



# Leadership and Strategy

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# Strategic development and implementation

## Overview



<b>1</b>	<b>Strategic thinking as a form of discipline</b>	<b>03</b>
<b>2</b>	<b>Dealing with insecurity and strategic development tools</b>	<b>07</b>
<b>3</b>	<b>Strategic implementation (1): Strategic goal parameters and formulation</b>	<b>26</b>
<b>4</b>	<b>Strategic implementation (2): The learning organisation</b>	<b>32</b>
<b>5</b>	<b>Strategic implementation (3): Leading towards the top</b>	<b>37</b>

# Amortizing strategic and operative management

## Strategic Management...

... deals with the

- ▢▢ → development of future along with
- ▢▢ → the maintenance of current

**SUCCESS POTENTIAL**

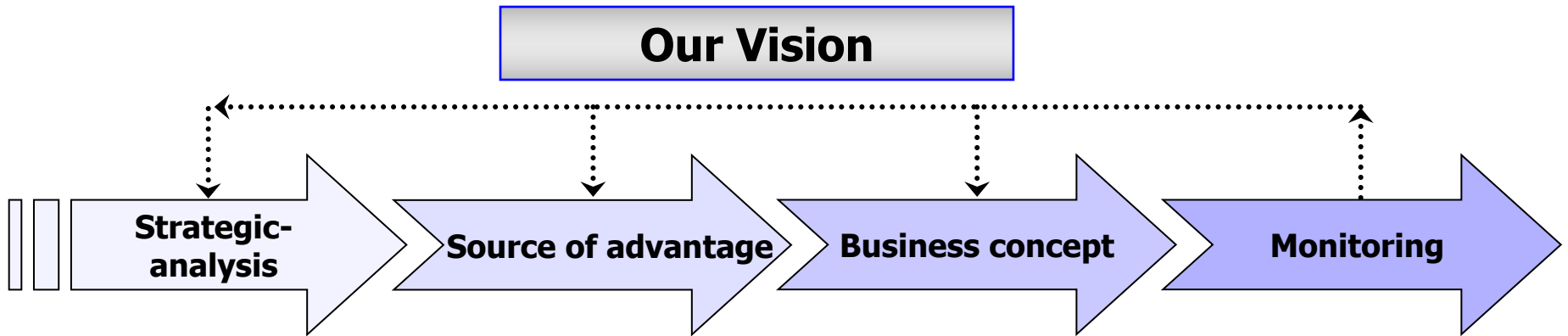
## Operative Management...

... ensures that the strategic boundaries are implemented into daily business. **Aims are...**

- ▢▢ → execute existing duties in the most efficient manner
- ▢▢ → along with the accomplishing within the economic expectations

