Introduction to White Paper:
Realizing your strategy successfully in a Disruptive world

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Chapter 1: Realizing your strategy successfully in a disruptive world

Introduction

The majority of companies is not able to successfully translate their strategic plans into reality. In this paper we will investigate those elements that make a strategic process successful, taking into consideration the development of the strategy and the leadership needed for the strategy to become reality.

> ## Highlights
> **10%** of organizations is effectively achieving its strategic goals
> **59%** of CEOs say their organizations struggle to implement strategies
> **91%** of organizations are feeling the impact of disruptive technology
> **56%** of CEOs expect disruptions to come from outside the company
> **94%** of CEOs say they face challenges trying to create a culture of change

Gap between strategy Design and Delivery

A recent study from the Economist Intelligence Unit shows that 59% of CEO's say their organizations struggle to implement strategies. On top, only 10% of organizations are effectively achieving its strategic goals. Obviously, turning strategies into reality is a challenge.

Fortunately, not all organizations struggle as there are various organizations that prove the ability to effectively deliver strategies they have designed. We have identified three characteristics successful organizations have in common:

1. Ensure that strategy design and delivery are deeply interconnected, instead of a linear two-step process. In this case there is a continuous interaction between the designer(s) of the strategy and those who are involved in execution.
2. When designing the strategy they do not only take into account the external environment of the organization, but also the kind of organizational-culture is needed to be able to effectively deliver the designed strategy.
3. Besides an evaluation of the organizational culture, they also reflect upon the question of which Leadership is needed to secure a successful strategy implementation.

Business Strategy in a disruptive world

Many companies are still investing a lot of energy and time in drawing up ambitious strategic multi-year plans. These plans are usually created by a small group of people at the top of the company and are then cascaded down the organization. This is followed by the business entities detailing the various operational plans and sending them back to HQ for approval. This annual planning routine functions as a process of extrapolating the results of the past year and neglects the fact that the business environments of many of these companies will have changed. The result of such a process is that the ink of the elaborated plans has not even dried yet, before the business reality has changed again.

BCG research* shows that many companies continue with their practice year-in year-out, although they realize the mismatch. Nearly 80% of the surveyed companies said they used the

classical approach to strategy planning, without asking themselves questions like: 'what kind of strategy approach is most appropriate for our company?', or: 'do we need different type of approaches due to the differences in geographies, market maturity stage or customer demands within our company?'. One size to fit all.

What roles do executives play in this process? What competences do they need to marshal in order to select the right approach to create a company strategy, to design a winning strategy, and to implement it successfully across their companies? Recent research by Korn Ferry** among nearly 800 international investors and analysts, shows that the current top executives are not ready to take up the challenges that their companies will be facing in the coming years. Their analysis among 150,000 leader profiles shows that only 15% of top managers have the qualities to successfully manage their business.

Leadership in a disruptive world

While strategy development and communication are about knowing something, strategy execution is about doing something. The gap between what you know and what you do is often a big one. Add in the necessity of needing everyone to act in agreement with each other, and it gets even bigger.

The reason strategy execution is often glossed over by even the most astute strategy consultants, is because primarily it is never just a strategy challenge. It is about human behavior and especially the Leadership and Organizational culture. In order to be able to deliver the result that was prepared for in the organizational strategy, people need to change ingrained patterns, become more versatile and create a culture in which experiments and failures are accepted. Only by being hyper-aligned and laser-focused on the highest-impact actions will drive the organization's most important outcomes. In our opinion this can only be reached by complete alignment between Strategy, Leadership and Organization Culture.

About the authors

Andre de Wit has more than 25 years of experience working for large corporate organizations. He worked as CEO of business units in IKEA and the Metro-group. Moreover, he was the Vice President for Learning and Capability Building from the Metro-group and the Carlsberg-group for 6 years.

Andre is Dean of the Leadership Academy Amsterdam. This organization focuses on designing and delivering Leadership interventions and Leadership development programs. Leadership Academy Amsterdam specializes in the alignment of Leadership with the strategic plan of an organization.

Peter Bassa has worked for more than 30 years in large (inter)national companies, like Alcoa, Suez/GTI, GEA and Hertel. He held senior management positions as Global Strategy Director/CMO and was a member of the Senior Management Board in various companies.

