Grounded Strategy for a VUCA World

VentureClass 1 December 2016
Jeroen Kraaijenbrink
Agenda

• How I Got Here

• The World Is Changing

• Or Is It?

• So Strategy Needs to Change

• If Not So, How Then?

• Where I’ll Go from Here
How I Got Here…
Methodological and Personal Journey


- AU o AS
- NSG
- Effect. Strat. Pr.
- U of Amsterdam
- Kraaijenbrink T & A
- TSM

University of Twente
Methodological and Personal Journey


Research
Scaling
Publishing
Appl. in train. & superv.
Appl. in consulting
Application in training & supervision

Research: theoretical and empirical knowledge + appl. in training & education
The World is Changing...
We leven in een VUCA wereld

De term VUCA world omschrijft de wereld waarin wij ons op dit moment als mensen en organisaties bevinden. De wereld om ons verandert continu, is onzeker en complex. Hierdoor wordt het steeds moeilijker om plannen te maken.

Transitioning to Leadership in a VUCA World

Wednesday, March 30, 2016 - by Marjorie Derven

Critical Competencies for Leadership in a VUCA World

Published on February 9, 2016
VUCA, VUCA, VUCA

The world is getting more
• Volatile
• Uncertain
• Complex
• Ambiguous

So, something like this

Or Is It?
Or Is It?

- **Yes**, obviously: digitalization, big data, robotization, globalization, technology convergence, terrorism, financial crises, climate change, global shifts in power, Brexit, Trump, ...

- **No**, these claims are of all ages: (see e.g. Long Range Planning issues from the 70s)
  - ‘Strategic management: a new managerial concept for an era of rapid change’ (Frankenhoff & Granger, 1971)
  - ‘Defence planning: the uncertainty factor’ (Moulton, 1971)
  - ‘Planning in a state of turbulence’ (Edwards & Harris, 1977).
Or Is It?

- **Volatility**: quite real and objectively measurable: e.g. time to market, NPD process duration, changing customer demands
- **Complexity**: quite real and objectively measurable: e.g. more variety, more global business, increased connectedness
- **Uncertainty and Ambiguity**: A perceived result of V&C (e.g. Duncan, 1972)

So yes
...but...

- We also have better technology to deal with it
- It is something of all ages
- And who is saying this...?
So Strategy Needs to Change
The Victim: the Mission-Vision-SWOT Paradigm

Why?
- Not very dynamic
- Assumes non-VUCA: predictability
- Fail percentages of 50-90%
- Called ‘traditional’ and ‘distorted’ in 1984 (Wernham, 1984)
How Then?
According to the Popular Business Press

From strategy to agility
• ‘transient advantage’ (McGrath, 2013)
• ‘adaptability’ (Reeves & Deimler, 2011)

From strategy to execution
• ‘execution as strategy’ (Guillén & García-Canal, 2012)
• ‘execution is the strategy’ (Stack, 2014)

From strategy to business models
• Difference between the two (Klang et al., 2014)
• Adoption of the BM canvas (Osterwalder & Pigneur, 2010)

But...

If Not So, How Then?
**grounded**

*adjective* • UK  /ˈɡrɔːndəd/  US  /ˈɡraʊn.dɪd/

Someone who is grounded makes good decisions and does not say or do stupid things:

He's very grounded even though he has so much money.

Thesaurus: synonyms and related words

Wise and sensible
Grounded Strategy

Strategy that is:

- Historically Grounded
- Theoretically Grounded
- Empirically Grounded
- Ontologically Grounded
- Epistemologically Grounded
- Methodologically Grounded
- Experientially Grounded
- Contextually Grounded
- Technologically Grounded
- Ethically Grounded
- Dispositionally Grounded
- Socially Grounded

Or in a picture
Building Blocks of a Grounded Strategy Approach

1. Objectives
   Unique Sustainable Value Creation through Rapid Insights, Robust Decisions and Committed Actions

2. Substance
   The Elements, Attributes, Relationships and Valuations Comprising Strategy

3. Process
   A Phase-Gate Process of Diagnosis, Innovation, Validation and Execution

4. People
   The Internal and External People Involved in the Process

5. Technology
   The Frameworks and Information Technology Used to Facilitate the Process
Building Blocks of a Grounded Strategy Approach

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The Objectives of Strategy
What a Grounded Strategy Approach Leads to

Rapid Insights
You quickly gain understanding about the essence of any situation.

