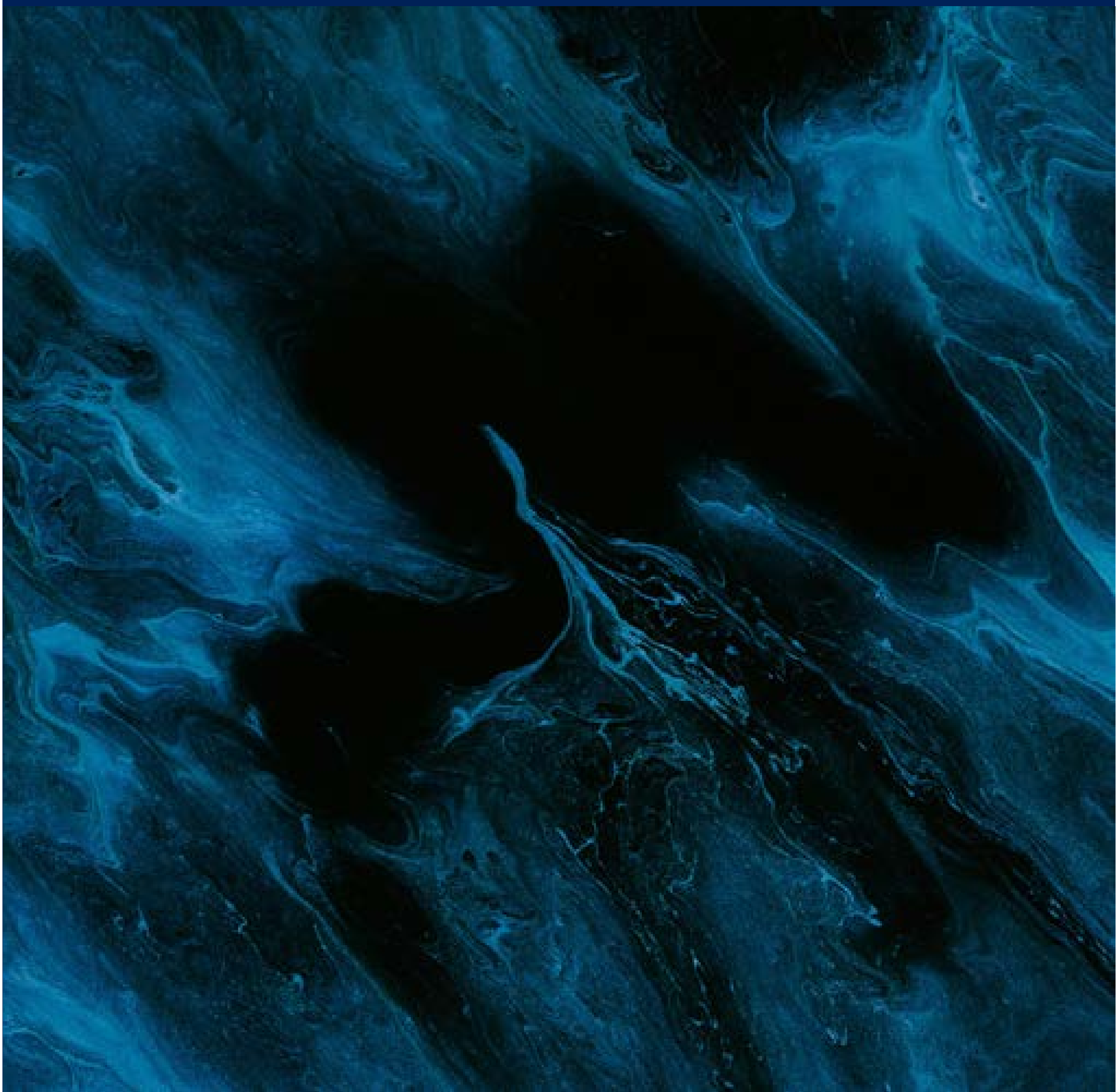
RAFFLES LEGACY LEARNING

BUSINESS STRATEGY MASTERCLASS

BOOK ONE - KEY ELEMENTS OF STRATEGY

PART I - HISTORY AND OVERVIEW OF STRATEGY



MASTERCLASS COURSEBOOK

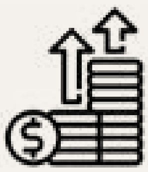
Contents

Strategy is about choices, and there will always be more options than any one company can pursue successfully. It is therefore essential to provide a coherent framework of option evaluation in order to select the most appropriate pathway forward.

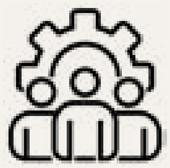
The process of understanding, refinement, redefinition, evaluation and review of options should be as unconstrained and creative as possible. Getting this right could be one of the most significant steps in the history of your business.

1 Value Impact in Capital Markets

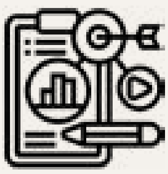
2 Net Present Value



3 Contribution to Profitable Growth Potential



4 Fit with Organizational Capabilities



5 Impact on Strategic Balance Sheet

6 Positive Change in Customer Relationships

7 Contribution to Competitive Differentiation

1. Value Impact in Capital Markets

The impact of strategy, especially for listed companies, needs to be measured by the increase it is expected to create in shareholder value.

This, in turn, is usually measured by the improvement in shareholder wealth, as reflected in the equity market capitalization of the business, or in a total enterprise value calculation which adds together debt and equity values.

For privately owned companies, the improvement in debt ratings, implied enterprise value, or other standard can serve as a surrogate for an equity market value measure.

2. Net Present Value

An organization's net present value (NPV) is the discounted present value of all future cash flows, net of any initial cash investments. The NPV is the best measure by which to assess investments, make decisions, and track performance. The internal rate of return (IRR) may also be used for comparative purposes.

Maximizing NPV is the hallmark of any good operating management team. It underlies many of the approaches of fabled investor gurus such as Warren Buffett, and many highly successful business owners.

Perhaps the value of this cash flow-based measure is best captured in the statement that "Cash is King" in the business world.

3. Contribution to Profitable Growth Potential

Current value implications and the impact of immediate opportunities are not the only option valuation measures.

The potential to create future flows of revenue, profits, and cash needs to be taken into consideration as well, especially in a high growth business, where enterprise value in the capital markets is driven by expectations of future growth in revenues and earnings.

As in tournament chess, good business strategists think many moves ahead.

4. Fit with Organizational Capabilities

As we have seen elsewhere, strategy is much about the ability of teams of individuals to design and execute predefined strategies, but it is also about preparing an organization to profit from unanticipated changes and developments in the business system.

An option which can enhance organizational capability should be valued more highly than one which does less to lift the future capabilities of the team involved.

5. Impact on Strategic Balance Sheet

The potential to upgrade the total set of assets and liabilities of a business - people, capability, strategic relationships as well as current and fixed assets - is another area for value creation which is difficult to assess mathematically but can have a profound impact on long-term business success.

