

Strategic Management in Practice

The Importance of a Framework

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Strategic Management is ...

... all the things Top Management does

– in supplement to managing operations –

to secure the long term success of the company

What is a strategy?



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A (business) strategy is ...

**.... a description of how, in principle, Top Management
intends to meet a goal for the company, that is key to the
company's long term success**

***Hence it makes no sense to talk about
strategy without talking about goal!***

Strategic Management Is The Most Difficult Managerial Task

Uncertainty is big – you deal with the future

- + Stakes are big – you deal with the entire company**
- + Strategy decisions can most often not be reversed without big costs**

= Big risk!

Hence acting without a framework means leaving too much to chance – more or less, short term or long term!

The Strategic Management framework comprises:

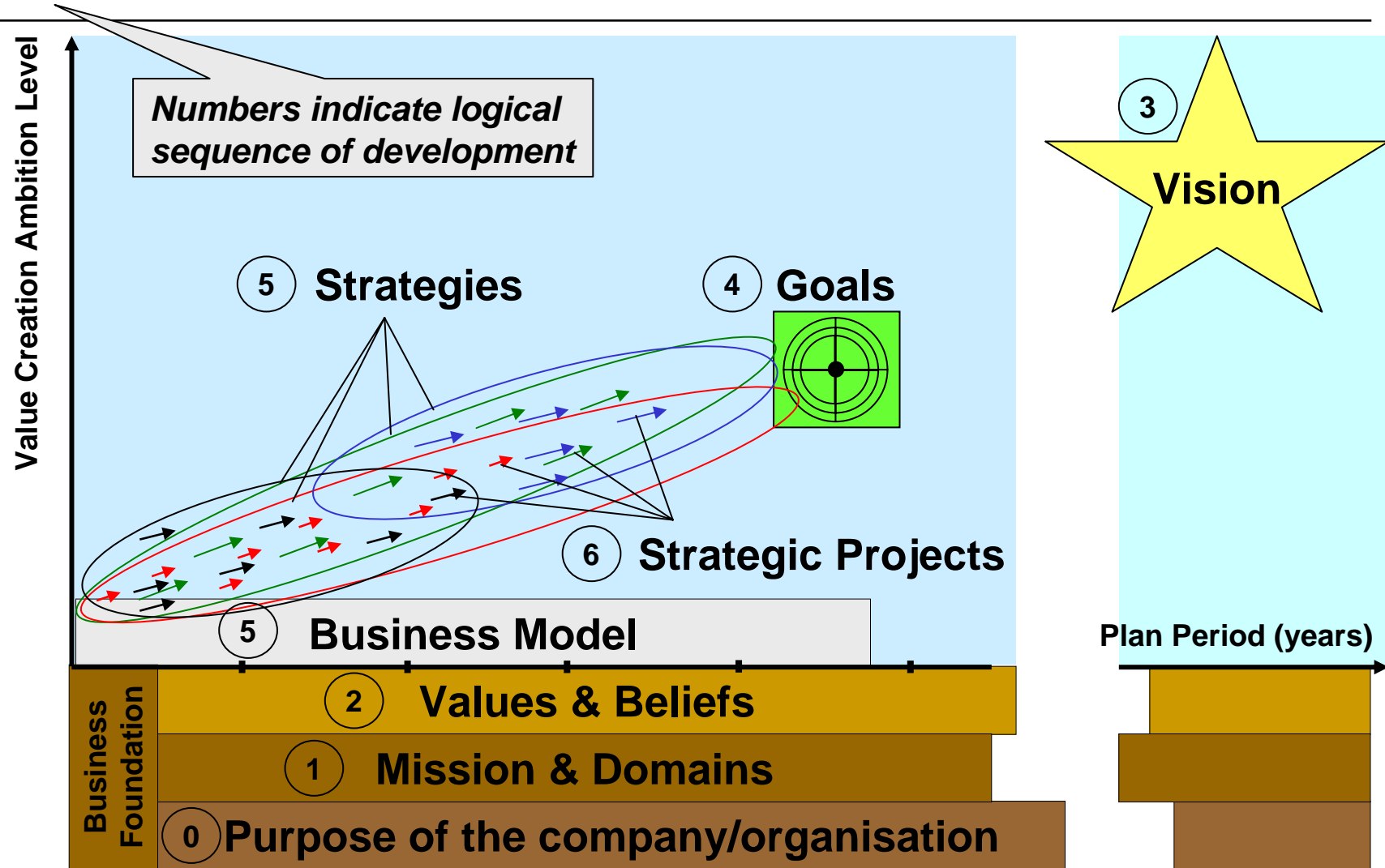
- 1. A company specific Charter for Strategic Top Management Behaviour**
- 2. A company specific Strategy Terminology**
- 3. A company specific Strategy Planning and Revision Methodology**
- 4. A company specific Strategic Management Toolbox**
- 5. A Strategy Plan determining:**
 - A. The future destination of the company**
 - B. An outline of how the journey should pass off**
 - C. A plan to make it happen**
- 6. A Strategy Plan Document describing the plan and its assumptions**

