



# STRATEGY IN TURBULENT TIMES

AIJA WEBINAR SERIES

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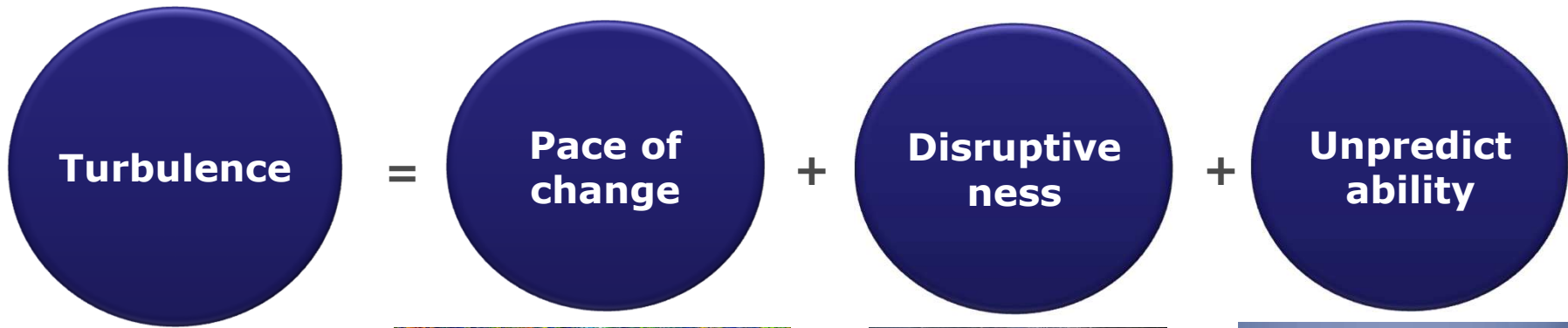
PROF. CARINE PEETERS







# HOW TURBULENT IS OUR ENVIRONMENT?



How fast does our environment change?



How disruptive are the changes?



How unpredictable are the changes?



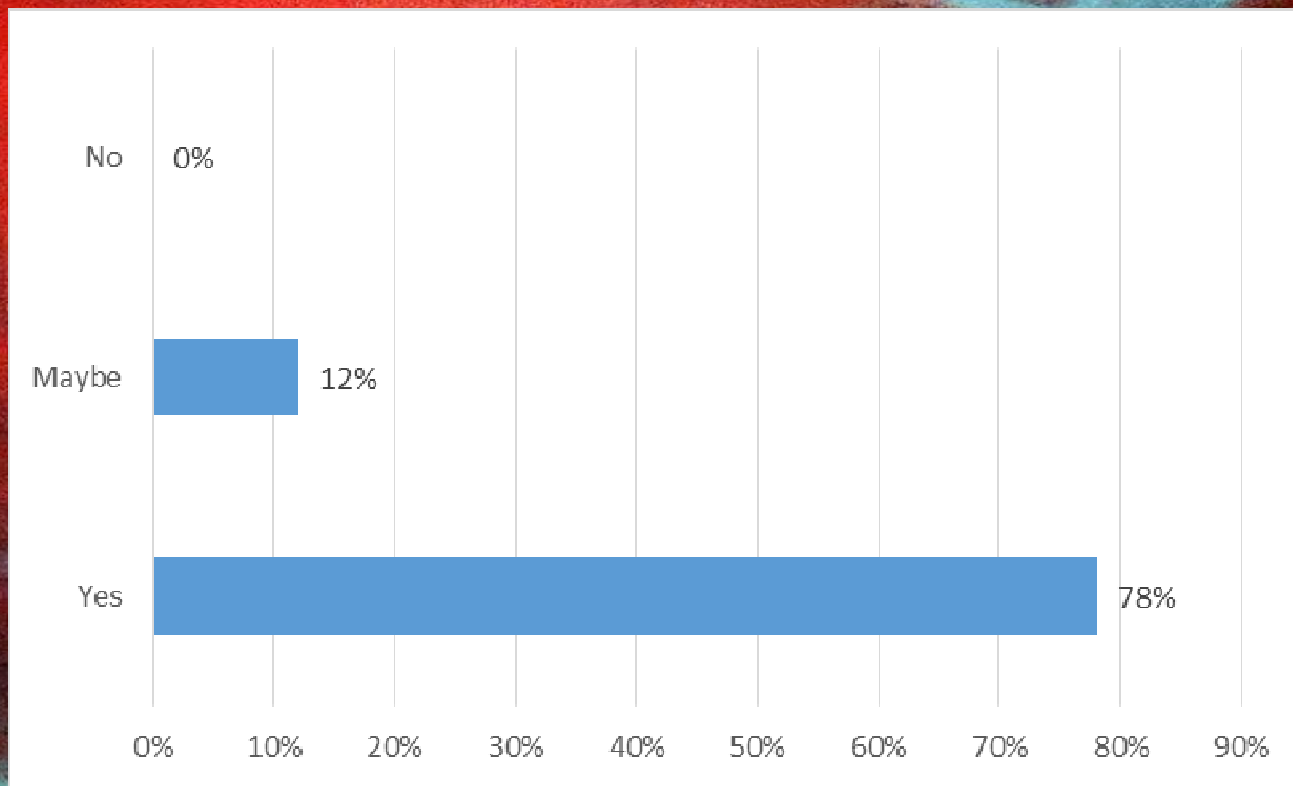
Do lawyers operate in a turbulent environment?

Do your corporate clients operate in a turbulent environment?