Addressing classic financial balance sheet categories, and also taking into account the value of "soft" or non-traditional assets and liabilities, will ensure that all elements of value addition can be reviewed and accounted for.

6. Positive Change in Customer Relationships

Serving the customer is the raison d'être of any company.

The ability to drive those relationships to a higher level is an essential element in strategic assessment and valuation. This ability, taken partially into account by valuing both hard and soft assets, and supported by taking a hard look at all variables of product, brand and service, cannot be forgotten in any strategic evaluation.

7. Contribution to Competitive Differentiation

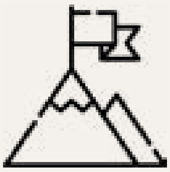
Competitive differentiation in the areas that matter to customers and to your business system are the end point of successful strategy.

Although serving the customer better carries with it an implicit understanding of enhancing the competitive offer, it is important to assess directly the impact on truly differentiated performance in the market.

Options which truly create "clear water" between a business and its rivals will create immediate and future value.

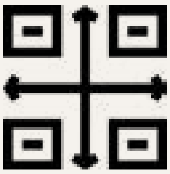
Setting priorities and deciding which initiatives will be pursued, and which will not, is one of the most important elements of strategy. Charting a clear path forward and allocating resources to achieve the objectives set along the way is both an art and a science.

The process described below sets out how a team can turn a list of good ideas into an effective set of priorities for action:



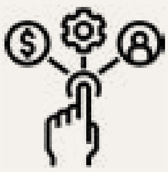
1 Set the Vision

2 List Potential Actions

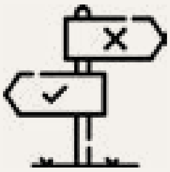


3 Complete the Priority Matrix

4 Select Priorities



5. Allocate Resources



6 Clarify the Choices

7 Implement the Strategy

1. Set the Vision

Before setting out the list of potential strategic actions for a business, it is necessary to agree what vision is being pursued.

Without a clearly stated overarching goal, it is impossible to be sure that strategic priorities are going to align all aspects of a business in the correct direction. To ensure that rational choices are made, the ultimate end goal of the enterprise needs to be understood by all participants.

2. List Potential Actions

Before imposing a framework to identify the priorities, it is useful to ensure that you made a comprehensive list of all potential actions and opportunities.

It may also be useful to have a minimum threshold on the value of suggested actions. The actual cut-off level will depend upon the size and nature of the organization. The cut-off may be on initiatives which have a minimum potential annual impact on profit, NPV or market capitalization.

3. Complete the Priority Matrix

Each potential action on your list can now be placed on a 2x2 matrix to help decide upon priorities.

The matrix captures the value of each initiative, measured in either annual profit or longer-term impact, along the horizontal axis.

The horizontal axis sets out the potential value of the initiative once completed. This requires the group to have a rough sense of the benefit and cost of each idea.

The vertical axis estimates how difficult it will be to implement each action.

Ease of Implementation	High	**Low Hanging Fruit** Low Value Easy to implement = Be Selective	**Key Initiatives** High Value Easy to implement = Essential to pursue
	Low	**Avoid** Low Value Hard to implement = Avoid	**Long Term** High Value Hard to implement = Be Selective
		Low	High

CLICK HERE TO DOWNLOAD TEMPLATE

4. Select Priorities

The final phase of setting priorities requires you to decide how many of the proposed actions you can pursue well, and which are better deferred or cancelled altogether.

Funds for investment may be limited, or there may be a limited capacity for new programs due to the demands of running daily operations. Requirements or policies imposed by a parent company may inhibit the actions possible. These elements of limitation need to be considered individually and together to decide where to draw the line (literally) on the priority matrix.

Actions most likely to be pursued as priorities, will fall within the high-value/easy-to-implement quadrant. All low-value/difficult-to-implement actions should be avoided.

The crunch quadrants are those which contain high-value/difficult-to-implement items and low-value/easy to implement items. In this instance, further analysis and discussion may be necessary to decide on the finer differences in value.

In all cases the priorities selected must be fully aligned with the overall vision and internally coherent as a set of actions.

5. Allocate Resources

Acting differentially and allocating resources in line with the agreed priority list are essential parts of the process of realizing full value from a strategy exercise.

Having completed the matrix of priorities, managers can allocate resources as appropriate. Even within the priority list there may need to be further analysis of resources required, based upon a comparison of the needs and benefits of each item.

6. Clarify the Choices

Failure to differentiate in action between priority and non-priority items will significantly reduce the impact of your investments and the value of your overall strategic effort.

Perhaps the best way to lock in the value of your thinking is to set out on a separate three-column chart those initiatives which your organization will start, those which should be stopped, and those which should be continued.

7. Implement the Strategy

This focus on priorities will enable you to exert the maximum force on the most powerful levers of change, avoid a diffusion of effort, and maximize the impact of your choices on business profit and value during implementation of the strategy.

In order to achieve results, it is important to have a set of goals or targets at which to aim and against which to measure progress. In the context of an effective strategy, these goals need to be well crafted and fully understood by all involved.

The seven SMARTER characteristics of properly drafted goals are listed below. Ensuring that all goals and target results meet these criteria is well worth the effort.

By turning these guidelines into actions, the value and impact of your strategy are far more likely to be enhanced:

1 Simple

2 Meaningful

3 Actionable

4 Realistic

5 Total

6 Effective

7 Results-Driven

1. Simple

Complication can obscure clarity. Plain language, no jargon, short words and clear targets are necessary for goals to be understood.

2. Meaningful

Not all goals need to be pursued or highlighted. The goals stated should address priority targets, not list all potential objectives or activities.

3. Actionable

Statements of aspiration are difficult to set or measure as precise targets. Goals should be measurable, achievable and linked to concrete plans of action.

4. Realistic

Stretch goals can enhance the ability and achievements of an enterprise, but unrealistic goals, often imposed from above, may merely serve to discredit the strategy process, the goal-setting exercise, and the team responsible.

5. Total

The set of goals promulgated and pursued must capture all facets of your strategy. Leaving out key parts can only result in inefficiency and demotivation for those involved.

6. Effective

The goals, and the goal setting process, must be effective. They must support the overall strategy, be aligned with the overall mission of an enterprise, and create sustainable competitive advantage.

7. Results-Driven

The goals set, and the rewards associated with their achievement, must reflect the value of achieving tangible results through strategy.

Process excellence is not a result - it is a means to an end. Real goals are often measured in improved revenues and profits, reduced unit or overhead costs, increases in market share, upgraded skills or capabilities, or other sources of tangible value and competitive advantage.

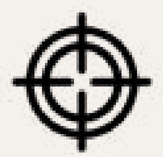
By breaking down the elements of tactical concept into a useable checklist, strategists can be more thoughtful about the preparation and execution of tactics to achieve their strategic goals.