Creating and developing this framework in itself is Strategic Management

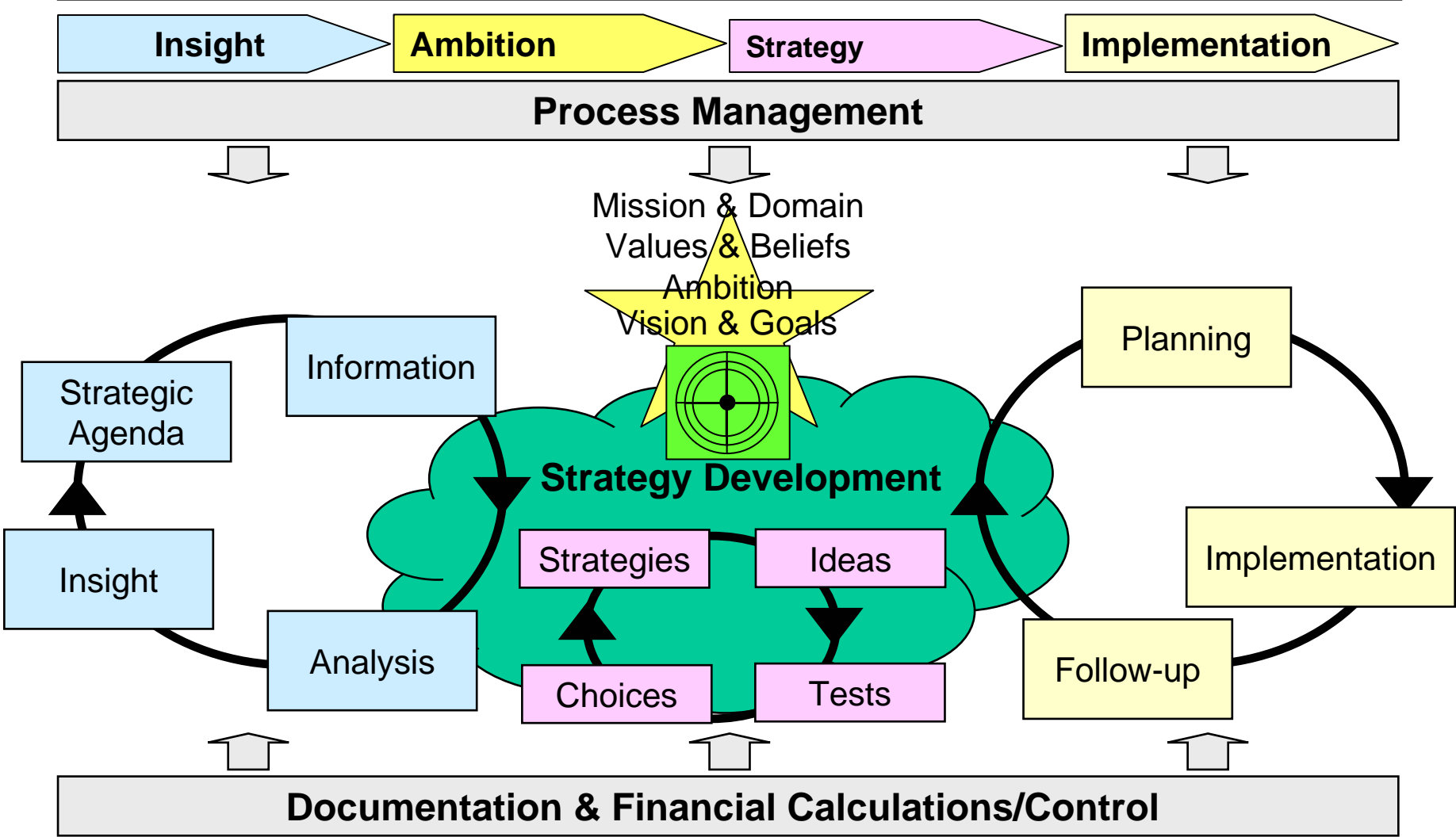
Strategic Management Charter

1. **We apply the metrics of the stock analysts**
2. **Strategic Management is everyday life – though we regularly run a formalised planning process**
3. **We have and follow our own strategic framework**
4. **Good strategies are based on profound insight**
5. **We never stop challenging our framework and our insight**
6. **We use models and simulations to explain reality**
7. **We strive to base our thinking and decisions on facts**
8. **We don't plan in isolation – we get exposed and involve people**
9. **Our thinking and our plan are documented in a rich form**
10. **We constantly manage the planning process with an 20/80 optic**
11. **Implementation planning is an integrated part of strategy**
12. **Every employee should know where and why we are going**
13. **?**

Strategy Terminology



Strategy Planning Methodology



This phase is mostly
systematics and hard
work

Phase I: Insight

- 1. Clarify strategy domain, value creation yardstick and power structure**
- 2. Develop value creation simulation model**
- 3. Understand and map the company's value creation**
- 4. Understand and map customers, competition and market**
- 5. Identify most important internal and external value influencing factors (Value Drivers) and develop assumptions about their future development and impact**
- 6. Estimate future value creation based on the above plus current plans**
- 7. A SWOT-analysis will never harm**
- 8. Specify your concerns about future value creation and conclude the strategic agenda**
- 9. List possible strategies to cope with the agenda**

Be bold – yet realistic

Phase II: Ambition

- 1. Revisit/revise/develop the mission and domain**
- 2. Revisit/clarify/uncover the values and beliefs**
- 3. Decide the level of ambition with regard to the future**
- 4. Revisit/revise/develop the (long term) vision**
- 5. Set concrete (medium term) goals on the way to the vision**

This is the difficult phase
- it requires creativity,
innovation, realism and
sound judgement

Phase III: Strategy

- 1. Set the scene for strategy search (where to search)**
- 2. Develop many concrete strategy options**
- 3. Evaluate, prioritise and test strategies individually and collectively**
- 4. Choose**
- 5. Test choices through further thinking and testing!**

Phase IV: Implementation Planning

To make things happen you must specify

- 1. who is going to do**
- 2. what,**
- 3. where,**
- 4. when and**
- 5. why**
- 6. and what it should cost**