*Share  
comments in  
the chat box*



# Does your company operate in a turbulent environment?



# What are the sources of turbulence?

New technologies

Price war

International competition

Regulatory changes

Changes in customer demands

New players / new forms of competition

Low interest rates

Competition from free content

Budget restrictions from public authorities

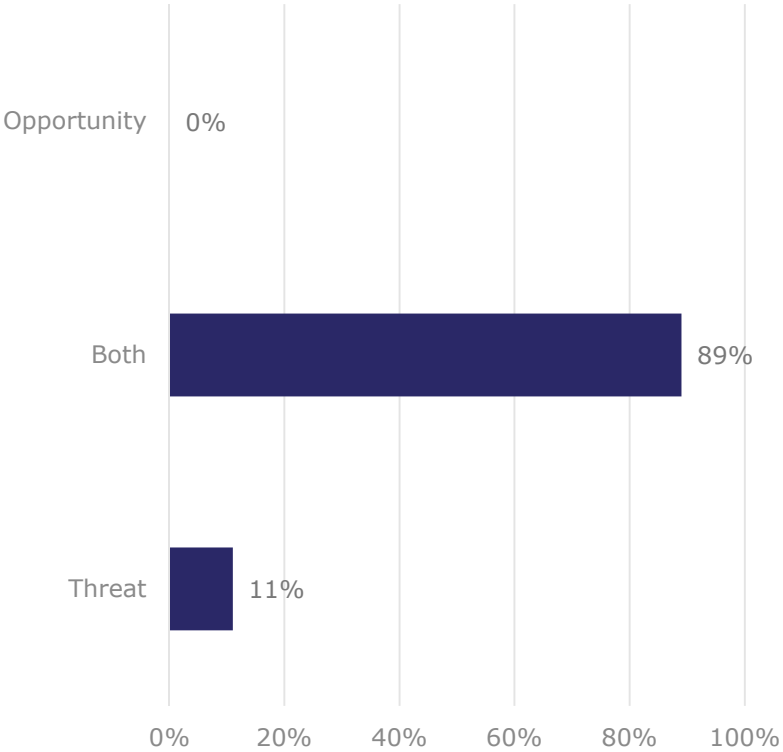


**Between sharks and  
propelling waves**





# THREAT AND OPPORTUNITY

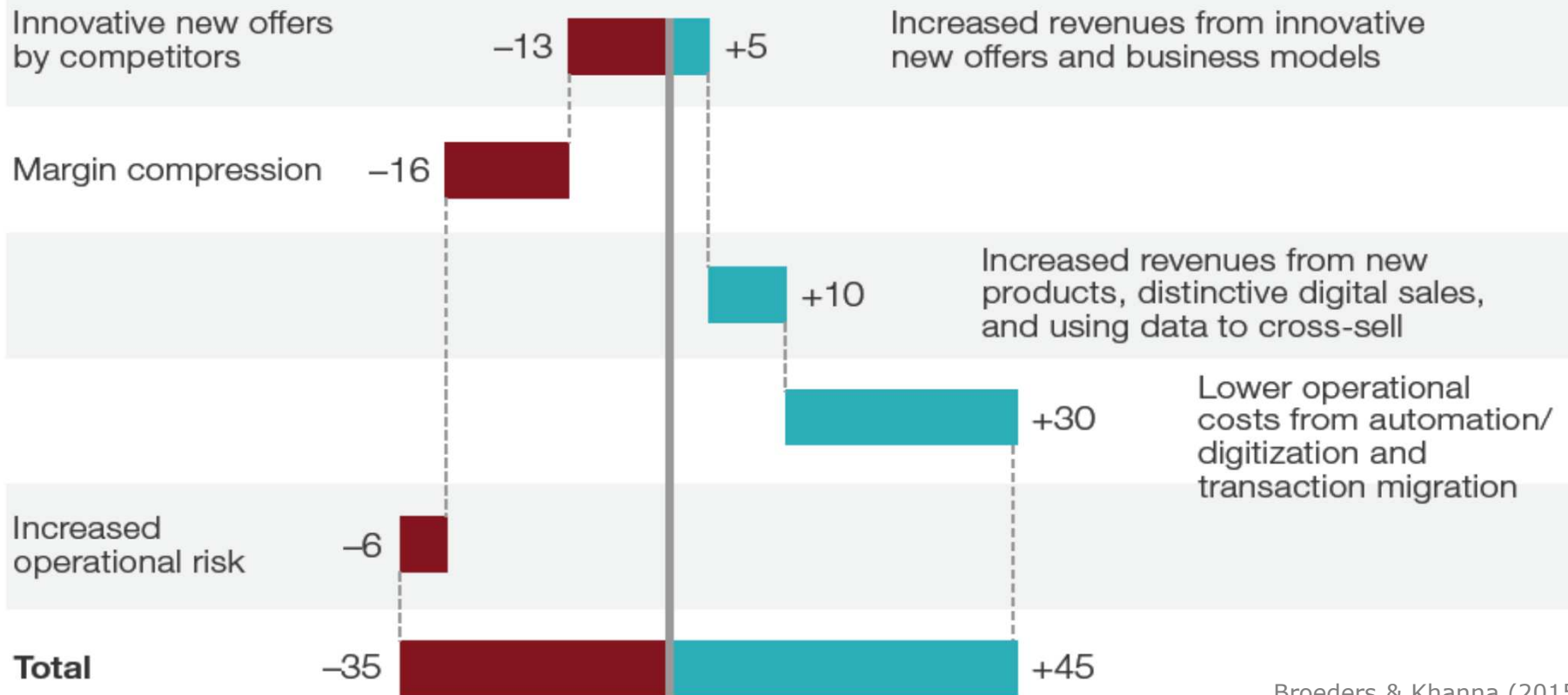


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Threat	Opportunity
<ul style="list-style-type: none"> <li>✓ Not big enough to resist price war</li> <li>✓ Margins under pressure</li> <li>✓ Need new profitable revenue streams</li> <li>✓ Additional costs</li> <li>✓ Difficulty to be flexible and fast enough</li> <li>✓ Ease of entry on the market (e.g. for instance due to technology)</li> <li>✓ Difficult to know how to react.</li> </ul>	<ul style="list-style-type: none"> <li>✓ New service models to gain market shares</li> <li>✓ New products with renewed profitability</li> <li>✓ Leverage existing assets (brand, client base...)</li> <li>✓ New business models can be created.</li> </ul>

## Impact from digital, % of net profit for retail bank

### Potential threats | Potential opportunities



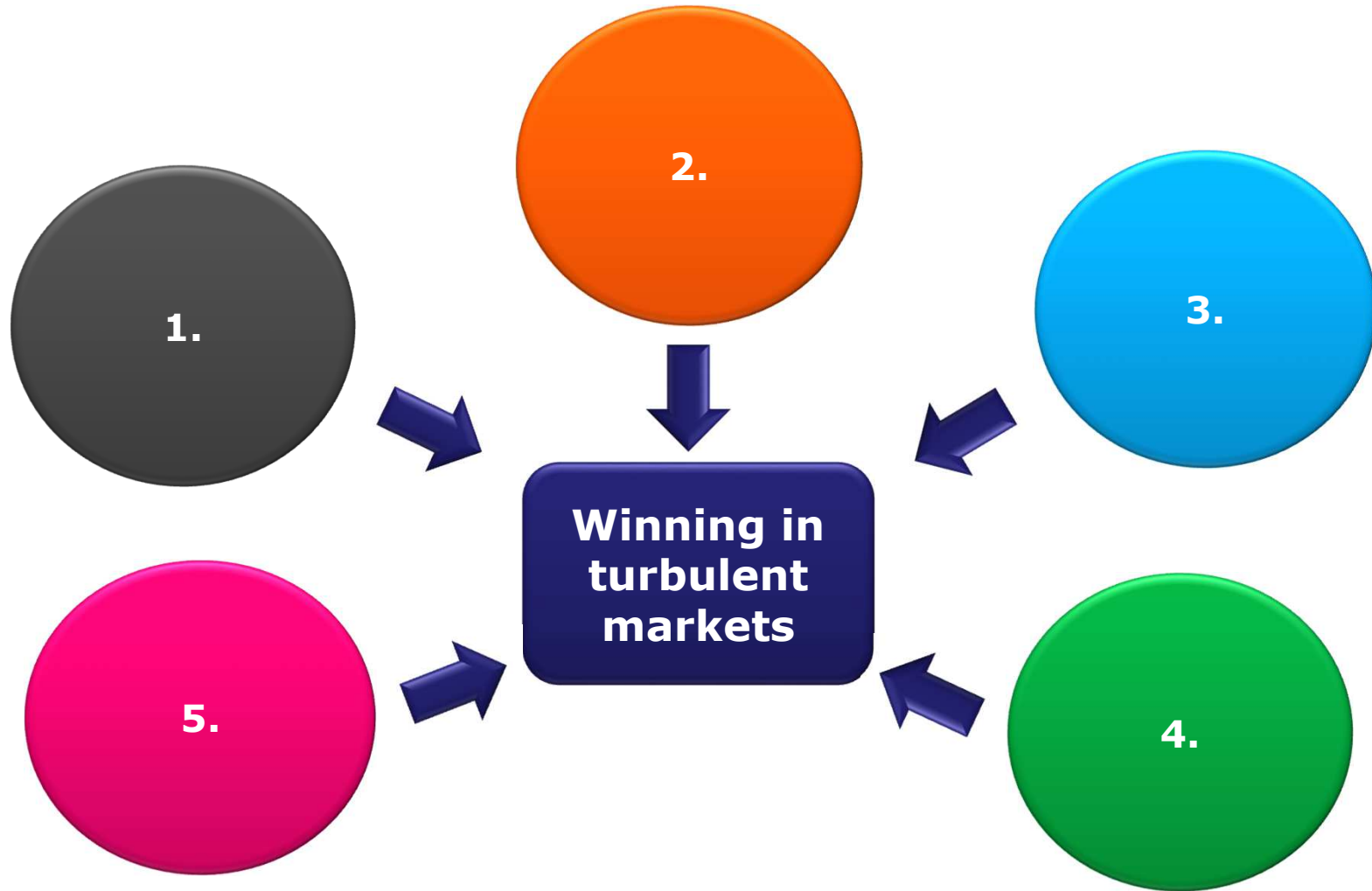
Broeders & Khanna (2015)