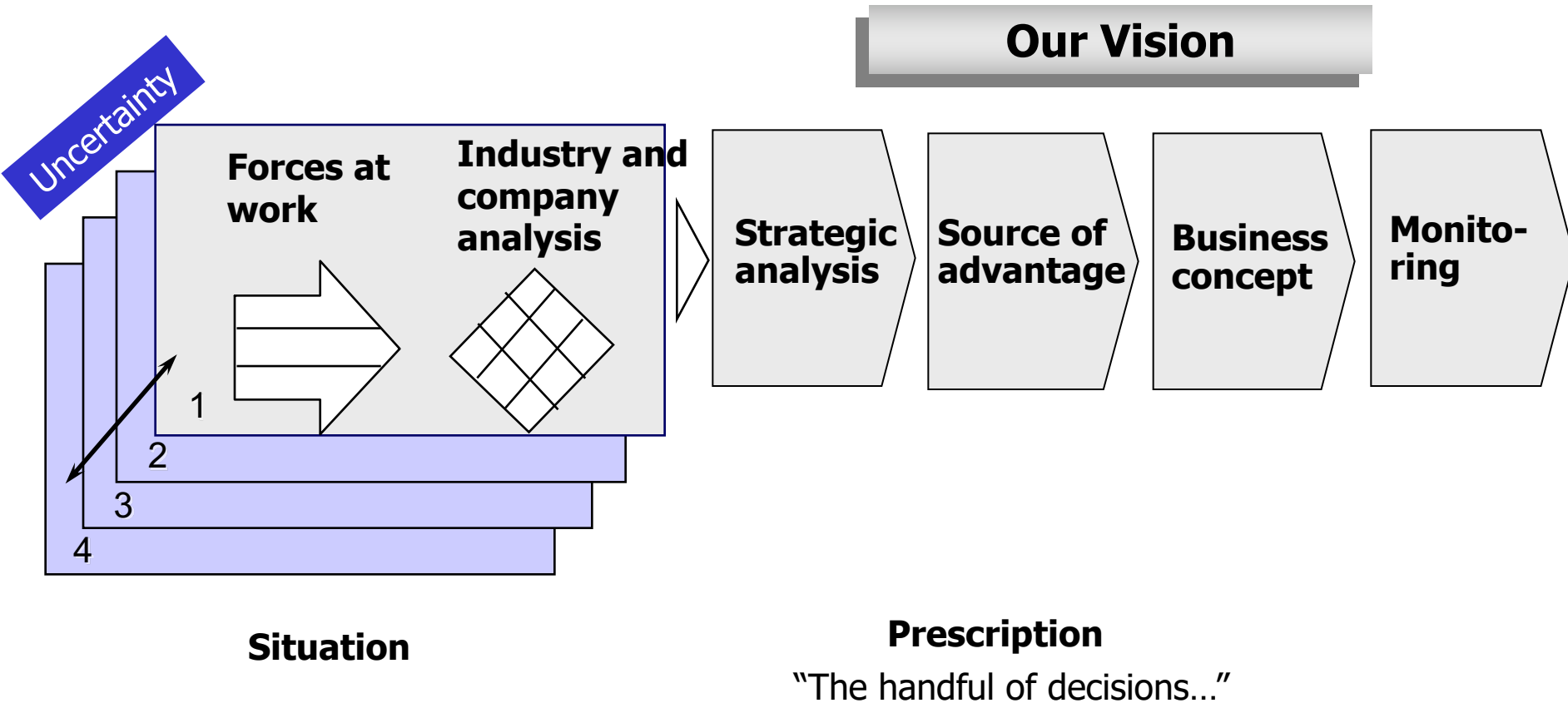
ensures **liquidity and profit.**

# The strategic goal- and leadership process



Defining the current situation	Strategic decisions	Strategic aims	Check List
<ul style="list-style-type: none"> <li>◆ Under which surroundings do we operate?</li> <li>◆ How are our competitors developing/growing</li> <li>◆ Where are our strengths?</li> <li>◆ Where are our weaknesses</li> <li>◆ Etc.</li> </ul>	<ul style="list-style-type: none"> <li>◆ What is our new strategic focus?</li> <li>◆ What options do we have?</li> <li>◆ How do we view our USP? And which USP can we build on</li> <li>◆ Etc.</li> </ul>	<ul style="list-style-type: none"> <li>◆ What exactly do we want to achieve?</li> <li>◆ What action plans do we put in place to achieve this goal?</li> <li>◆ What actions must be put in place?</li> <li>◆ Which structural and cultural changes will take place?</li> <li>◆ Etc.</li> </ul>	<ul style="list-style-type: none"> <li>◆ What Goals were achieved?</li> <li>◆ Were the agreed activities put in place?</li> <li>◆ What adaptations are needed?</li> <li>◆ Etc.</li> </ul>

# Understanding the role of uncertainty



Source: Stephan Schubert, Ashridge, 2005

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# A Pentagon poem

## On Uncertainty

As we know, there are known  
knowns; these are things we  
know we know.

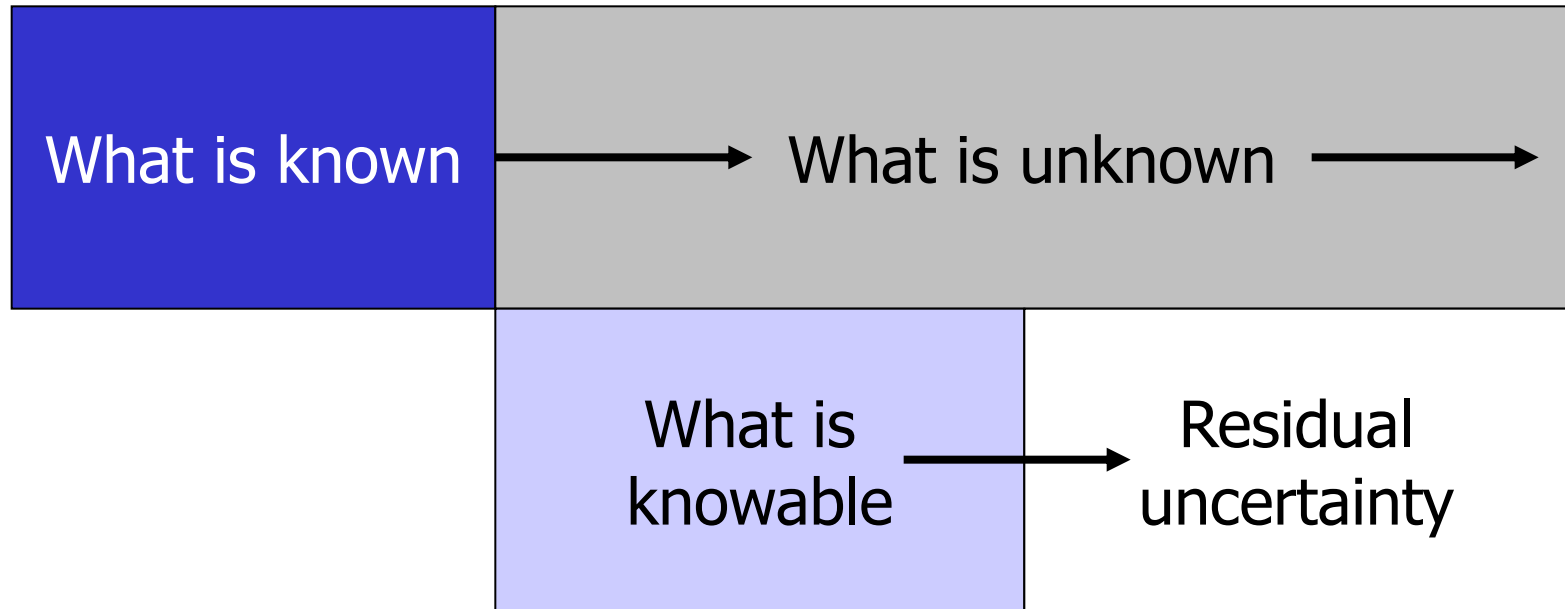
We also know there are  
known unknowns; that is to  
say, there are some things we  
know we do not know.

But there are also unknown  
unknowns – the ones we don't  
know we don't know.



Donald Rumsfeld  
US Defence Secretary, 2003

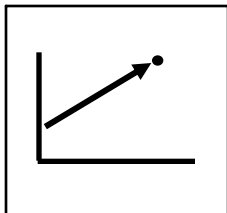
# Defining uncertainty



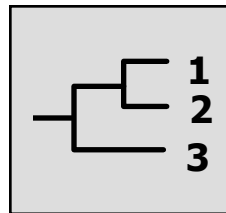
The uncertainty that remains  
after the best possible analysis.

Source: Stephan Schubert, Ashridge, 2005

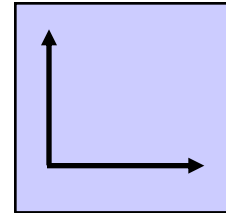
# Four levels of uncertainty



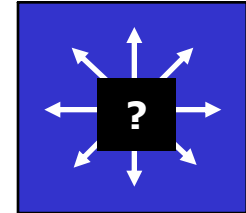
**Level 1:  
Clear Future**



**Level 2:  
Alternative  
Futures**

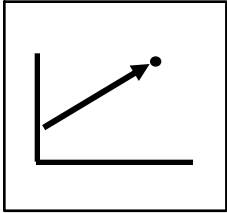


**Level 3:  
Range of  
Futures**



**Level 4:  
True  
Ambiguity**

# Four levels of uncertainty



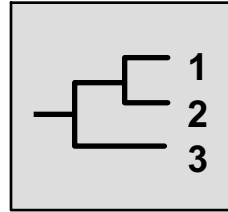
**Level 1:  
Clear Future**

**Description:**

Can develop a forecast

**Examples:**

Fact of low-cost airlines entering the market



**Level 2:  
Alternative Futures**

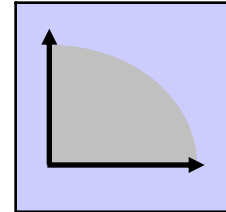
**Description:**

A few distinct outcomes define the future

**Examples:**

Possible outcomes of 1996 US telecom deregulation

- No deregulation
- Deregulation of long distance
- Deregulation of short distance only
- Deregulation of long and short distance