Higher order tactics can determine the success or failure of a strategy, and often involve movements before engagement. These activities can include gathering intelligence, analyzing information, positioning assets and individuals, signaling, negotiating, feinting, establishing alliances, completing stealth movements of resources, building capabilities and resources, and pursuing all other initiatives to create strategic advantage against an adversary.

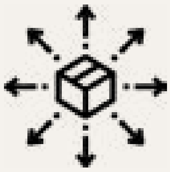
The best tactics are those which thoroughly prepare and build on the strongest capabilities of an organization. In some circumstances, the preparatory tactics can even obviate the need for a costly battle altogether. Sun Tzu captured the value of this kind of approach when he stated:

> *“... the best victories are from battles which have never been fought.”*

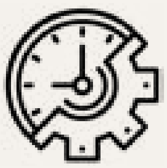
The constituent elements of tactical content are expended below:



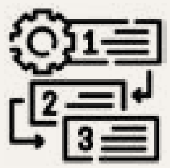
1 Objective



2 Resources Deployed



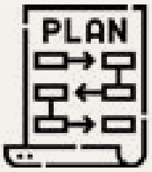
3 Timing



4 Sequence

5 Degree of Force Applied

6 Contingency



7 Expectations

1. Objective

There must be a clear objective of the tactics deployed and alignment with the larger objective of the overall strategy.

2. Resources Deployed

The actual resources deployed need to be fully assessed and carefully allocated. This can include human resources, funds, assets, and supporting infrastructure.

3. Timing

Timing is indeed of the essence. In setting out the timetable, attention needs to be paid to both the internal and external factors determining an optimal time to launch an initiative. Competitive and customer considerations need to be weighed, along with assessments of organizational readiness and alternative demands on the resources to be deployed.

4. Sequence

No action is taken on a stand-alone basis. The sequence in which initiatives are undertaken, relative to moves made by colleagues, competitors and allies alike, can be critical. This sequence will need to consider the prior and succeeding steps in the overall plan of action.

5. Degree of Force Applied

There is always a range of force which can be applied in any situation by the resources deployed.

Determining the degree of force applied, or the magnitude of the move, will enable leadership to calibrate the expected impact of the initiative. A tactical burst of ad spending, for example, can be high or low in cost over a set time frame, and relatively strong or weak in its effect.

6. Contingency

Unlike the view held by many academic theoreticians on the science of strategy, the set of tactics deployed in competition or combat must be flexible, in particular during a fierce competitive engagement or in the face of a military enemy.

Soldiers and managers without a Plan B can be in unnecessary danger. Contingency aspects of any sound tactical plan will need to be figured into the overall approach.

7. Expectations

Finally, there need to be clear expectations of the outcome.

In a war these expectations relate to casualties suffered, materiel lost, ground gained and psychological impact on the enemy, which can inform follow-up actions, or trigger an all-out retreat if not met.

For some of the same reasons, the expectations of tactical deployment of business resources also need to be forecast. By setting out an expected outcome, the target results and broader consequences can be assessed in advance and appropriate actions taken.

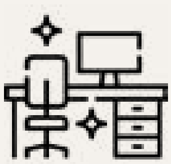
Follow-on actions can be reset, and future tactics adjusted to reflect both the knowledge and the territory gained.

By adopting a more enlightened attitude toward corporate responsibility and seeing it as a core element of strategy rather than as an isolated set of public relations activities, forward-thinking leaders can create opportunities to motivate staff, give a greater purpose to the enterprise, and grow a network of beneficial relationships outside the walls of the corporation.

Since the era of truly responsible strategy is just dawning, there is much room still to innovate, experiment and create something new and special for the future, which can in turn, create benefits, and avoid risks, for all stakeholders in your enterprise.

Responsibility And Engagement |
Element 19: Corporate Responsibility – Areas for Consideration (CONTINUED)

There are seven key areas of Corporate Social Responsibility for consideration by a management team. These areas encompass both internal (workplace, business system, reporting and governance) and external (customers, environment and community) elements:



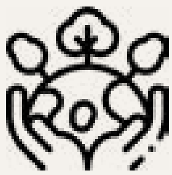
1 Workplace

2 Business System

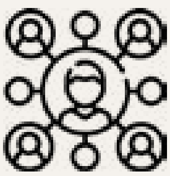
3 Reporting

4 Governance

5. Customer Rights



6 Environment



7 Community

1. Workplace

Ensuring that a company has as a clean, safe, and fair working environment for employees is one of the most basic aspects of corporate responsibility.

Health and safety, lack of sexual, religious, or racial discrimination, and other programs that will ensure a proper workplace are all necessary elements of a thoroughly designed strategy.

2. Business System

Responsibility now extends beyond the borders of your own business operations.

In a world where business processes are increasingly outsourced and relations between different organizations are becoming deeper and more complex, the notion of responsibility is being extended to all of those businesses which directly touch another. Partners, franchisees and other participants in a business system in breach of acceptable standards of responsibility can call into question the ethics and standards of all companies using their products or services.

Even customers can be subject to scrutiny: private banks must ensure that clients do not bring to the bank any funds from criminal, money laundering, or terrorist activities.

Suppliers as well as customers are scrutinized as the buyer's responsibility now extends back up the value chain. It is no longer acceptable to claim that a cosmetic product has not been tested on animals if suppliers to the ultimate manufacturer have been engaging in just such practices.

3. Reporting

Many of the recent corporate scandals dragging down the reputation of business as a whole are related to deceptive reporting, poor reporting procedures and lack of oversight.

Both the quality of reports and their content are increasingly being called into question.

While IFRS and similar global accounting standards bodies will continue to evolve the general standards and policies to be applied to corporate accounts, the quality of the data presented needs to be consistently accurate in each individual case.

Extended definitions of what should be reported, such as the triple bottom line initiative requiring companies to report on their financial results and their environmental and community record, will continue to stretch the capabilities of accounting and control departments for some time to come.

4. Governance

Major policy recommendations by the Cadbury Committee in the United Kingdom and the Sarbanes-Oxley Act in the United States have called into question the most appropriate structure for senior management and the constitution of boards of directors. Whether welcome or not, increased scrutiny and reform are the order of the day.

Transparency, distributed power, and independence from inappropriate influence are all issues which have come up regularly and will continue to be topical as business leaders design and populate board and committee memberships, outline board and committee procedures, and establish the quality of overall information flows.

High quality standards also apply in the approach to Chairmanship, the CEO role, succession planning, and all other elements of good governance.

5. Customer Rights

Numerous consumer advocacy groups and sympathetic legislators have been slowly turning up the heat on the disclosure and service levels required by product and service providers. Information on product contents, packaging standards, return policies, product safety and other elements of burgeoning consumer rights all need to be fully understood and built into strategic plans as both risks and opportunities.