Robust Decisions
You make the best possible decisions in the face of uncertainty.

Committed Actions
You take the necessary actions to achieve sustainable value creation.

Sustainable Value Creation
You, your customers and everyone else involved benefits.
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The Substance of Strategy: Elements and Relationships

Sustainable Value Creation

- Customers & Needs
- Competitors
- Resources & Competencies
- Partners
- Trends & Uncertainties
- Organizational Climate
- Values & Goals
- Risks & Costs
- Revenue Model

Value Proposition

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The Substance of Strategy: Attributes and Valuations

Value created by any product or service has four dimensions:

**Price** - Total amount customers pay for the offering
- **Standard** - pre-established and consistent price examples: purchase price, TCO, price differentiation
- **Custom** - discounted or negotiated price examples: discounts, special reductions, negotiation

**Quality** - Functionality or utility the offering provides customers
- **Tangible** - functionality that can be directly measured examples: performance, reliability, easy of use, durability, features
- **Intangible** - functionality that cannot be directly measured examples: reputation, appearance, novelty, exclusivity, relationship
The Substance of Strategy: Attributes and Valuations

Value created by any product or service has four dimensions:

**Delivery** - Time required for customers to acquire the offering
- **Speed** - how fast is the delivery time
  examples: availability, channel variety, responsiveness
- **Accuracy** - how accurate is the promised or scheduled delivery time
  examples: on-time delivery, delivery options (time/location)

**Flexibility** - Capability of customers to customize the offering
- **Volume** - capability to customize quantity or size
  examples: minimum/maximum order quantity, package size, modularity
- **Variety** - capability to customize functionality, features or options
  examples: customization, adaptability, modularity
How does your offering perform on PQDF compared to your main competitors?

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<thead>
<tr>
<th></th>
<th>Very Poor</th>
<th>Very good</th>
</tr>
</thead>
<tbody>
<tr>
<td>P</td>
<td>Standard Price</td>
<td>Custom</td>
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<tr>
<td></td>
<td>Tangible Quality</td>
<td>Intangible</td>
</tr>
<tr>
<td>Q</td>
<td>Speed Delivery</td>
<td>Accuracy</td>
</tr>
<tr>
<td></td>
<td>Volume Flexibility</td>
<td>Variety</td>
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</tbody>
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How important do your customers find P, Q, D and F?

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<tr>
<th></th>
<th>Very important</th>
<th>Not important</th>
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The Process of Strategy: Phases and Gates

Strategy Design is a four phase continuous process (DIVE):

**Innovation**
Solid, structured process for systematically generating a new strategy or significantly improving an existing strategy.

**Execution**
Practical, systematic process for turning a strategy into a simple, dynamic and prioritized course of action.

**Diagnosis**
You discover the strengths and weaknesses of your current strategy.

**Validation**
Rapid, structured process for evaluating a strategy and determining whether or not an organization can turn it into reality.

**Sustainable Value Creation**
You, your customers and everyone else involved benefits.
Value Confidence Matrix

Confidence in the value of your strategy maximizes sustainable value creation:

- **Value Maximization Zone**
  You are confident that your strategy will succeed.

- **Value Maintenance Zone**
  You are confident that your strategy is viable but failure is a concern.

- **Value Minimization Zone**
  You are certain that your strategy will fail.