Peter founded Strategia Business Consulting in 2007, a management consultancy firm specialized in Strategy design and execution, Reputation and Marketing & Communications.

*Your strategy needs a strategy from BCG 2012

Chapter 2: Executive summary: Challenges for leaders in strategy design

Your strategy needs a strategy

Strategy design follows in many cases the traditional way: analyze your situation, define your goals, draw up a step-by-step approach in business strategy and manage execution strictly. However, each business is different. An oil company, when compared to a software company, works in a different environment with different challenges. Long-term plans versus a more opportunistic and agile approach to strategy. How do you determine which is the most effective approach in which situation?
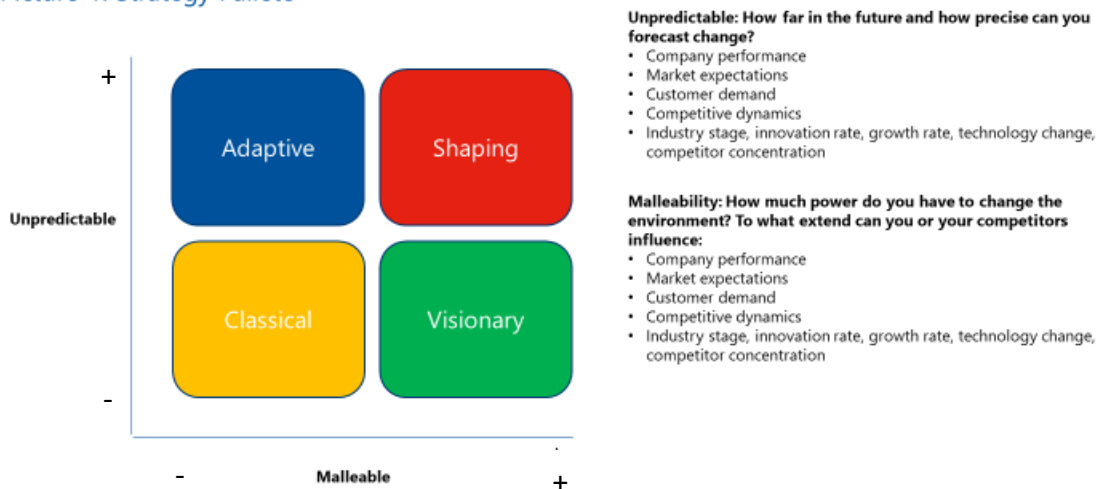
In a disruptive world, the diversity and range of business environments have increased. One strategy approach does not fit all. It is more important than ever to choose the right approach to strategy for the right business situation.

Herein lies the challenge for leaders: they need to know how to identify the most effective approach to business strategy, marshal the right thinking and behaviors, execute their plans, and be supported by the appropriate frameworks and tools.

The BCG Strategy Palette* is a framework that allows leaders to match the strategy approach with different business environments. This Strategy Palette provides four archetypal approaches to strategy, tailored to the specific environment of each part of a business.

The Strategy Palette is composed on two dimensions: how predictable is the environment in which the company operates and how much power should a company have to change that environment. The four approaches are shown in picture 1.

Picture 1: Strategy Pallete

Unpredictable: How far in the future and how precise can you forecast change?
- Company performance
- Market expectations
- Customer demand
- Competitive dynamics
- Industry stage, innovation rate, growth rate, technology change, competitor concentration

Malleability: How much power do you have to change the environment? To what extend can you or your competitors influence:
- Company performance
- Market expectations
- Customer demand
- Competitive dynamics
- Industry stage, innovation rate, growth rate, technology change, competitor concentration

Four different approaches to strategy:

- Classical: I can predict it, but I cannot change it
- Adaptive: I cannot predict it and I cannot change it
- Shaping: I cannot predict it, but I can change it
- Visionary: I can predict it and I can change it

The four above mentioned approaches need to be handled with care, because the environment of an organization, and with that the predictability and the malleability, can change over time. On top of this, in an organization you can even be confronted with different environments per market, sales line or geography.

Companies working in markets with long planning horizons, like Oil and Cosmetics, are active in relatively stable contexts. A classical approach with clearly defined phases will prevail. Adaptive approaches will stimulate continual experimentation and grow opportunities that are successful. Companies that create entirely new products like electronics facilitate imaging but are relentless in their execution to realize their bold dreams. Companies like AirBnB and Uber focus beyond the borders of their company and orchestrate ecosystems and platforms of internal and external parties to dominate an environment.