Already, greater corporate responsibility for the long-term effects of product use is emerging, even in product areas where sales are primarily to informed adult customers. This movement is led by actions against pharmaceutical companies, arms manufacturers, tobacco companies and alcoholic beverage providers.

Participants in industries seen to be contributing to an unhealthy lifestyle or dangerous activities, will increasingly attract the attention and incur the costs of litigation from consumer advocacy groups capable of inflicting great economic or reputational damage on an individual company, or even an entire industry.

6. Environment

In no other area of business responsibility is there more attention being paid than to the various aspects of environmental regulation.

It is abundantly clear that there are a number of areas such as global warming, toxic waste management, industrial effluent treatment, pollution of air, water, and land, deforestation leading to land quality erosion and river silting, fish and mammal population depletion, loss of rain forest cover and a whole host of other environmental concerns, where blame is increasingly focused on the business community.

In some areas, such as the response to global warming, the business community is already far more involved than governments have mandated, underscoring how important these societal issues are to the long-term interest of the broader business community.

Taking into account and responding properly to those areas of environmental responsibility which impact most directly on your business, now has to be a key element within any comprehensive strategic plan.

7. Community

Contribution to and participation in projects within the local business community has always been good practice.

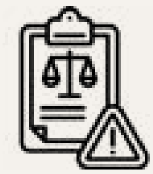
The United Way Movement in the United States, and the many activities supported by MNCs in local communities, reflect the acknowledged benefit of being a good corporate citizen.

There is a growing list of reasons why a more proactive approach to responsibility will be in the long-term best interest of all stakeholders in an enterprise.

By understanding these reasons - particularly those relating to your own specific business issues - and acting on that knowledge, a manager can create economic benefit, and reduce financial risk, at relatively little cost.

For large, multinational enterprises in particular, the logic for a program of greater social responsibility needs to be made specific:

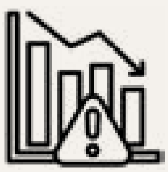
1 Legal Systems Will Demand It



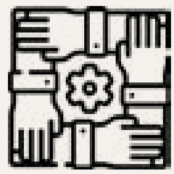
2 Regulators and Accounts Will Require It

3 Financial Results Will be Diminished

4 Relative Organizational Capability Will Suffer



5 Brand and Business Risk Will Increase



6 Team Spirit and Motivation Will Increase

7 Risk of Backlash Against Business

1. Legal Systems Will Demand It

Demanding more responsible behavior from businesses is becoming a worldwide phenomenon. But some nations, and their legal systems, are accelerating this trend.

Already the United States has become the forum of choice for legal action against international players operating far from American shores.

It is only a matter of time before US litigation brings more corporations from the US and beyond before American judges and juries to account for foreign activities and actions that are alleged to be detrimental to employees, suppliers, local communities, countries, and the global environment.

2. Regulators and Accounts Will Require It

With the clarifying potential of "triple bottom-line accounting," which takes into account community and environmental impact as well as financial performance, companies can set out a broader and more engaging set of goals for their enterprise.

The Global Reporting Initiative, established in 1997, has begun to address many of the technical issues.

Models of socially responsible accounting have already been tested at British Airways, the Body Shop, Shell, and TYU Empire at a practical operating level.

3. Financial Results Will be Diminished

Ignoring the more critical public attitude toward business can be very expensive indeed.

Lost sales, loss of licenses to operate, increased litigation, fines, a greater tax burden and other direct and indirect economic costs can result from allowing businesses to continue to be negatively positioned or to act in an irresponsible manner. Both revenues and costs can move adversely through a failure to anticipate the flow of attitudes and events in this area.

4. Relative Organizational Capability Will Suffer

Strategies are often driven by younger individuals more motivated by personal engagement than outdated notions of paternalistic employment or relative compensation.

An enterprise with a greater sense of purpose and more laudable values, demonstrating sensitivity to personal lifestyle, community development, and environmental impact will have a greater ability to attract, retain, and motivate the best of a small pool of talented future leaders.

Managers of caring companies will therefore be serving shareholders well by encouraging those people who can really make a difference in the performance and value of a specific business enterprise.

5. Brand and Business Risk Will Increase

In adopting a more activist stance toward responsible global corporate citizenship, these same caring companies will enhance the values of their branded products, as well as burnishing their overall corporate image, building more enduring, and therefore more valuable, relations with their customers.

The Coca-Cola Corporation now lists maintaining its status as a leading responsible corporate global citizen as one of its six global priorities. Nokia once sponsored an entire advertising campaign communicating concerns over social issues. Benetton has long made edgy social and human issues a core focus of their advertising and rand. These initiatives are not only aimed at corporate image-building but are also designed to impact positively on all corporate products and brands.

6. Team Spirit and Motivation Will Increase

Perhaps the greatest challenge today in attracting, keeping, motivating, and engaging employees is the need to create and communicate an overarching purpose of the organization.

By giving employees a broader sense of contribution and value, enlightened business leaders can discover a higher sense of purpose and inspire a greater level of performance, both individual and collective.

Engagement with worthwhile causes can make the workplace more a part of an individual's personal, even spiritual, fulfilment. Businesses are, on the whole, made up of good people with good values. Reaching into the deep sources of this motivating set of values will increase the pride, performance, and value of almost any enterprise.

7. Risk of Backlash Against Business

A general backlash against ever-larger businesses is far from impossible.

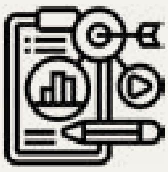
High profile international institutions and trade organizations have already been attacked, disrupted, and besieged. This growing anti-business sentiment could be partially checked by visible actions to promote worthy causes and placing an emphasis on business objectives that extend beyond maximizing the next quarter's earnings.

In part, the risk of a potential backlash is motivated by a misunderstanding of how businesses operate and how profitable they are. Even in the usually pro-business United States, according to an early survey completed by Decision Quest/ MCAA, three out of four males distrust US businesses.

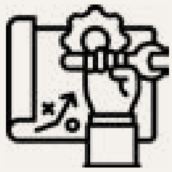
With such a lack of understanding and smoldering resentment in one of the world's most commercial societies, one can only infer how volatile anti-business sentiment must be, and how little it would take to trigger an anti-big business backlash in less welcoming and less wealthy nations.

Enlightened leaders in the private sector can contribute, in many ways, to both improve the state of the world in which it operates, and benefit from that contribution.

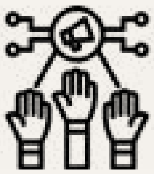
Seven of the areas of greatest potential contribution can be transferred directly from core areas of successful business.



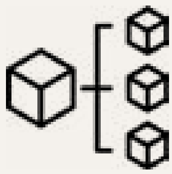
1 Strategic Capability



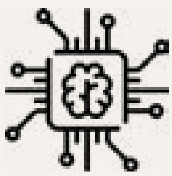
2 Implementation and Organizational Skills



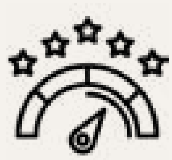
3 Political Savvy and Credibility



4 Resources and Distribution



5 Mastery of Technology



6 Performance Measures

7 Entrepreneurial Drive and Leadership

1. Strategic Capability

Developed and honed in the rough and tumble markets of free competition, the skills necessary to define and execute strategy are far more developed in the private sector than in most public sector institutions.