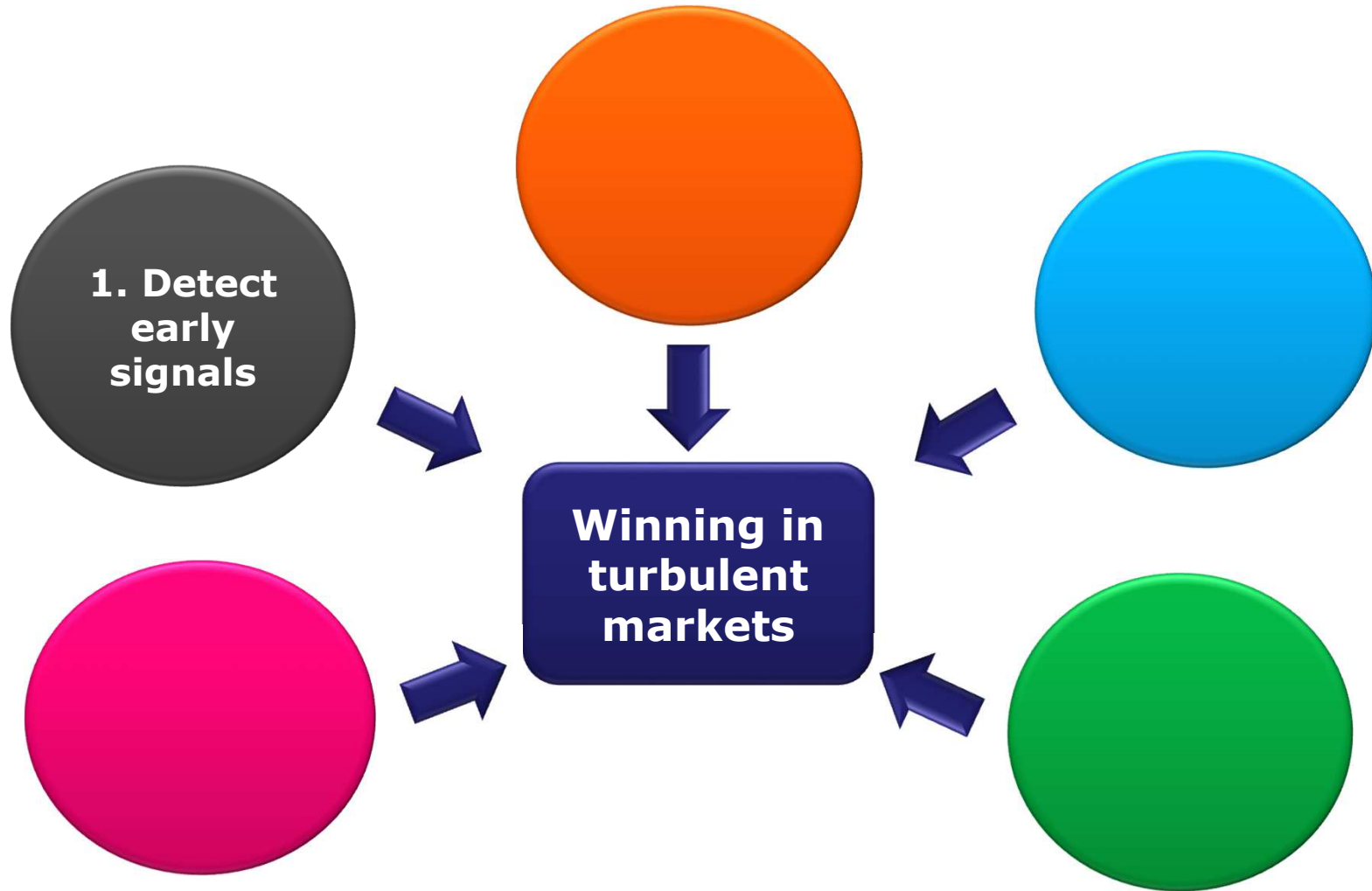
# Strategic manoeuvring

*What does it take?*









## 1. Detect early signals

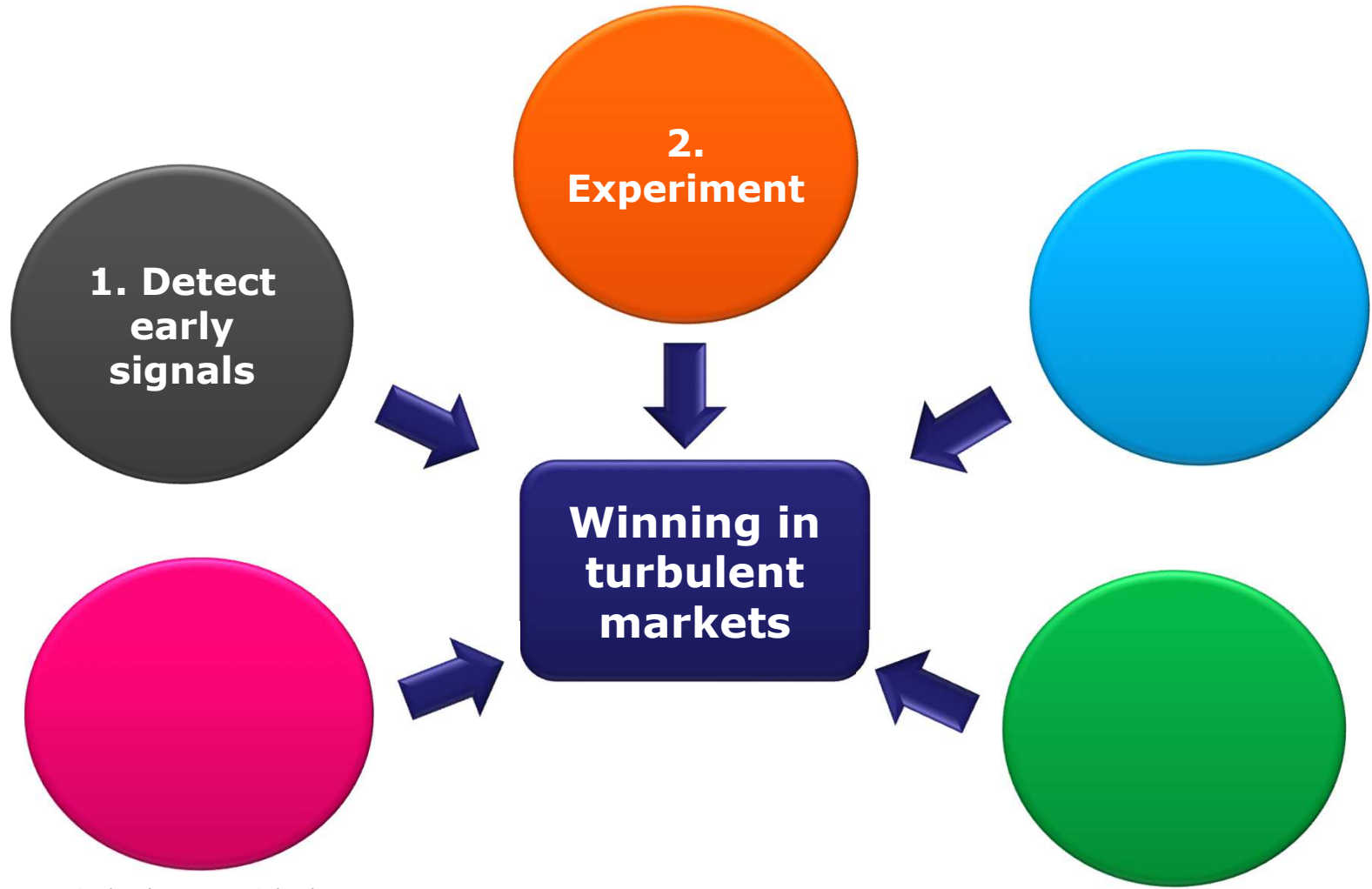
- ✓ Strategic thinking as a continuous process
- ✓ Constant scan of environment
- ✓ Positive mental frames