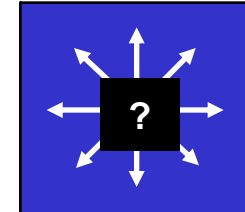
**Level 3:  
Range of Futures**

**Description:**

A range of possible outcomes around two or three key uncertainties

**Examples:**

Ericsson's role as a service provider ranging from network operator to training advisor



**Level 4:  
True Ambiguity**

**Description:**

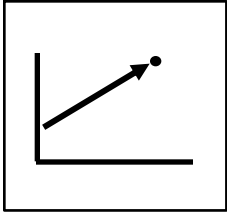
Multiple dimensions of uncertainty – most difficult to forecast the future

**Examples:**

Early investments in post-communist Russia

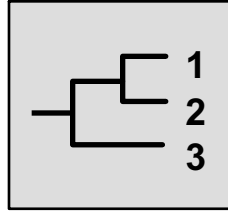
Source: Stephan Schubert, Ashridge, 2005

# How to deal with uncertainty – generic decisions



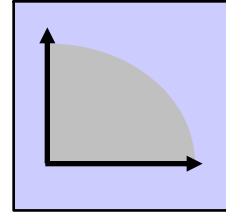
**Level 1:  
Clear Future**

Forecast strategically relevant key drivers



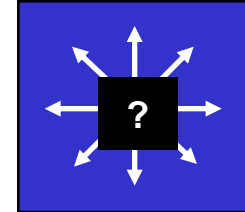
**Level 2:  
Alternative Futures**

Use scenario planning to determine distinct outcomes and pay-offs



**Level 3:  
Range of Futures**

Identify the key uncertainties/ key drivers of change and omit the minor drivers

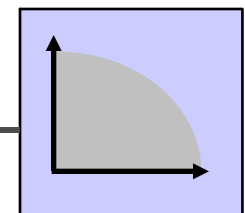
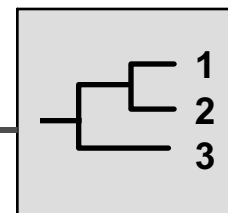


**Level 4:  
True Ambiguity**

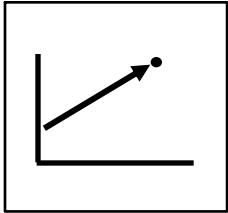
Reduce uncertainty by adjusting for uncertainties and disaggregating situation to focus on key drivers

Attempt reducing uncertainty

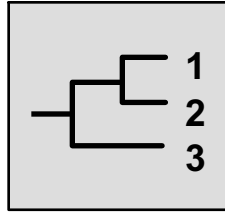
- By distinguishing between unfamiliarity with a situation and true uncertainty
- By disaggregating situation to focus on key drivers of uncertainty



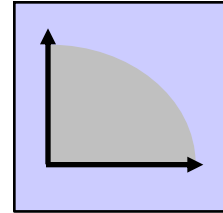
# Your challenge:



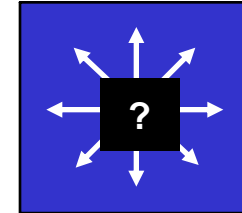
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**Level 4:  
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Ambiguity**

**Which level of  
uncertainty?**

**What are the key specific  
uncertainties?**

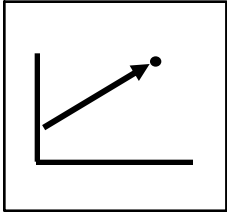
- 1. Snap elections in 2006?**
- 2. The next German football champion?**
- 3. Karstadt's future?**
- 4. The market reaction to low-cost long-haul?**
- 5. The circulation sales for DER SPIEGEL in 2006?**
- 6. The next German Chancellor?**
- 7. The future of the European Union?**
- 8. Return on investment for a new McDonald's store in Frankfurt city?**

Source: Stephan Schubert, Ashridge, 2005

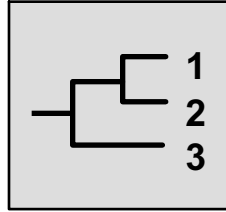
# The benefit from understanding uncertainty levels...

- ◆ **resists the single point future disease – many, if not most, important decisions are subject to Level 2 or 3 uncertainty**
- ◆ **a language for uncertainty**
- ◆ **key stakeholders will rebel against organization strategies and communications that pretend the world is “Level 1” when it is not**
- ◆ **note that the level is decision-, organization, and time-specific – not industry-specific**
- ◆ **identifies the decision-making “toolkit” that is most appropriate for each level...**

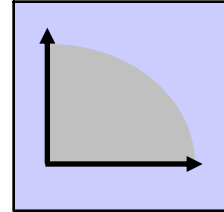
# How to deal with uncertainty-tools



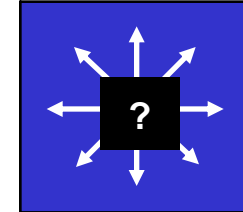
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**Level 4:  
True  
Ambiguity**

- ◆ 5 Forces
- ◆ Market research
- ◆ Cost benchmarks
- ◆ SWOT-Swot Analysis
- ◆ PEST-Analysis
- ◆ Core competencies diagnostic

- ◆ Decision/event trees

- ◆ Latent demand market research

- ◆ Scenario planning
- ◆ Game theory
- ◆ Decision analysis

- ◆ Contingent road maps

- ◆ System dynamics
- ◆ Option portfolio management
- ◆ Contingent road maps

- ◆ Working backward to what you have to believe to support a given strategy
- ◆ Analogies
- ◆ Management Flight Simulators
- ◆ Strategic evolution principles – systems approach