Winning businesses have an established strategic capability to set vision, clarify and police priorities, allocate resources, measure progress accurately and follow up as needed to ensure that the highest return possible is extracted from each investment or initiative.

The result is a culture and operating approach that is informed, meritocratic, rational, effective, and efficient, ensuring that all available existing resources are well used.

2. Implementation and Organizational Skills

The business community values highly those executives who can create economic value through high quality strategy development and implementation.

Good implementation is almost always based upon a talent for structuring, staffing, directing and motivating an organization, and those same skills and abilities would be highly valued in the societal area as well.

3. Political Savvy and Credibility

Global business is as much about process and politics as it is about substance. The same applies to the management of global affairs outside the commercial sphere.

In both worlds, the resolution of major challenges includes scarce resource allocation, governmental relations, the politics of large and numerous organizations, and the oversight of a complex process of change and transformation.

A large premium is now placed upon the effective communication of all aspects of problem, progress and solution. As a result, private sector expertise in the creation of media campaigns can support societal changes as well.

Corporate philanthropists and respected business personalities can also bring extended credibility to initiatives for greater responsibility.

4. Resources and Distribution

Private Sector businesses employ the majority of the world's working population and oversee the deployment of a great proportion of the world's capital resources. Within and across these pools of resource and capability, there is enormous potential to contribute to the implementation of global societal strategy.

Multinational corporations increasingly control the channels of global distribution, the flows of global information. Accessing these distribution systems is essential to many global societal initiatives in education, health care, population control, and environmental amelioration.

5. Mastery of Technology

Perhaps the greatest current gap between public and private sector capabilities lies in the application of technological resources.

This gap is visible whether one is looking at Internet exchanges of carbon and pollution units, application of pharmaceutical products to reduce disease, or new supply chain logistics to transport food to areas of famine.

Technological advantage lies at the heart of many winning business strategies. and could equally well contribute on a broader range of social strategies.

6. Performance Measures

Many efforts at social change flag because there is no meaningful scorecard of performance.

It is a long-established truth in the commercial world that "what gets measured gets done." Even complex performance such as car dealership service levels or broker's investment performance can be broken into components, weighted, evaluated, and a single summary service score reported and acted upon.

Importing the measurement discipline to areas of public concern would improve focus and increase the intensity of investment where it would be most valuable. A linking of results, culture, and compensation practices would further enhance the value of a private-public sector alliance.

7. Entrepreneurial Drive and Leadership

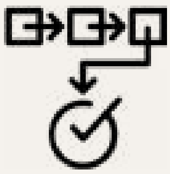
Not all private sector activities with positive societal or environmental benefits need to be pursued on an unpaid pro bono publico basis. Reforestation, energy trading, pollution credit systems, water management equipment, and other socially beneficial activities may also be developed for profit reasons.

Such activities are not only likely to perpetuate beneficial activities but are able to increase the amount of energy dedicated to improving the overall state of affairs since they make no claim on limited public and private sector "social" resources.

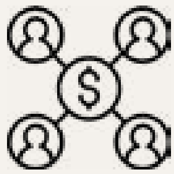
The spirit of enterprise and the profit motive can underpin many valuable societal initiatives. Recent initiatives to provide leadership in climate change, recycling, and other issues, show the potential for change when business leaders act in their longer-term self-interest.

Broader notions of responsibility are not yet, for many companies, part of their core strategy. But times are changing fast. Responsibility, sustainability and engagement are now emerging as key elements of competition and differentiation for all types of businesses.

A business-like and practical approach will magnify the impact of investments in programs of responsibility and increase the likelihood of their continuation into the future.

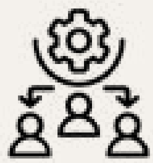


1 Take a Practical and Clear Approach

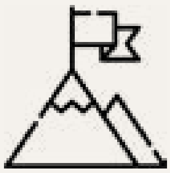


2 Link to Your Core Business

3 Start Where You Are

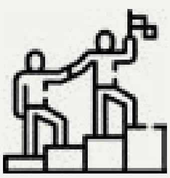


4 Organize Effectively



5 Set Goals and Achieve Tangible Results

6 Communicate Effectively



7 Provide Leadership

1. Take a Practical and Clear Approach

It may be more effective to apply social investments across a limited range of business-related activities than to fragment effort. Fragmentation may reduce the impact and the return on total corporate investment and imperil the continuity of the effort.

A shorter list, linked to a business system and organizational capabilities may be a more practical approach.

Ensuring clarity of purpose will make a program more understandable and more motivating, promoting greater progress towards the goals of the programs selected, and yielding a higher and faster payback on investment.

2. Link to Your Core Business

It may be more effective and more valuable to select responsibility programs which are linked to the core skills, brands, products, services, and strategic assets of your business, thus bringing greater expertise to bear on specific challenges, and improving results. Association with the effort is more easily communicated, remembered and understood, and impact can be greater, since the created benefits are more closely linked to the participating enterprise.

A clean drinking water initiative, for example, may well make more sense for a beverage company than for an aviation technology company. An Indian poverty relief or educational program may make more sense for a multinational company operating in India than it does for a domestic US utility. Providing disposable syringes to impoverished African health care centers may be more the province of a medical products company than an engineering firm, which would be better placed to advise third world municipal authorities on sanitation and infrastructure.

3. Start Where You Are

Change starts more easily at home. Integrating the current strategic and operating objectives that a business pursues in its daily operations with the content of a broader societal agenda can have great impact. For example, addressing issues related to product safety, manufacturing effluent, employment practices or staff education can be a great starting place.

4. Organize Effectively

The results of a societal program can vary as dramatically as those of commercial program of activities, and therefore the right organizational approach needs to be fully considered in both cases.

Although very much a part of modern business strategy, engagement in programs of corporate social responsibility may still be seen by some as a distraction from core financial or operating objectives.

Board and senior management involvement and endorsement may therefore be essential to gain advantage in advance of the launch of any initiative.

Building the most appropriate program of content needs to be - and needs to be seen to be - consistent with the long-term goals of the organization. Board understanding and support of a code of conduct or matrix of responsibility, perhaps even worked through a dedicated board committee on governance and responsibility, would be well advised.

5. Set Goals and Achieve Tangible Results

Consistent with the theme of applying the full disciplines and values of a business approach to corporate involvement in a program of broader engagement and responsibility, each individual initiative, each individual's involvement, and each investment should have an associated set of targeted results. The same is true of the program as a whole.

The major weakness of most strategies, and of most strategic models, is their failure to lead to tangible results in the real world. By setting goals and targeting results early on, this weakness can be avoided.