This phase requires strong competencies in change management and execution

.... all illustrated in a time & activity chart and reflected in the budgets

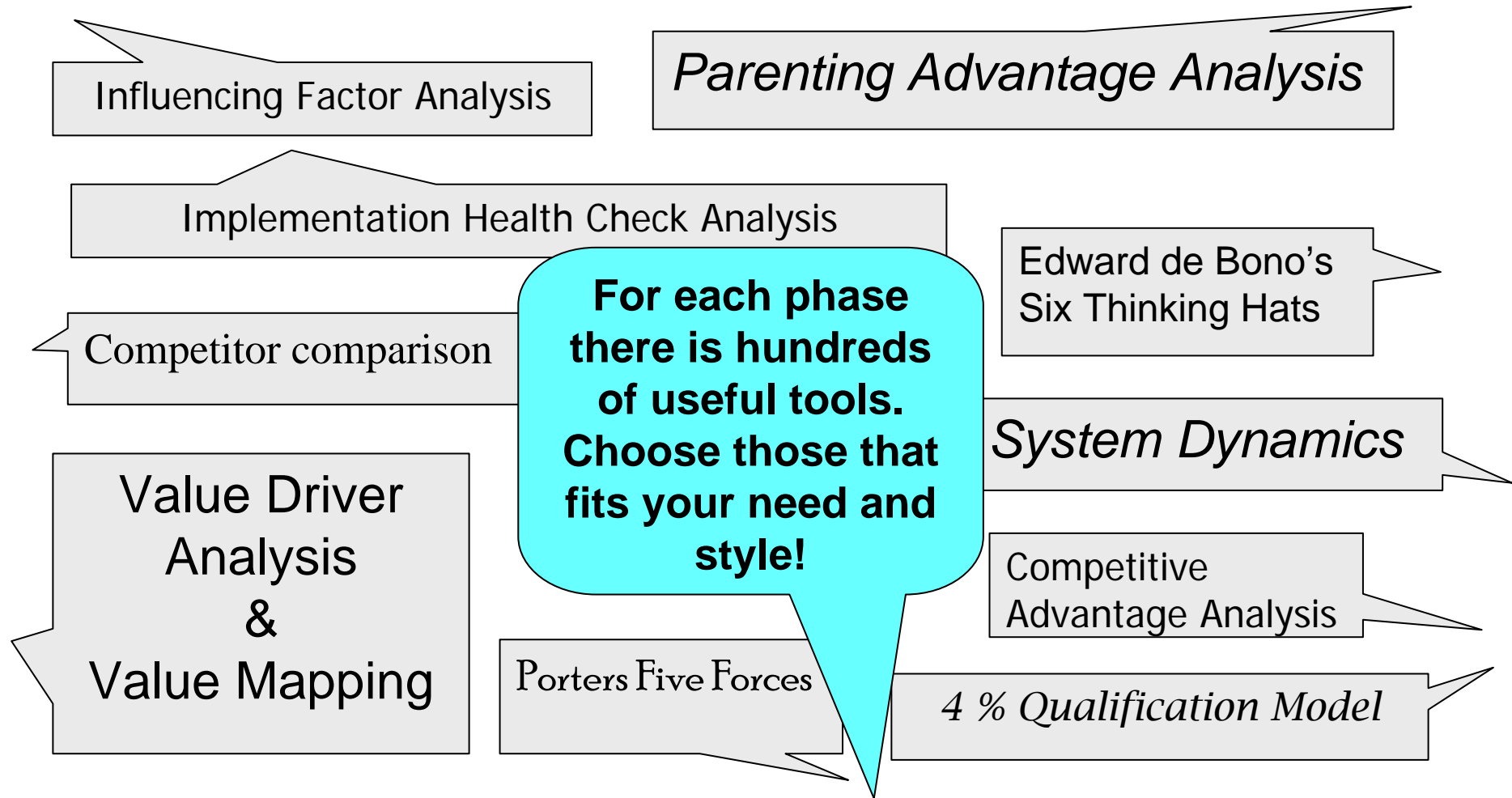
Individual projects should be specified in project descriptions with one page summaries

Programme & Project Management should be competent, have capacity and be given formal power

Individual staff members should be made clear what is expected

Measurement, reporting and reward systems should be put in place

Strategic Management Toolbox



One of my favourite tools

(Strategic) Issues are not equal important

In any management task – be it developing the right strategy, securing flawless execution, managing a project, or even managing one self - some activities are more important than others.

Managers should always strive to identify and be occupied with those more important things and leave the remaining to others less paid.

The 4 % Model is a conceptual tool to assist in this process.

Strategic Management Is About The 4%

Uncertainty or Complexity		Lo	Hi
		80	20
Value Impact	Lo	80	64
	Hi	20	16
Lo	80	64	16
Hi	20	16	4

Summing Up

**A company specific Strategic Management Framework
(comprising charter, terminology, methodology,
toolbox, plan and plan document)**

does not guarantee

successful Strategic Management –

but it reduces the influence of feelings and chance

and speeds up learning