Source: Stephan Schubert, Ashridge, 2005

# PEST-Analysis

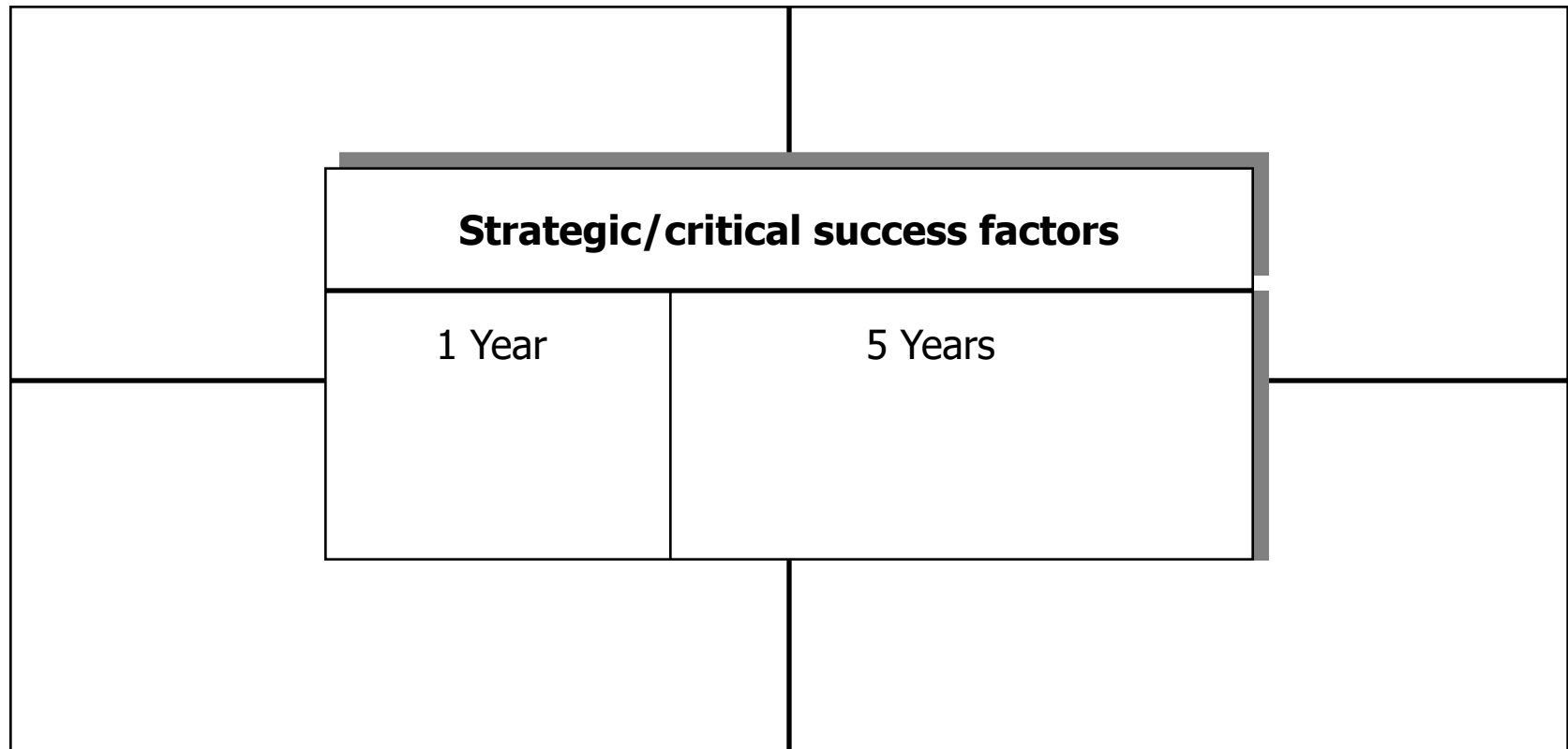
Political factors (Political)	Economic factors (Economical)
Social factors (Social)	Technological factors (Technological)

**Brainstorming 2:** What results of these environment factors will affect our business?  
In the next 3 to 5 years?  
Which ones must we pay special attention to.

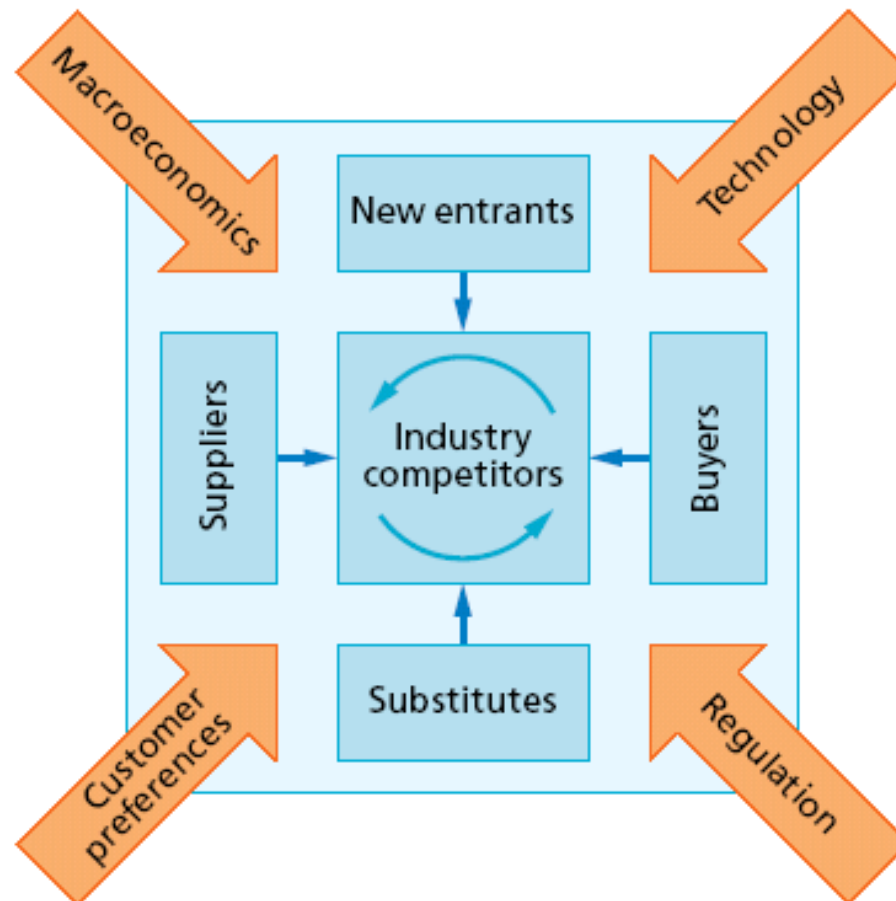
What results can be expected from our surroundings re. Our business in the next 3 to 5 years? Which one are of particular interest to our business?