Even expensive investments can be fully justified by the results they create.

By monitoring progress against pre-set milestones, the program can be kept on track more easily, with necessary small adjustments made earlier in the process.

6. Communicate Effectively

A significant part of the value created by a corporation's program of social responsibility will depend on an effective communication program.

Both internal and external constituencies need to be considered, and a different approach crafted for each. Channels and message content need to be carefully selected and planned.

What needs to be communicated to whom, by whom, and to what schedule needs to be determined and built into strategic, organizational, and tactical discussions. Those decisions need to be developed and coordinated within an overall program of corporate activity and communication.

7. Provide Leadership

Consistent with the broader principles of leadership in a modern organization, the program of social responsibility should be led from the front and from the center. Visible, motivating leadership is essential. But for the program to be successful, leadership must also operate behind the scenes, encouraging, adjusting, refocusing, and ensuring that the strategies are well resourced and key tactics well executed.

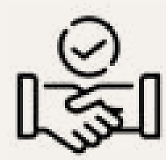
In a networked organization, leadership does not always need to come from the most senior ranks.

Often, a younger generation of managers and colleagues can provide the best examples of effort, inspiration, and personal dedication.

Passion, even more than position, can make for a good leader and role model in the effort to participate more fully in programs of societal improvement.

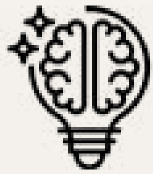
The exercise of leadership is one of the most important elements of strategy. By setting out a practical framework, the exercise of leadership can be more thoughtful, can make more impact and can contribute greatly to the success of your chosen strategy:

1 Empower the Vision and the Strategy

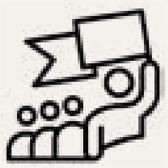


2 Live the Values

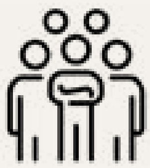
3 Engage and Motivate Individuals



4 Go Beyond the Conventional



5 Lead from the Front



6 Lead from the Center

7 Get the Job Done

1. Empower the Vision and the Strategy

The process of empowerment of vision in a strategy program is not only about the launching of the effort. How you treat the process and content during and after the exercise is also critical.

A large part of individual trust and inspiration for greater collective effort is driven by the single test of whether the path set by leadership is correct and appropriate. A great deal of respect, in a world driven ever more by intellectual capital and individual bandwidth, comes from the ability to process data and draw the right conclusions and implications. One of the most inevitably visible aspects of empowering a vision lies in articulating priorities and ensuring that they are respected.

While every individual can make a substantial contribution to the successful design and implementation of strategy, every individual within an organization is also a possible source of resistance, recalcitrance, and inefficiency unless convinced of the direction set by the leadership team.

2. Live the Values

In accepting a leadership role there is also a responsibility incumbent upon leaders to live the values promulgated, provide a model for behavior which respects the corporation's value summary, and demonstrate the higher values, which provide the foundation and guiding principles of an organization.

Among these values, there is none more important than integrity. Trust, faith, hope, and many other higher aspects of human emotion are tied up in the complex psychological act of accepting leadership from another individual. Of all of the attributes of leadership, trust consistently emerges in research as the most valued by subordinates. Other values which come out regularly at the top of polls are credibility, expertise, intelligence, and inspiration. The balance of values desired from leaders reflects the fact that the true essence of leadership is much more about individual behavior and moral value than it is about possessing any particular skill or exhibiting any one personal style.

Personal integrity and mastery of the self are the ultimate sources of power in business and in life itself.

3. Engage and Motivate Individuals

In every organization the vast majority of individuals want to do a good job, learn and grow as they work, and contribute to the creation of something special. For many, there is a sense of unfulfilled promise and disengagement in what they do and a missing sense of a higher purpose.

By reaching the hearts rather than just the minds and financial interests of your colleagues, by responding to their need to contribute to something greater than their individual selves, you will be able to release new levels of energy for performance and change in your business.

4. Go Beyond the Conventional

No manager will ever achieve the more ambitious goals of strategy if he or she aspires only to be conventional in approach or average in result. None of the leaders who created great business success stories, from Henry Ford to Bill Gates, built a winning enterprise using someone else's blueprint.

While understanding that the past is always valuable, limiting oneself to that understanding is never the pathway to new standards of excellence and accomplishment. The essence of strategy lies in differentiation, in creativity and in the art and science of informed action to bring about change.

5. Lead from the Front

The best business leaders are constantly mindful of the opportunities and risks inherent in the natural role of leadership from the front. Demonstrating clarity of vision and indicating collective direction is essential. Careful and effective communication is critical. Remaining positive is a valuable skill, even if it is personally taxing.

Promulgating and policing priorities and policies is particularly important. Disciplining and correcting is necessary, but needs to be done selectively, carefully, constructively, and almost always in private.

Finding and demonstrating a sense of confidence, common purpose, and belief is invaluable. Any hint of hesitation, disbelief, or uncertainty without a path to resolution can be potentially confusing and costly to an entire organization.

6. Lead from the Center

While mastering the skill of visible leadership from the front, leaders must also master the more subtle skill of leading from the center, or even from behind, guiding the process with a less visible hand.

Modern leaders should take into consideration that technological and social evolution have combined to create a series of overlapping networks and informal communities within and across business borders, connecting businesses and influencing development in ways just beginning to be understood.

By mastering the art of the invisible hand, you can influence others to work together toward a desired outcome without overtly driving or dominating the process.

You can create the results you want, along with a pride of ownership and sense of accomplishment in a team, that a more direct and interventionist approach from above may never be able to foster.

7. Get the Job Done

Simply put, many leaders fail because they just don't execute. Ensuring that you avoid this trap and get the job done, no matter how challenging the task, is the hallmark of an effective leader and a winning organization.

The best business leaders have much in common with star athletes. In addition to enormous pay packets, they are expected to lift the performance of an entire team and to outperform competition.

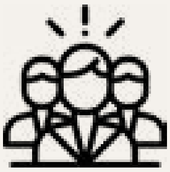
Performance psychologists, drawing from their analysis of the best performing world-class athletes, have identified a single, dominant psychological variable between their subjects.

Surprisingly, the characteristic was not a desire to win.

The real motivator was a deep-seated fear of failure. By refusing to accept failure, by getting the job done no matter how daunting the obstacles or how fearsome the adversary, is a true test of world-class business leadership.

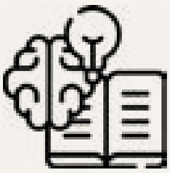
A "strategic organization" is an organization ready and fully equipped to undertake the challenges of a strategic exercise.