- **Value Uncertainty Zone**
  You are uncertain whether or not your strategy will succeed or fail.
Criteria for Measuring the Value of Your Strategy

Value of your strategy for your organization is measured via six criteria (SECURE):

- **Significance**
  - Does your strategy maximize your positive impact?
  - Does your strategy minimize your negative impact?

- **Effectiveness**
  - Can you achieve your targets?
  - Are you using your resources in the best way?

- **Coherence**
  - Is your strategy internally coherent?
  - Does your strategy fit with the environment?

- **Uniqueness**
  - Is your strategy sufficiently unique?
  - Can this uniqueness be sustained?

- **Resilience**
  - Is your strategy sufficiently flexible?
  - Is your strategy sufficiently robust?

- **Engagement**
  - Does your strategy motivate and inspire?
  - Is your strategy the right thing to do?
Criteria for Evaluating Your Confidence in Your Strategy

Confidence in your strategy is a composite of four criteria (4C's):

- **Clarity**
  Is your strategy clear and easy to understand?

- **Correctness**
  Is your strategy based on accurate information?

- **Completeness**
  Is your strategy based on enough information?

- **Consensus**
  Is your strategy based on shared understanding?
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The People of Strategy: Internal and External Participants

**Internal**
- Team-size 10 +/- 5
- Vocal and Influential
- Variety in discipline, levels, generations and attitudes

**External**
- Moderators
- Experts
- Stakeholders
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The Technology of Strategy: Frameworks

Strategy Sketch

- Partners & Resources & Competences
- Value Proposition
- Customers & Needs
- Competitors
- Values & Goals
- Organizational Climate
- Trends & Uncertainties
- Revenue Model
- Risks & Costs

Organizational Map

- Leadership
- Systems
- Processes
- People
- Assets
- Potential
- Communication
- Control
- Engagement
- Motivation
- Drive
- Coordination
- Retention
The Technology of Strategy: Software

- Strategy OS™
- Enhances the complete process
- Supports team-based interaction
- Elements of gamification
- Visual tap and swipe experience
- Cloud-based
- Secure
- ...
Building Blocks of a Grounded Strategy Approach

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Back to VUCA

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University of Twente

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The Value Proposition of New Strategy Group
Improving the way strategy is made through:

**Strategy Consulting**
- Medium and Large Firms
- Non-Profits
- Small Firms and Startups

**Strategy Training**
- External Consultants
- Strategy Staff
- Managers

**Strategy Software**
- Strategy OST™
- Strategy OST™ Enterprise
The Virtuous Cycle of New Strategy Group

Through better strategy making, we are building a global community of strategy professionals, organizational leaders and investors who are empowered to unlock their full potential for sustainable value creation. We maximize sustainable value creation via a virtuous cycle consisting of a strong platform, effective strategy professionals and successful organizations. By doing so, we seek to have a positive impact with respect to education, economic health, social outreach and research.
But in a Grounded Way

One step at a time...

Picture: https://dplum007.wordpress.com/2014/12/31/one-step-at-a-time/
And Finally...
Thank You UT Colleagues!

Aard  Ton  Michel  Robert  Mehmet  Paula  Basil  Mariska  Christiaan  Stephan  Henry
Wouter  Fons  Michel  Rob  Boriana  Kasia  Rainer  Hèla  Gabi  Sandor
Tanya  Huub  Joris  Joyce  Monique  Raja  Jolande  Green  Orange  Blue  Brown  Green
Erwin  Tamara  Petra  Efthymios  Hans  Carla  Peter  Ingrid  Klaasjan
Maaik  Erwin  Chintan  Matthias  Pieter  Isabella  Neel  Arjan  Klaasjan
Pieter  Carla  Jorik  Ingrid  Isabella  Klaasjan
Peter  Erwin  Chintan  Matthias  Pieter  Isabella  Klaasjan
Eryn  Chintan  Matthias  Pieter  Isabella  Klaasjan
Effy  Chintan  Matthias  Pieter  Isabella  Klaasjan
...and you!