# SWOT-Analysis

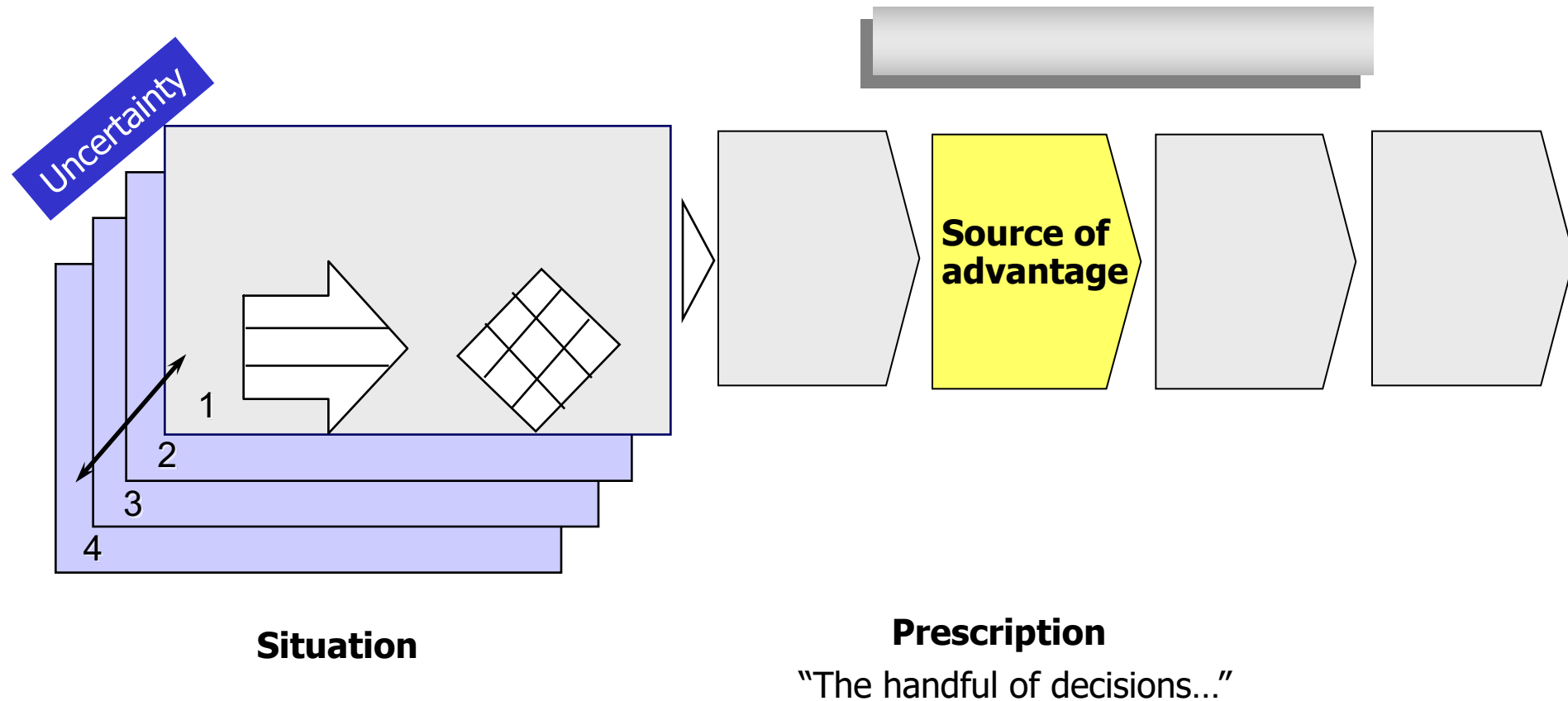
**What makes us successful? What can threaten our success? What issues do we have to pay special attention to?**



# Porter's "Five Forces-Model" of a branch analysis



# Tools: Source of advantage

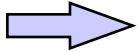


Source: Stephan Schubert, Ashridge, 2005

# Michael Porter's 'Generic Strategies' / 'Competitive Strategies' (1)

		Strategic Advantages	
<b>Strategic goals</b>	Whole Branch	<b>Differentiation</b>	<b>All embracing cost leadership</b>
	Limited to a specific segment	<b>Focusing on Niches</b>	
		Singularity according to the Buyer	Cost Projection

# Developing Core Competencies: (Hamel/Pralahad and Drucker)



**Competitions competitive concept**

## Preview:

- The generic strategies are to be viewed as two components that lead to increased performance and are not options.
- Thinking in terms of Product and business Units (diversified organisations) applies when
  - ▬ **development costs** increase whilst the
  - ▬ **product life cycle** is reduced.



## The result:

**Any competitive advantage cannot only be used or developed for single products or strategic business units, but rather for the **skills standing behind them!****