As you prepare your own strategic process you will benefit from an awareness of the seven leading characteristics which allow an organization to maximize return from an investment in strategy:

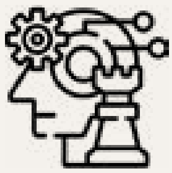


1 Sound Operational Platform

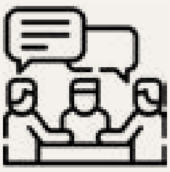
2 Strategic Framework



3 Specific Industry Knowledge

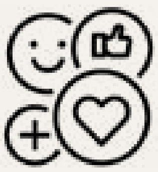


4 Strategic Mind



5. Conducive Environment

6 Conducive Organization



7 Receptive Individuals

1. Sound Operational Platform

It is essential to have in place the basic business skills required to think and act strategically. A strategic organization will have the appropriate accounting, marketing, technological, analytical and organizational capabilities to operate and improve a business.

If these skills are not readily available, a specific program to develop or acquire them will be required.

2. Strategic Framework

A vision, while essential, cannot be developed in a vacuum. A thorough understanding of your business's past, present and future options is essential to create a single compelling vision going forward. In order to develop that vision, and the supporting strategies within it, a clear framework to capture understanding and align action is needed.

That overall framework - often a matrix with two relevant axes - will organize a comprehensive and useable set of inputs in a meaningful fashion. Such a matrix, for example capturing brand strength and distribution strength in a consumer goods business, can inform both strategic diagnosis and design.

3. Specific Industry Knowledge

It is essential to have a comprehensive understanding of current trends and dynamics within the context of your specific industry. This can include current and proposed competitive change, regulatory change, the impact of technological trends, and global trends such as consolidation, which may be relevant for changing an existing approach.

Specific industry knowledge should always include an element of future thinking as well as past understanding. No one can navigate toward a successful strategic future using only a rear-view mirror for guidance.

It is interesting to note that disruptive technological changes - for example the onset of digital imaging in the photography industry - can usually be foreseen 5-10 years in advance of their having a major impact on an industry or business.

4. Strategic Mind

Having the right components available for strategic thinking is essential. Experience, capability, creativity, and schooled intuition are all essential for effective strategic process.

This is not a question of willingness or attitude, but of the capability to engage in the high-level thinking required to implement good strategy.

5. Conducive Environment

It is impossible to design and implement strategies focused on realizing the full potential of an enterprise if that enterprise is riven by politics, saddled with a culture of blame and finger- pointing, or dominated by individuals attempting to assert their own agendas on others in a manner not fully aligned with the organization's best interests.

Only by ensuring that the work environment is open, honest, and supportive, can senior managers look forward to achieving good results from their strategic planning processes. Even if there is no wholesale change proposed in management structure, staffing, or operating principles, it is always important to address, on a timely basis, the counter-productive sources of irritation and resistance that can derail a strategy process and undermine efforts to achieve operating full potential.

These sources may be found in inadequate data bases, overburdened IT or marketing staff, or even simple human character.

6. Conducive Organization

Even in an open, honest, and supportive organization, it is important to have the appropriate organizational attention dedicated to the development and implementation of strategy. Order and discipline with regard to management time will be required to develop and implement strategies, which can change the focus and priorities of operations and individual activities within a busy enterprise.

The process and content of strategy can only be fully realized in an organization whose structure, operating principles, and priorities reflect the fundamental importance of strategy.

7. Receptive Individuals

All good strategies begin and end with individual effort. Strategy cannot be forced upon an organization unwilling to consider change.

Overt and covert resistance, recalcitrant individual behaviors, and unwillingness to learn new skills and unlearn old patterns can all undermine or derail the best thought-out strategies.

By overcoming a natural resistance to change, individuals can become agents of change and leaders of strategy - to the benefit of themselves and their organizations. Getting the team right before you start the strategy process is an essential part of moving your business to a new level of excellence.

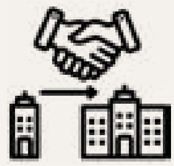
In his book From Good to Great, which analyzed the key success factors of a number of “good” performing companies which later became “great” success stories, Jim Collins discovered that the management team often had to change before the strategy and operations of a business could be fully tuned.

Other experts have pointed out that in two-thirds of dramatically successful turnarounds, the old management team had to be replaced before significant progress could be made.

The past few years have seen seven accelerating trends that will affect the strategies - and therefore the organizations - of the new millennium. The summary results of those changes are organizations that are less expensive to operate, faster to respond to issues in the relevant markets, better at sharing data and ideas around a network and reflect a greater use (and reliance) on technology to integrate activities and operations.

By assessing how well your own business is currently performing against each trend, opportunities will be presented which may well improve both business performance and value:

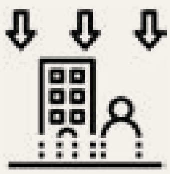
1 Global Markets



2 Acquisitions and Mergers

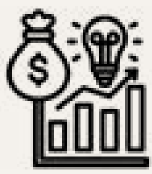
3 Strategic Alliances

4 More Flexible and Networked Organization



5 Delayering and Downsizing

6 A More Technologically Enabled Paradigm



7 Management of Intellectual Capital

1. Global Markets

One of the reasons that new forms of organization have emerged is that there has been a broadening of boundaries to embrace global and regional markets.

This change also brings in a longer list of competitors and a greater set of issues related to a business system. Organizations will need a specific strategy to respond to these challenges.

2. Acquisitions and Mergers

The second trend, related to the global consolidation phenomenon, recognizes the possible need to develop an acquisition, merger or other “inorganic” growth program.

The biggest challenge in making mergers and acquisitions work lies in integrating two organizations successfully. It has long been known that, on average, mergers and acquisitions destroy shareholder value.

By preparing your organization to meet the challenges of post-merger integration you will significantly improve the odds of a successful transaction should you decide to pursue this type of initiative.

3. Strategic Alliances

The third trend is to increase the number of strategic alliances, formal and informal, across borders and markets.

Failure rates in alliances are even higher than in mergers or acquisitions. Creating success against the odds will require greater skills and capabilities to manage relationships in complex hybrid organizations.

4. More Flexible and Networked Organization

The fourth trend is a move away from old-fashioned command and control structures and operating principles toward a more distributed and participative model of leadership and operation. A network organization may allow complex yet flexible strategies to be developed and executed effectively.

5. Delayering and Downsizing

The fifth trend is to reduce the number of organizational layers between top management and the customer. This often means reducing HQ staff dramatically and moving central resources back into divisions or directly into the field of operation.

It has long been understood that organizational learning takes place at the operating interface with the customer. More and more, organizations are setting themselves up to manage intellectual capital better and to harness the full value of the knowledge gained at that customer interface.

Another important challenge is to pursue a common global vision while serving local market needs.

Both these goals may demand a new organizational model as well as adaptations to company operating principles, values, and strategies.

6. A More Technologically Enabled Paradigm

A sixth trend for consideration is the application of technology.

Software and hardware options need to be explored to see to what extent a smaller, more capable, and better equipped team could improve both efficiency and effectiveness.