*See also Day and Schoemaker, 2005, Scanning the Periphery, Harvard Business Review.*







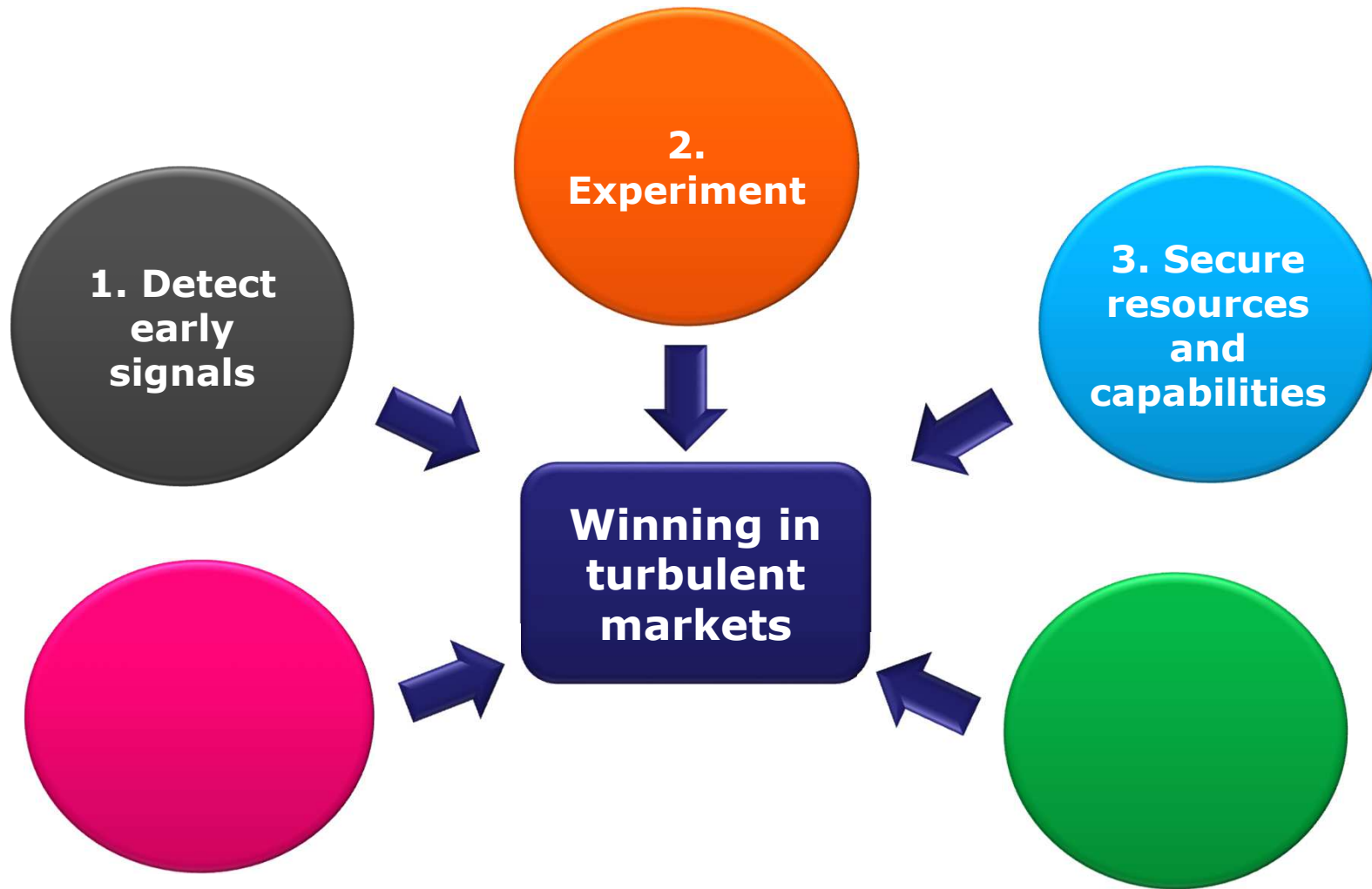
## 2. Experiment

- ✓ Welcome new ideas, try, and get wrong fast
- ✓ Low cost probes into the future
- ✓ Give freedom, but support experiments