In the table below we show different aspects of each of the four strategy types.

Table 1: Strategy Approaches

Approach	Unpredictable/ Malleable	Driver	Strategy	Process	Markets
Classical	I can predict it, but I can't change it	Be Big Big beats small	Analyze – Plan – Execute Goal: Sustainable Competitive Advantage Optimize Efficiency	Top down planning, actionable blueprints, strict follow up	Oil, Cosmetics, Mature markets with long planning horizons Shell, Mars
Adaptive	I can't predict it, and I can't change it	Be Fast Fast beats slow	Explore – Enable – Evangelize - Exploit Goal: Build and renew serial temporary advantage Engineer Flexibility	Manage a portfolio of experiments. Empower people to experiment.	Fashion, Telecom Zara, Google 3M
Shaping	I can't predict it, but I can change it	Be the Orchestrator Create and exploit	Engage – Orchestrate – Evolve Goal: Shape an industry early in its development with others Cooperate & Be flexible	Shape the industry with others, but orchestrate the ecosystem	Ecosystems, Software, Internet services, Emerging markets Facebook, Uber, Alibaba, India
Visionary	I can predict it, and I can change it	Be First Be first and capitalize	Envisage – Build – Persist Goal: Create an industry by applying a bold vision at the right time Imagine & Stay course	Envisage the end point, inspire and execute fast and persistent	Automotive, Consumer electronics Tesla, Apple, Ikea

Each strategy approach needs its own Culture and Leadership

The four strategies, as stated in the Strategy Palette, offer a unique support to help secure the direction of the organization in alignment with its environment. Yet, we know a successful strategy does not only consist of creating the strategy of an organization, but that a combination with the correct execution will lead to a strategy's success. Bearing this in mind, we have formulated the culture and leadership that goes with each of the four strategies.

In the subsequent chapters, it will be explained which organizational culture best supports each of the strategies. When we talk about culture of an organization in this paper, we are referring to the 'collective programming of the mind' of a group of people [1]. Culture, in this case, is referring to the fundamental assumptions of what it is to be a person and how individuals should interact within their own group and with outsiders.

Besides looking at the necessary organizational culture, strategy and leadership will also be connected and aligned. Having based our findings on interviews and the existing literature, we have tried to come up with a suitable leadership style for each strategy. In this paper, Leadership is defined as followed: "Leadership is the art of motivating a group of people to act towards achieving a common goal". The leader is the person in the group that possesses the combination of personality and leadership skills that makes others want to follow his or her direction.

An organization's success can only be achieved by connecting Strategy, Organizational culture and Leadership. The power of linking these three elements, understanding them clearly and accepting that 'leaders get the culture they model', is key when bringing a strategy to life. The Peter Drucker quote 'Culture eats strategy for breakfast' reflects the reality clearly.

It is extremely important for Leaders to take great care to develop and model the right behaviors for others to see and imitate. Eventually, managers, leaders, and employees will model these behaviors themselves, which will help to create the culture in which people can bring the strategy to reality.

In the table below, the connection between Strategy approach, Organization culture and Leadership has been summarized. Moreover, it contains a column dedicated to how innovation takes place when connected to each of the strategies.

Table 2: Strategy, Culture, Leadership and Innovation

	Culture	Leadership	Innovation
Classical/ Operational excellence/ Bureaucratic Leadership	Disciplined Focused Analytically minded Goal oriented Geared toward accountability	Set goals Clarify where and how to win Encourage achievement of plan Focus to detail and execution Ensure adherence & reverence for plan	R&D function
Adaptive/ Participative Leadership	Externally oriented Means focused Diverse opinions are stimulated Encouraging constructive dissent Open Playful	Set context Set borders for experimentation Set focus for experimentation Unleashing potential	Continiously experimenting
Visionary/ Charismatic Leadership	Clear sense of direction Us against the world Focused on vision (pole star) Boundless opportunity for individual initiative	Sets vision/pragmatic dreamer Keeper of the flame Guides transition	That is what we do all day !
Shaping/ Agile Leadership	Look outward Inclusive Encourage both catalysis rather than control in stakeholders Go beyond boundaries Openness and Humility	Give up a degree of control Communicates vision Builds relationships Influences rather than commands	By all stakeholders