7. Management of Intellectual Capital

Finally, the increasing importance of actively managing intellectual capital will need to be taken into account when designing your organization.

Finding out where wisdom, information and skills reside in your organization, and how you draw on and profit from those valuable repositories, are critical elements in preparing your business for the future.

The award-winning Orpheus Orchestra is a large group of world class musicians playing the music of many of the world's greatest composers. Their performances are fresh, creative, and have captivated audiences in concert halls in every major capital city around the world.

Their exceptional capabilities come from a unique organizational approach which is based on a creative new model of self-leadership, with no conductor or visible leadership from any single person, and each member of the group contributing to the overall result.

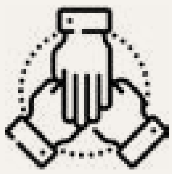
Not all orchestras - or businesses - are ready to move forward without a single leader to provide overall direction and specific instruction. Yet in applying the lessons learned from this fascinating Orpheus model more selectively, there may well be opportunities to refresh your approach, to change the way you define and practice leadership, and to reset the standards you seek to achieve in the creative elements of your own business strategy.

Making this model work requires observing seven unique principles:

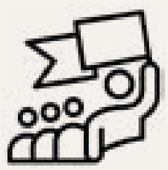
1 Leave Your Insecurities at Home

2 Communicate

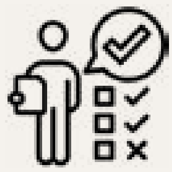
3 Know How and When to Let Go



4 Understand 'Power With' not 'Power Over'



5 Share in the Leadership Model



6 Invest Responsibility in Others

7 Admit We Don’t Know Everything

1. Leave Your Insecurities at Home

Fragile egos are counterproductive. While ego is seen as important to give an individual the courage to put forward his or her own ideas to the group, and to motivate individuals to achieve excellence in individual musical craftsmanship, the more sensitive side of performers' egos can stand in the way of a self-led entity.

2. Communicate

Even in a process which has a highly intuitive element, it is important to communicate effectively, including developing the skill of "active listening."

3. Know How and When to Let Go

Although the spirit of the Orpheus Process encourages all opinions to be heard, not all ideas are adopted by the group. The process works at multiple levels to generate ideas on musical interpretation and performance and to weigh and select the ideas presented. Members of the group who have originated ideas not adopted by the broader orchestra need to learn to move on, even if unhappy with the result.

As one orchestra member put it bluntly: "You have to deal with rejection; it's part of the process."

4. Understand "Power With" not "Power Over"

Perhaps the neatest summary of the fundamental philosophy of Orpheus, the phrase "Power With" captures the sentiment of shared empowerment and rejects the older notion of "Power Over", or top-down leadership.

5. Share in the Leadership Model

At the same time that there are extended rights under the distributed authority in Orpheus, there are also expanded responsibilities.

Everyone needs to participate to make the approach work. It was also noted by members in the group that, while very participative, the group was not really open to any major shift in the basic model.

Some of the most experienced Orpheus musicians, who had been with the group since its founding, pointed out that it is very difficult to change a culture as strong and as essential to a group's functioning.

6. Invest Responsibility in Others

The shared approach to leadership requires an ability to trust fellow musicians and the group as a whole.

The broader group is seen as a source of greater capability and wisdom than any one individual leader, and also the source of a greater collective emotional intelligence which contributes to the creation of better musical performances.

7. Admit We Don't Know Everything

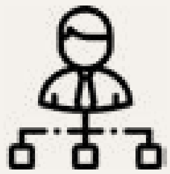
There is no room for a sense of infallibility in either the individual or the group in the Orpheus Process.

The group and its presentations are constantly evolving through challenge, renewal, and change. An admission that not all is ever known keeps the group fresh, open to new ideas and ensures that there is always room for constructive change.

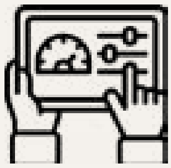
Good strategy is not just about respecting principles and directives. Asking the right questions is an equally important part of the process.

By responding to seven standard questions which can be used to test the quality and effectiveness of all types of organization, fresh and creative thinking can also be well anchored in the traditional disciplines of human capital management.

At each stage of proposed organizational change these basic questions need to be asked to ensure that the organization is prepared and structured to ensure that your strategies are fully and properly implemented:



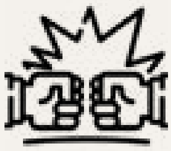
1 Minimal Layers Between Management and Customers?



2 Reasonable Spans of Control?

3 Right Quality of People in Place?

4 Job Descriptions Clear?



5 Potential Conflicts Eliminated?

6 Rewards Fully in Line?

7 Likely Problems Surfaced and Addressed?

1. Minimal Layers Between Management and Customers?

Many CEO's, even of some of the world's largest corporations, develop their organizational plans to minimize the number of layers between senior management and customers.

Past models with ten or more layers between senior management and customers, have proven to stifle constructive interactions and result in poor quality decision-making.

2. Reasonable Spans of Control?

At the same time that excessive layers can reduce the quality of decision-making and inhibit the value of mandated action, excessively wide spans of control can be equally inappropriate. Too many direct reports can also dilute the value of information flow upward and reduce the quality of input from managers to their subordinates.

3. Right Quality of People in Place?

All critical views of strategy, and of strategic successes, confirm that changing or moving people is an essential part of strategy.

The first two questions above address the structure of an organization. This question requires managers to assess the quality and appropriateness of individuals in relation to their position within the organization - and change or move them if necessary.

4. Job Descriptions Clear?

Once the right people are in place, it is essential that their responsibilities are fully understood by all. A full and accurate job description, against which carefully structured performance reviews can be made, can ensure each member of an organization is both efficient and effective.

5. Potential Conflicts Eliminated?

Even allowing for the production of full and accurate job descriptions, shared responsibilities and some blurring of borders is both inevitable and healthy.

Participation on task forces, joint deliverables and team effort can lead to better results, or to dysfunctional conflict, if not properly managed.

Therefore, all sources of potential conflict need to be addressed and eliminated to ensure the smooth functioning of an organization.

6. Rewards Fully in Line?

The systems of reward, recognition, promotion, hiring, firing and job allocation all need to be fully supportive of the new directions of your strategy.

Just as one misaligned element in the content of strategy or setting of organizational goals can reverberate negatively across many aspects of a business system, a reward system which does not align fully with the strategic goals set for a business can create disharmony and inefficiency on a significant scale.

7. Likely Problems Surfaced and Addressed?

In addition to the potential for conflict at the structural level identified above, it is often useful to ask the question: Are there any other aspect of the organization - role of directors, intervention by owners, missing functions, overburdened departments, changes in IT, or other - which could have a negative impact on the successful implementation of strategy?

All relevant issues which surface as a result of this question should be addressed as early as possible.

We end this section with a beginning.

Having read through the full content of this book and having adapted each insight to fit your own set of business challenges, you are now fully equipped to embark on, or amend, your own strategy program.