SoftBank



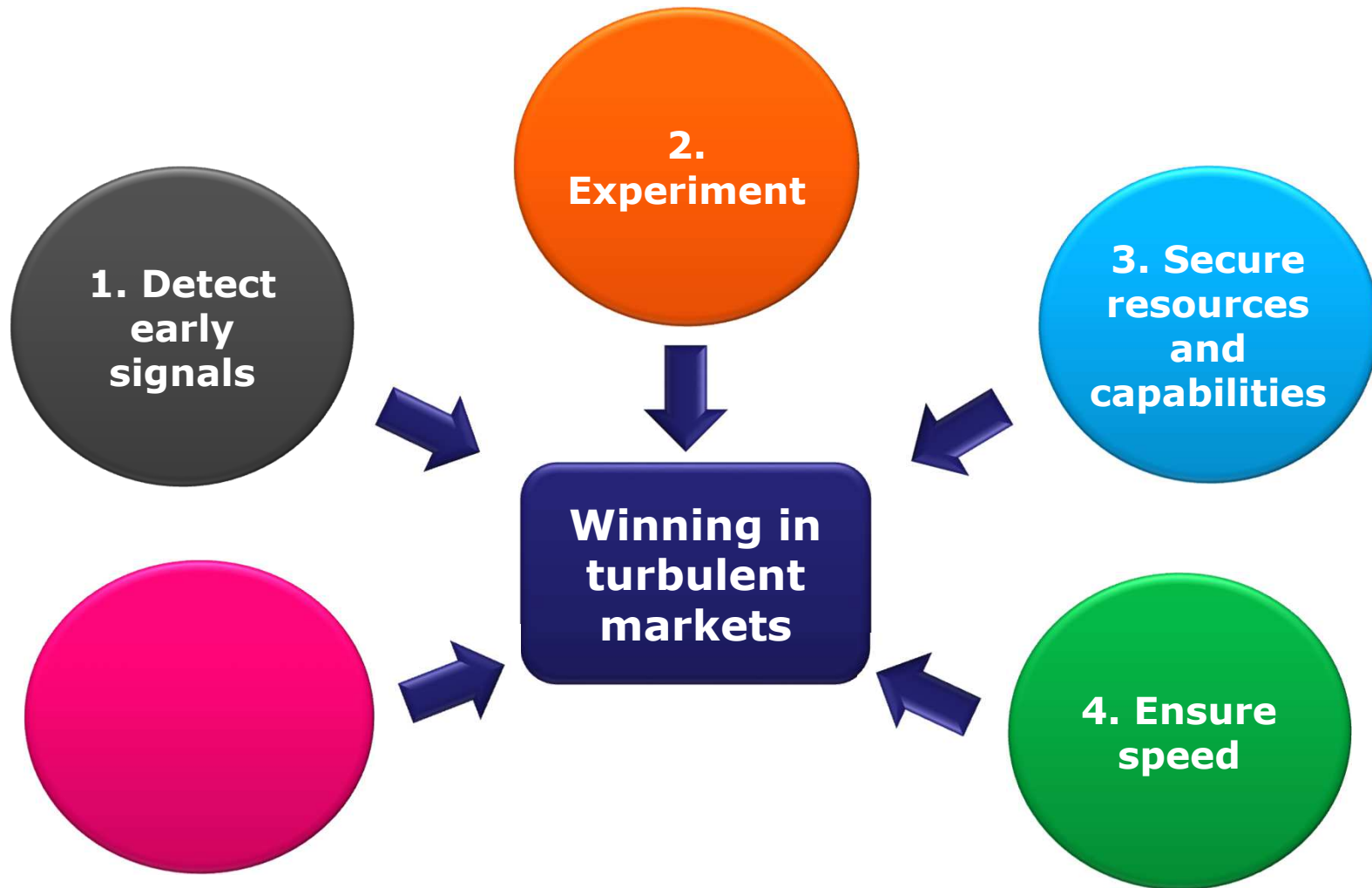


# 3. Secure resources and capabilities

- ✓ Reallocate resources from less to most promising areas (incl. stopping failing experiments)
- ✓ Develop or acquire new capabilities
  - ✓ Leverage ecosystem: customers, suppliers, competitors...
  - ✓ Acquire or cooperate with the "attackers"







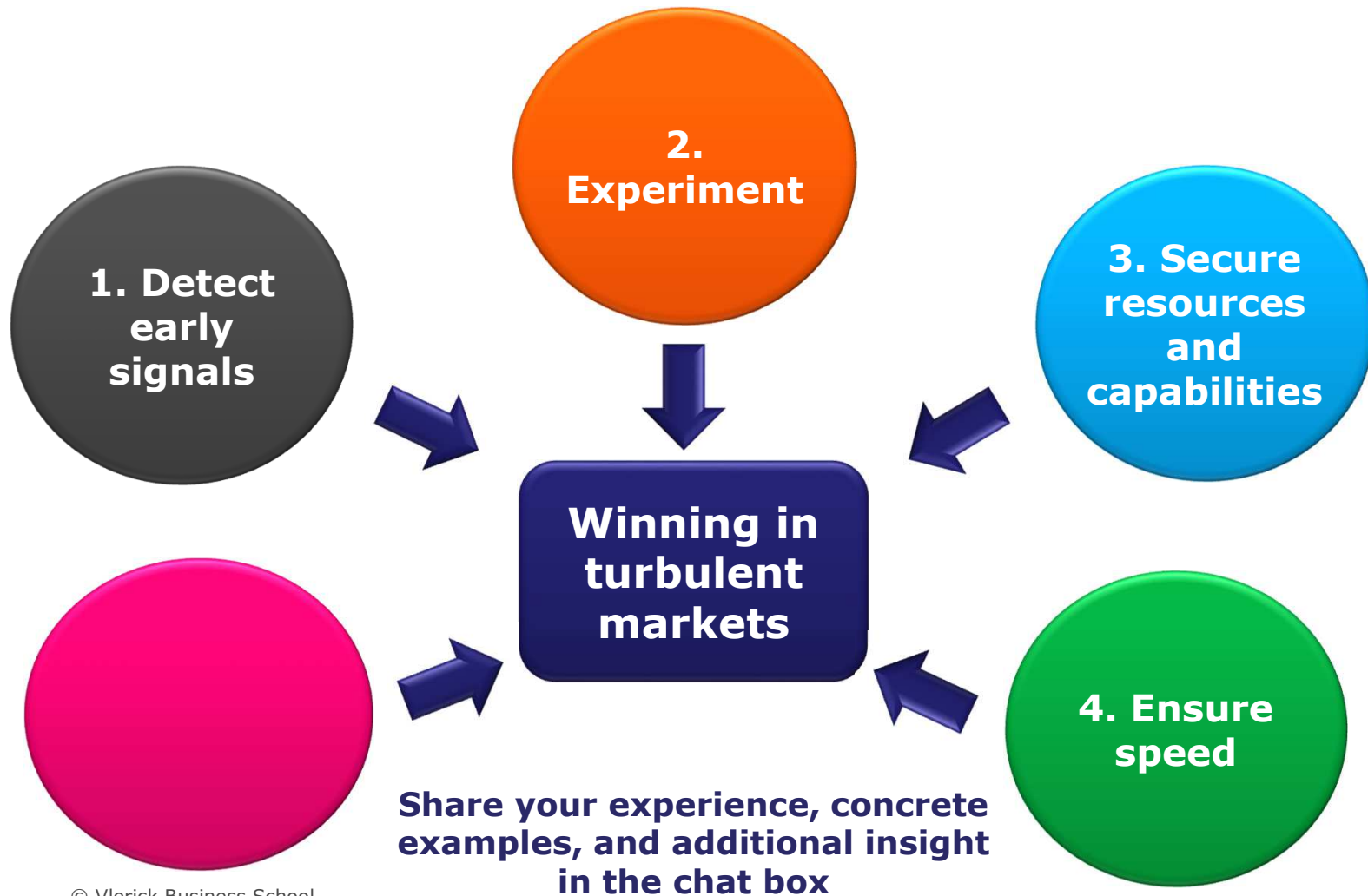
## 4. Ensure speed

- ✓ Vision as framework for decision making
  - ✓ Shorten decision cycles
  - ✓ Delegate decision rights
- ✓ Empower people to take action

