Human resource policies should emanate from the top of the organisation. They should be clearly defined and communicated through line managers and team leaders to staff at all levels.

## **Resistance to change**

It is possible to recognise certain characteristics in the process of change. These include the uncertainty about the causes and effects of change, unwillingness to give up existing practices, and awareness of problems in the change process.

These characteristics arise from a natural reaction to deny that the change is necessary, to resist change whatever its merits and, if necessary, to avoid changes when introduced. Managers have to determine the actual cause of resistance to change and remain flexible enough in their approach to overcome them in the appropriate manner.

## **Training**

Training is a very powerful tool for the implementation of strategies and should be used widely. It is a tool, not an end in itself, and should form part of an implementation programme.

Dental laboratories, could apply the principles of 'Investors in People' to ensure that:

1. The vision and strategies are communicated clearly and are understood.
2. Those involved in implementation are equipped with the necessary knowledge and skills to play their parts in the process.
3. Where helpful those participating in the training initiative may work through and develop action plans to help implement strategies.
4. Commitment to strategy arises from the understanding given and the building of the skills to implement.

All that stands in the way of the strategy being related to training activity is the lack of knowledge of the special approaches needed to ensure success, willingness to spend time or money on training and the reluctance of senior managers to be involved in any form of training that cascades down the structure. These are poor reasons for not using what in many situations is one of the most effective implementation tools available.

### **Budgetary control**

Laboratory managers who have been given the responsibility for the control of the activities and resources of their department should be given budgetary control or the authority to administer the laboratory budget. The process of budgeting would enable managers to cost the products and services and facilitate the ability of managers to pursue their objectives for improving the service to the customers.

## Chapter 18

### CONCLUSION

The implementation of strategy remains one of the most difficult areas of management. Success depends both on the selection of an appropriate strategy and converting that strategy into action. If either of these aspects are deficient the strategy may fail or be less effective than it should be, but often it is difficult after the event to know what went wrong.

Although much has been written on change management and transformational leadership, both of which are very relevant to strategy implementation, there has been nothing in the literature that has looked specifically at the process of implementing strategic change in a hospital dental laboratory.

The objectives of the study were to provide a clear awareness of the problems of managing strategic change and a framework which offered defined models and proactive approaches for tackling the different scenarios hospital dental laboratory managers face when planning and implementing effective change. It was aimed at providing a useful insight into some of the ways in which managers should contribute to the process of change.

The study has examined, through the review of the relevant literature and use of case studies, techniques of analysis, evaluation and planning which can help the laboratory manager understand the process of strategic change. The literature review and case studies on strategic change, and management of the change processes, provide a linkage which has brought together a number of managerial and behavioural approaches to implementation.

More importantly it has stressed that it is the process of management i.e. the skills of managers, the ability to relate to their external environment, their internal culture and the people around them that will ensure success.

The discussion has concentrated on identifying a number of key theories, concepts and models for introducing, and implementing, change management and human resource strategies within a dental laboratory, and their linkage to its business strategy ( service to customers ).

It provides both an understanding of management behaviour and the internal and external forces that influence managers and how a laboratory's vision influences the change strategy, which in turn influences the choices made in selecting human resource strategies and policies. It has also shown that there is a critical need for such an integrated view of how different areas of strategic choice relate to each other.

The need for employee support and commitment has been shown to be essential to the success of the change process and the efficient delivery of the quality and standard of service customers demand.

The study has highlighted that achieving strategic success is dependent upon aspects of both strategy and structure which in turn depend on effective strategic leadership. A sound, appropriate, communicated and shared purpose and vision should be manifested in appropriate, feasible and desirable laboratory strategies. These must be implemented with a high level of customer service, improved continuously and changed to meet customer demand and / or linked to the hospital's overall corporate plan at the appropriate time and opportunity.

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