# The four levels of competitive drive

**Competing for technology**

**Competing for Core competencies**

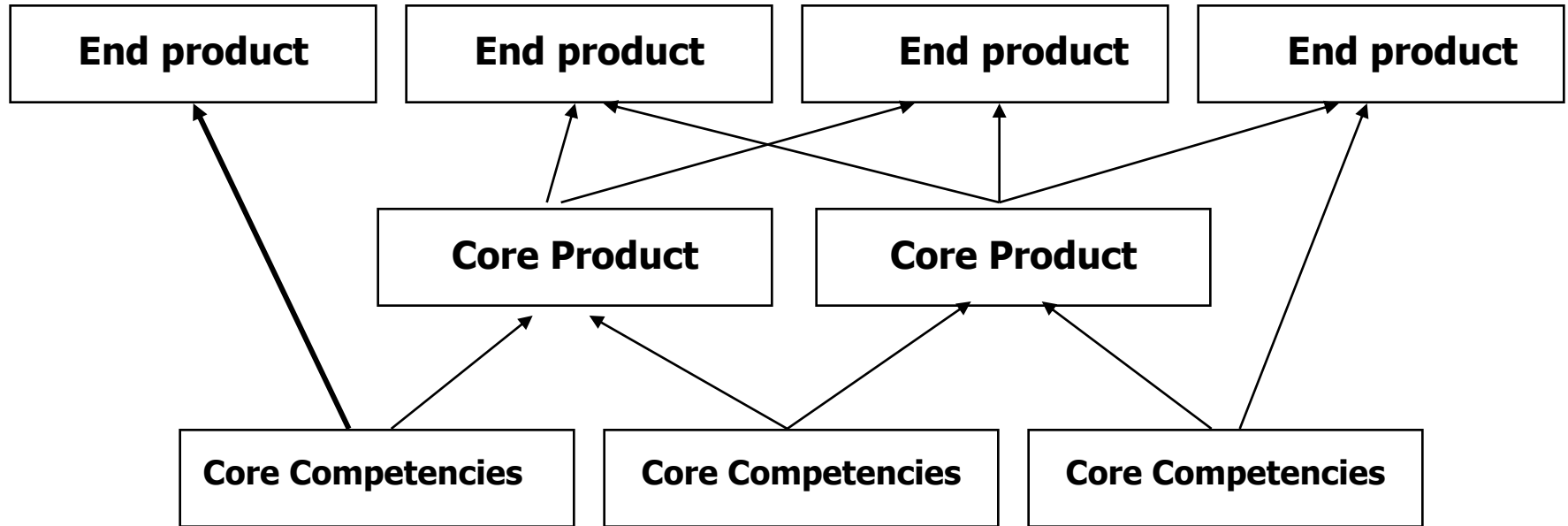
**Competing for Core Product Units**

**Competing for End Product Units**

## **Definition:**

**Core competencies** are developed as part of the learning process (not individual abilities), which in turn allows for specific success critical steps in the value added chain to be added.

# The relationship between Core competencies, Core Products, and End Product



Future orientated organisations invest in core competencies, where they already see a future, regardless of whether Product or Product ideas already exist. The use of **Core Competencies** allows the Organisation to access the future competition.

# Core competency based strategic formulation

		Market	
		Current	new
Core competencies			
current	Filling the gap	White marks	
new	Exclusive positioning	Mega chances	

# Starting points for scenario management

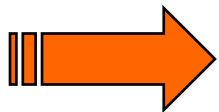


## **Continual look out for discontinuity**

Continual look out for discontinuity (e.g., terror attack on the WTC 11.09.01, fall of the Berlin Wall 9.11.89 or even Tschernobyl 26.04.86)



**Improve strategic future through prevention, foresight or safeguarding**



## **Effective perception and correct interpretation of gradual development**

(e.g., new economy downfall, proliferation of internet)

# Strategic development and implementation

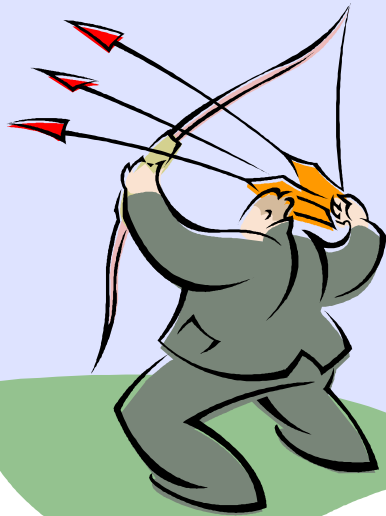
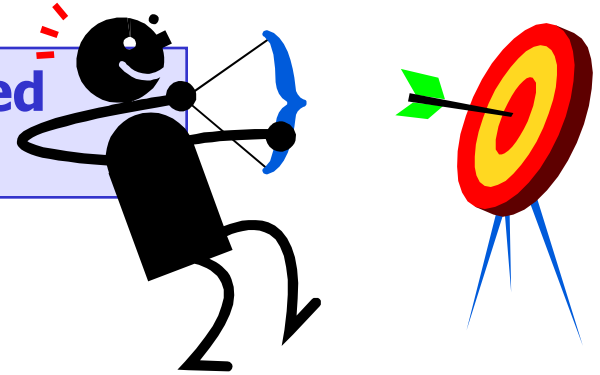
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# Job definition ,Goal'

**The goal is a future desired based situation with a clear.**



**"Without a verifiable Goal, every path is correct."**

# Strategic goal fields based on the balanced score card

## Customer view:

- Customer satisfaction
- Product/service quality
- Innovation

## Employee perspective:

- extend employee qualifications
- inform employees better
- set performance feelers
- motivation as a way of furthering strategic implementation

Source: Kaplan, Norton, 1997



## Finance perspective:

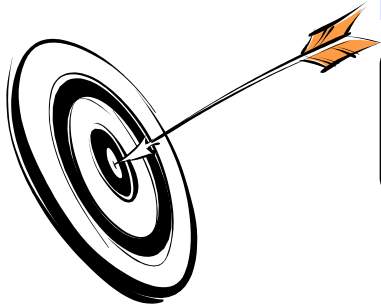
- maximise Cash flow
- growing profits
- reduce costs
- better use of resources

## Processperspective:

- reduce production costs
- optimise processes
- develop new products
- use Synergies better

# The technique of setting goals: Requirements

Outstanding goals are:



S

... How specific

M

... How measurable

A

... How demanding

R

... How realistic

T

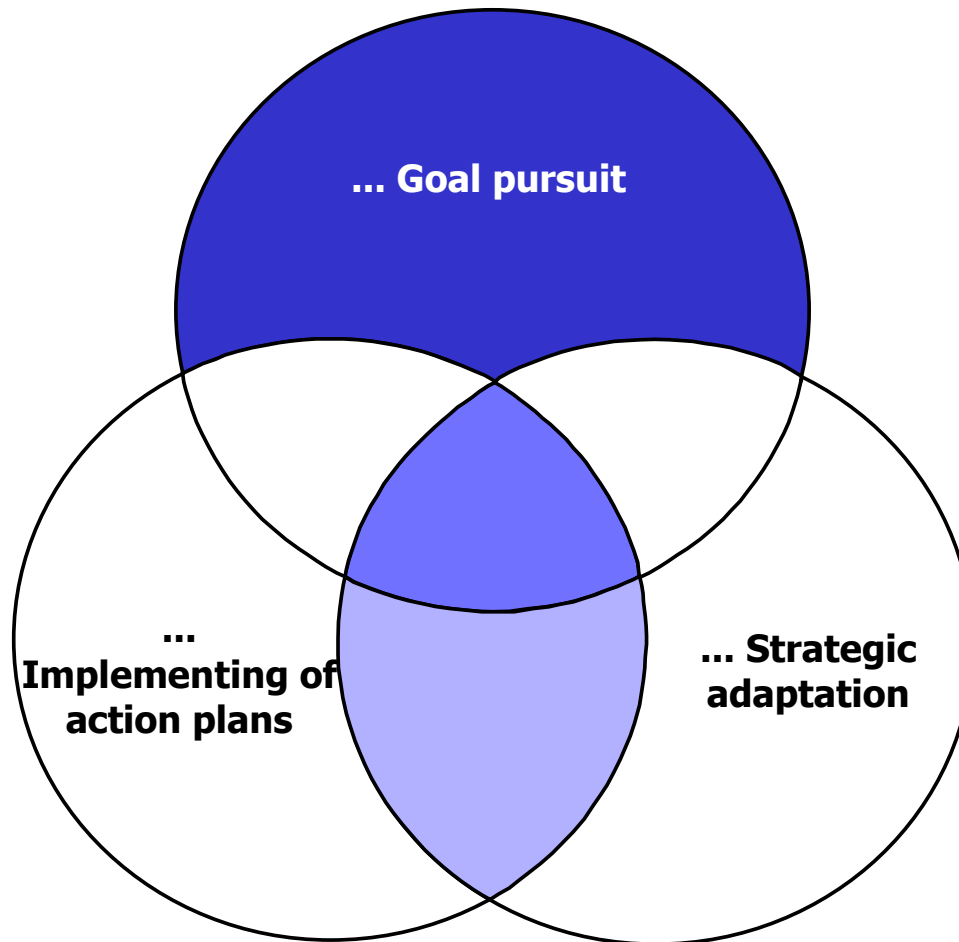
... time related

# The plan of action

<b>Who?</b>	
<b>Does what?</b>	
<b>By when?</b>	
<b>With whom?</b>	
<b>why?</b>	
<b>How charitable?</b>	
<b>With what results?</b>	
<b>How will the implementation success be measured?</b>	

# Monitoring

Continual engagement with Strategic questions on the levels of.....



# Strategic development and implementation

## Overview

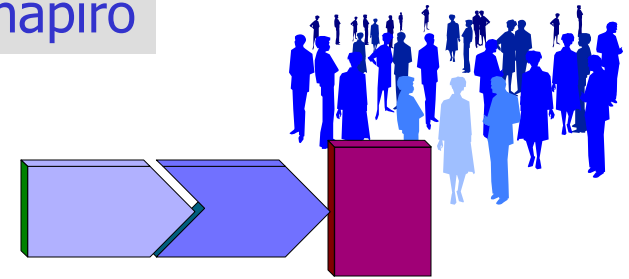


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# New structures – Intellectual and emotional challenges

**„Restructuring a company to become global  
is like designing an aeroplane while flying in it.“**

Bob Shapiro



**„The moment, in which you change the organisation,  
Is already the past“**

Percy Barnevik

# Core questions to restructuring

## Building the Organisation

What do we want/must we change?

- ◆ How clear and effective is our Organisational diagram?
- ◆ What existing duties must we change, which new duties will be allocated to whom?
- ◆ Where will we no longer allot resources to?
- ◆ Whom can we delegate Executive responsibility to and Budgeting responsibility to?
  
- ◆ Which goals are to be allocated to whom?
- ◆ Who needs what qualifications/Competencies

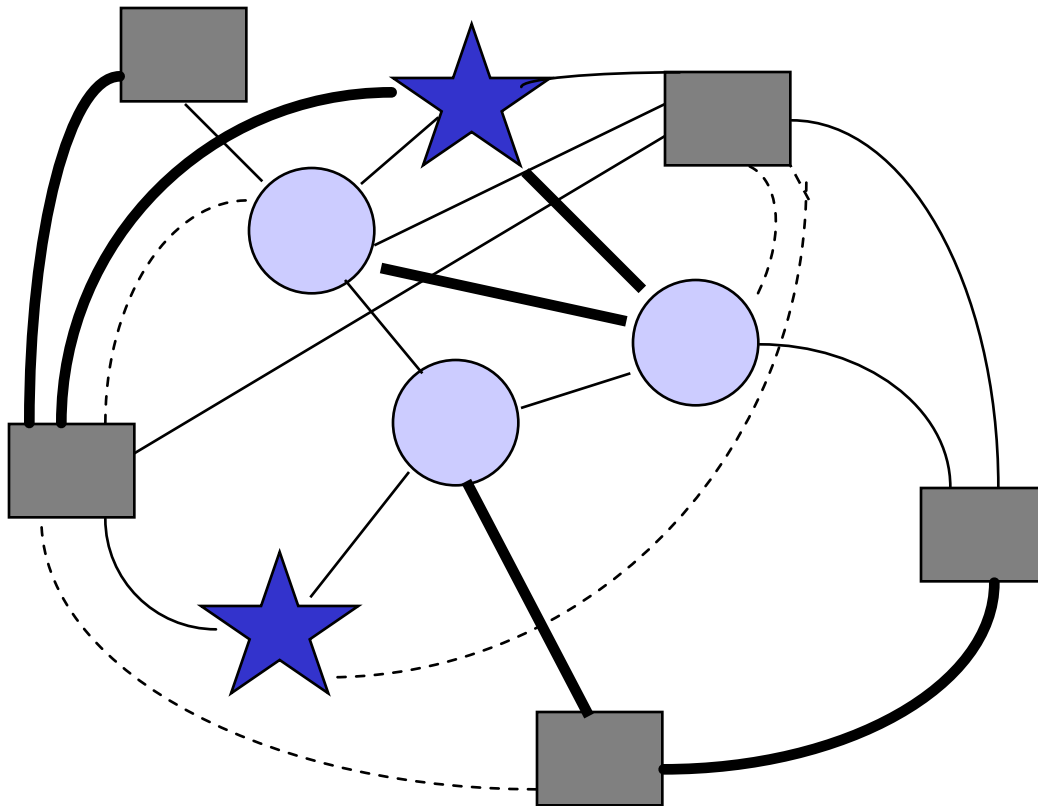
## Process Organisation

Which process must we improve?