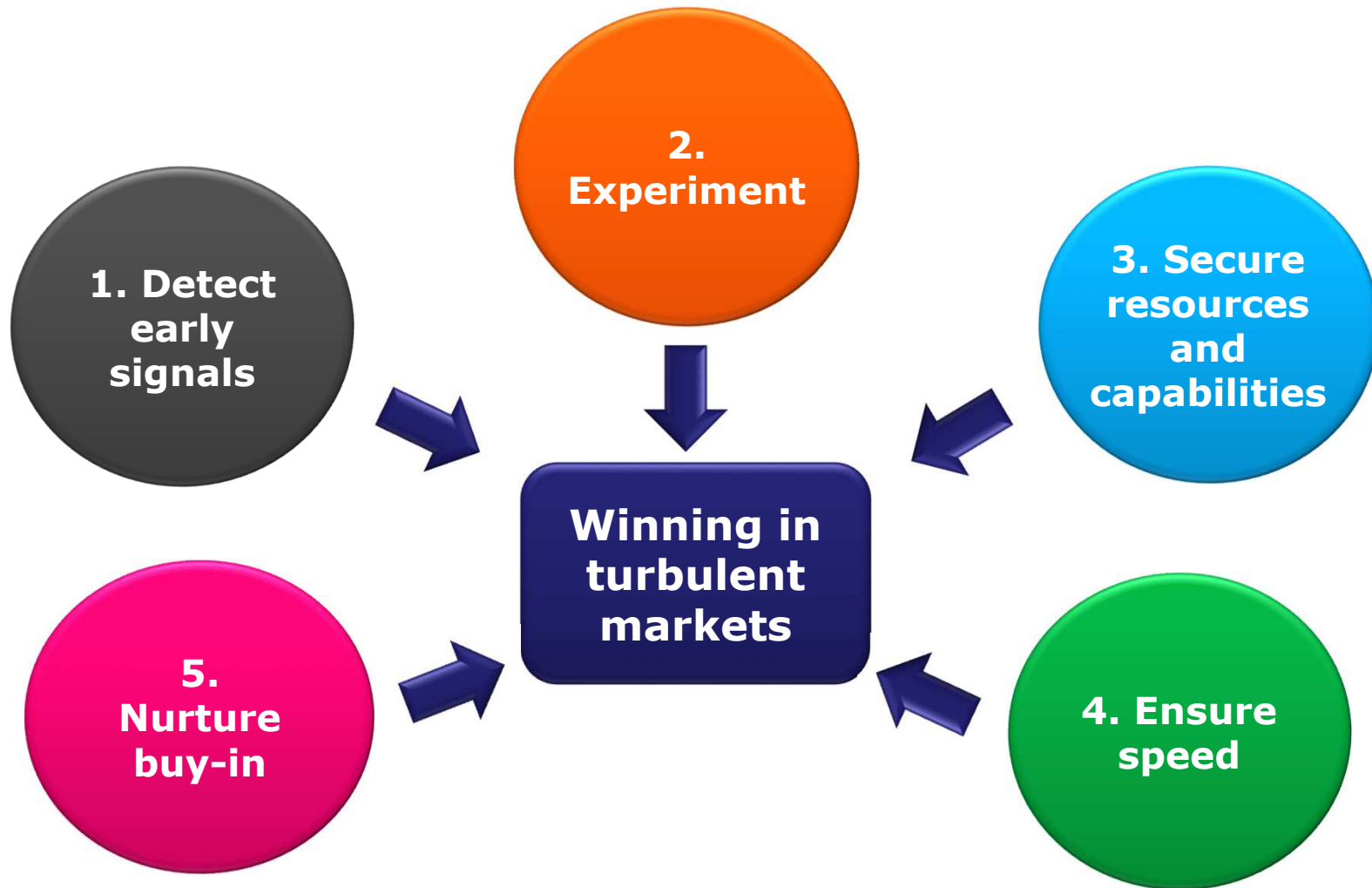


**Haier**  
Inspired living









## EXPERIMENT ON 76 MANAGERS

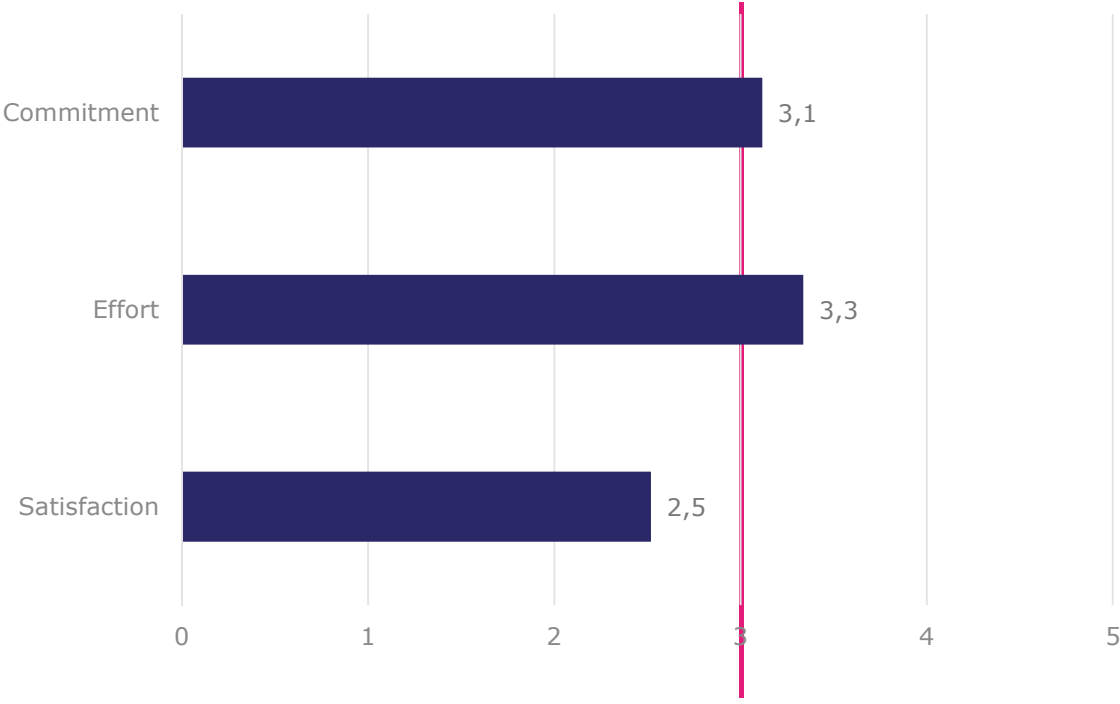
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- **Company**: EuroMedia S.A is a retailer of electronic products headquartered in Germany with subsidiaries in 15 European countries.
- **Your role**: Director of all offline sales activities of the Belgian subsidiary.
- **Context**: Like many other sectors, your business is subject to intense pressure from online sales channels and pure play internet competitors.
- **Situation**: You are called into an urgent meeting with your boss, the Managing Director of EuroMedia - Belgium. He informs you about the decision to reduce significantly the number of physical retail locations and reallocate the resources towards the online side of the business.
- **Impact**: Your job is not threatened by this change as you will keep responsibility for all commercial activities taking place through the physical retail locations. But the teams will be reduced significantly.

1. Read the scenario

2. Fill in the online survey

# SCENARIO 1



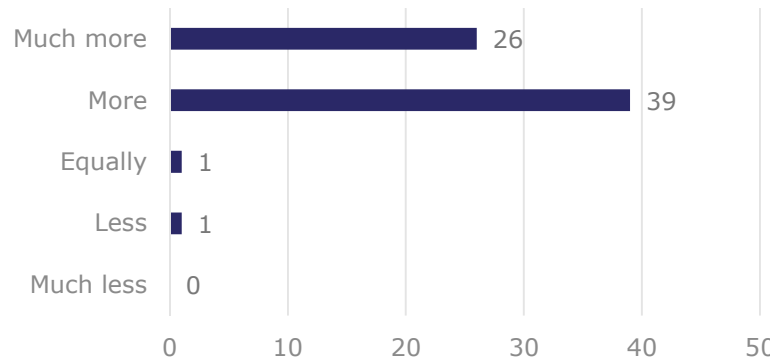
Average = 3



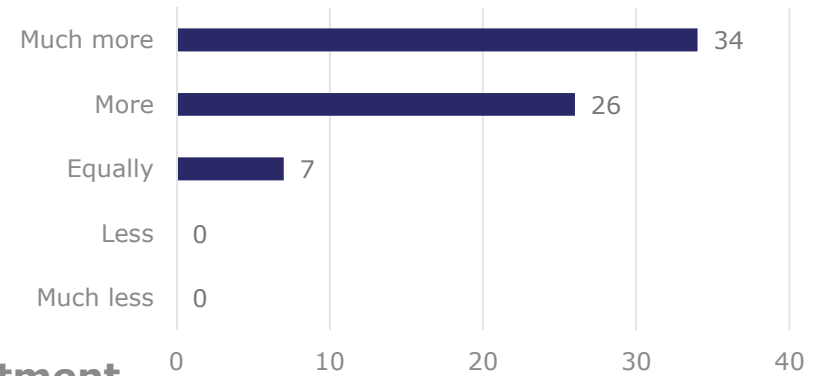
# SCENARIO 2



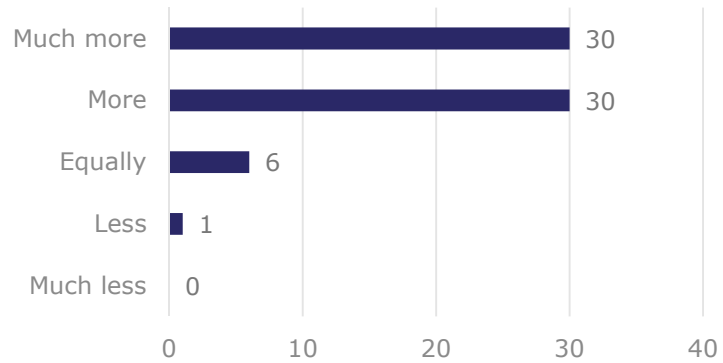
## Satisfaction



## Effort



## Commitment



# THE STRATEGIC DECISION

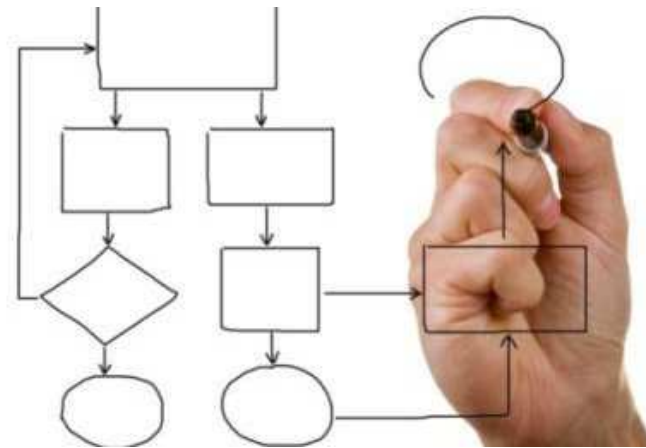
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## SCENARIO 1

*The outcome of this process is a decision to operate a significant shift in the proportion of our business that will come from online versus offline channels. Concretely, the goal is that within 5 years, 50% of our revenue will come from online, and increasingly mobile, channels (versus 30% today). That means a major reduction in the number of physical retail locations, and the reallocation of resources towards online channels. We will also work towards the integration of online and offline channels.*

## SCENARIO 2

*The outcome of this process is a decision to operate a significant shift in the proportion of our business that will come from online versus offline channels. Concretely, the goal is that within 5 years, 50% of our revenue will come from online, and increasingly mobile, channels (versus 30% today). That means a major reduction in the number of physical retail locations, and the reallocation of resources towards online channels. We will also work towards the integration of online and offline channels.*



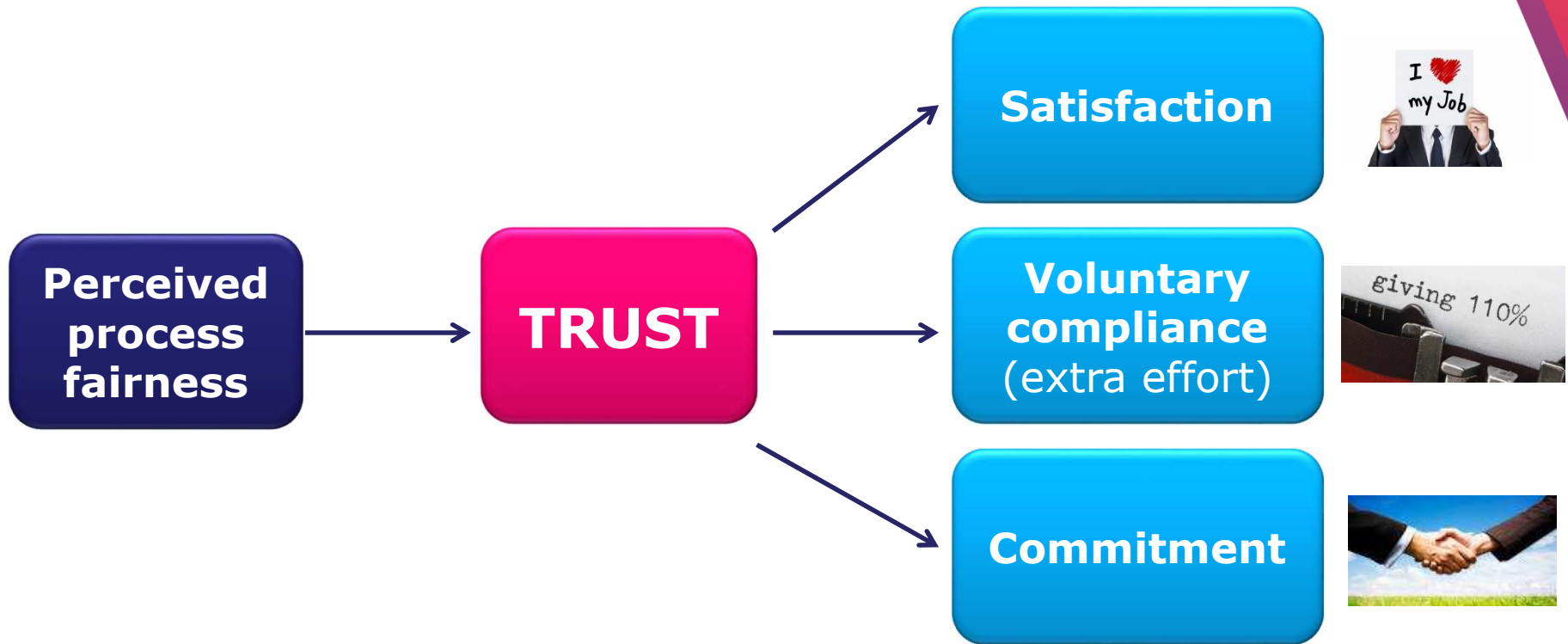
Strategy making process



Formulating, communicating, and  
implementing choices



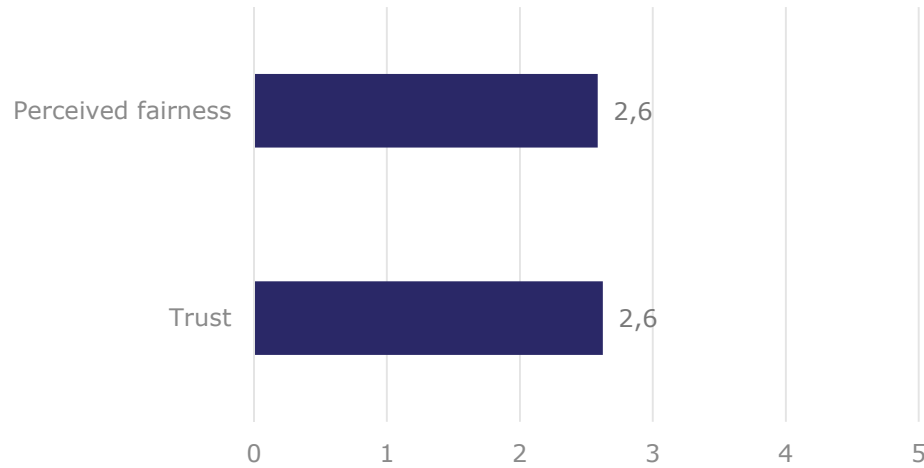
# A CHAIN OF POSITIVE / NEGATIVE REACTIONS