- ◆ Which are our most important added value processes?
- ◆ Which processes are doing well and why?
- ◆ How can we improve these processes?
- ◆ How do we improve the cooperation between these areas?
  
- ◆ How do we evaluate our leadership and communication processes?
- ◆ Which leadership processes and communication processes must we improve?

With what resistance to change can we expect to deal with?

# No hierarchical, flexible structures – The learning organisation?



## **Legend:**

- = Corporate Centres
- = Business Centres
- ★ = Knowledge Centres
- (thick) = intensive working relationship
- (thin) = common working relationship
- - - = remedial working relationship

UF1\_VL

# The learning organisation

**This then is the basic meaning of a “learning organisation” - an organisation that is continually expanding its capacity to create its future. For such an organisation it is not enough merely to survive. “Survival learning” or what is more often termed “adaptive learning” is important - indeed it is necessary. But for a learning organisation, “adaptive learning” must be joined by “generative learning”, learning that enhances our capacity to create.**

Peter Senge

Quoted in: Arvedson, L., Coming to the Grips with Learning (in) Organisations, efmd quarterly review, 1/93

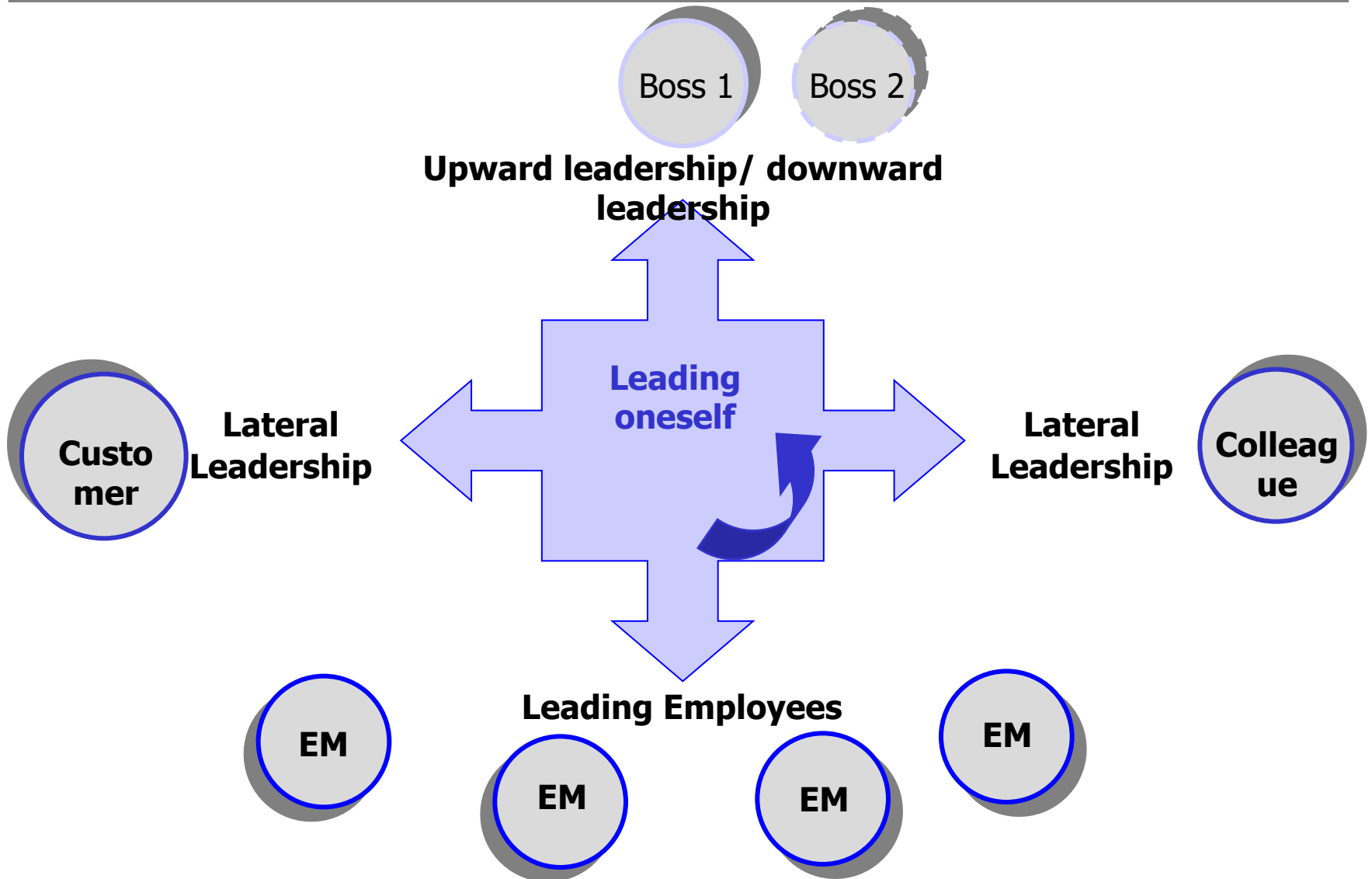
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# Leadership direction



# Popular and unpopular leadership strategies

		<b>Upward Leadership</b>		<b>Looking downward Leadership</b>	
<b>Popular</b>   <b>Unpopular</b>	Kipnis et al.	Wanderer	Kipnis et al.	Wanderer	
	Reasoning	Reasoning	Reasoning	Reasoning	
	Coalition	Friendliness	Assertiveness	Friendliness	
	Friendliness	Assertiveness	Friendliness	Assertiveness	
	Negotiation	Coalition	Coalition	Coalition	
	assertiveness	Higher Auth.	Negotiation	Negotiation	
	Higher Authority	Negotiation	Higher Auth.	Higher Auth.	
-	-	Sanctions	Sanctions		

Source: Empirische Untersuchungen von Kipnis, D.; Schmidt, S.M., Swaffin-Smith, C.; Wilkinson, I. (1984): Patterns of managerial influence: shotgun managers, tacticious, and bystanders. In: Organizational Dynamics, 12' winters, 1984. S. 58 ff.

Wunderer, R. (1992). Vom Autor zum Herausgeber? - Vom Dirigenten zum Impresario - Unternehmenskultur und Unternehmensführung im Wandel. In: F. Infold & W. Wunderlich (Hrsg.): Fragen nach dem Autor, S. 223 ff., Konstanz 1992



**That is Courage !**