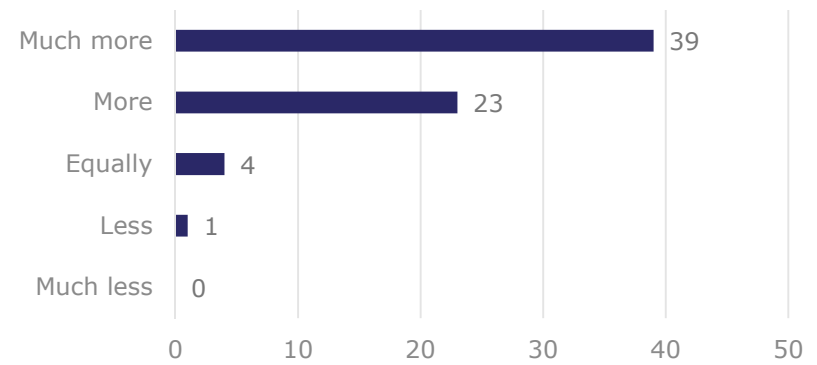
# TRUST AND PERCEIVED FAIRNESS



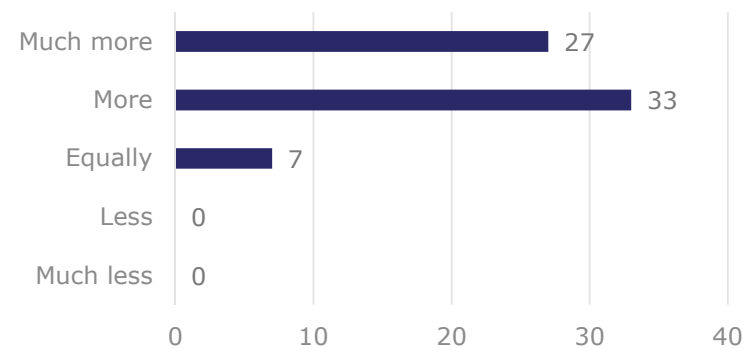
## Scenario 1



## Perceived fairness - scenario 2



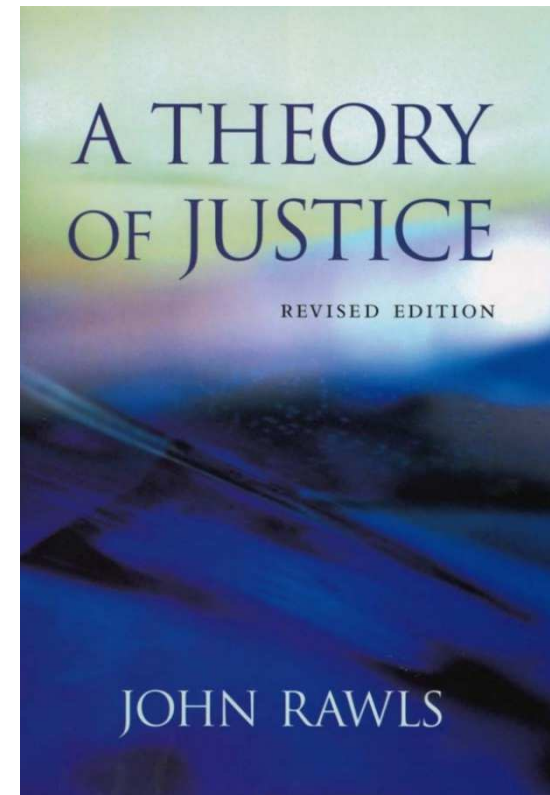
## Trust - scenario 2



## THEORY OF PROCEDURAL JUSTICE

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- Political philosophy (Rawls, 1971) and social psychology (Thibaut and Walker, 1975)
- Difference between fairness of an outcome (= distributive justice) and fairness of the process to reach that outcome (= procedural justice)







## WE ARE ALL ...

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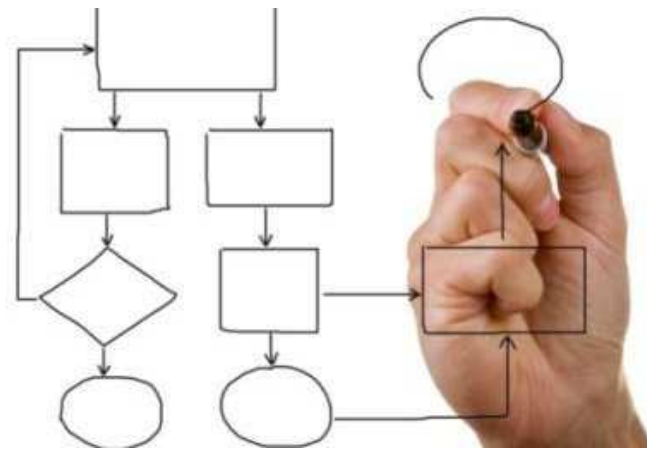
### DECISION MAKERS

- Trust
- Commitment
- Effort
- Compliance
- Resistance to change...

### HUMAN BEINGS

- Human beings are reciprocal beings
  - If you are fair to me, I will be fair to you
  - If you are not fair, I will resist

⇒ Our behaviour vis-à-vis a strategic decision is dictated by how fair we perceive the decision process to be.



How can we design a strategy process  
that is perceived fair?



# PRINCIPLES OF FAIR STRATEGY PROCESS

WHAT	HOW	IMPACT
<b>Inclusion</b>	Invite people to provide input, share views, ask questions and raise concerns at all steps in the process	People feel their intelligence is respected



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<b>Transparency</b>	Explain rationale for decisions taken (and for possible exceptions) and clarify expectations	Help people understand
<b>Changeability</b>	Assess all new information thoroughly, and if necessary, reconsider decisions	Show commitment to making right decisions despite uncertainty and incompleteness of information

# EXPERIMENT: THE DECISION PROCESS

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## SCENARIO 1

The *strategy committee appointed by our CEO* has had *intense discussions*...

They also *met with peer executives* ...

The committee submitted its conclusions last week.

In parallel, the *CEO ordered a study to McKinsey&Co*...

although not in Belgium, they have already worked on several projects for EuroMedia S.A.

The outcome of this process is a decision to...

## SCENARIO 2

The executive committee launched a *large scale initiative* to *collect input* from the 15 national subsidiaries in Europe...

provided *rich insight* on customer preferences and internal organizational aspects...

All input received was then *discussed with the country heads*.

The Board also turned to *McKinsey&Co* to *provide evidence and informed advice* based on their in-depth knowledge...

The outcome of this process is a decision to...

# EXPERIMENT: COMMUNICATING THE DECISION

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## SCENARIO 1

*It was decided that the reorganization will apply to all European subsidiaries with the **exception of France, Spain and Portugal.***

...

*... we all have to learn to live in a new reality, in a reality of constant changes. **Agility is the new norm.** And we will **need to get used to it.***

*I believe this **does not call for much more explanation...** we now all need to join forces and commit the extra effort*

## SCENARIO 2

*It was also decided that, **at least for now,** the reorganization will apply to all European subsidiaries with the exception of France, Spain and Portugal.*

*The **input** we **gathered** revealed indeed **major differences...** will however continue **monitoring** the evolution of the market such as to adapt, and possibly align, the approach...*

*... **summary document** of the insight generated and **rationale** for the decision.*

*... presentation and discussion sessions will also be organized in the next few weeks to make sure **everybody understands** the transformation and **what is expected.***



# EXPERIMENT: IMPLEMENTING THE DECISION

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## SCENARIO 1

*you will be happy to learn that I was successful in negotiating a budget to get **external help from McKinsey** to support the transformation in Belgium.*

*Having an external, **neutral, party** with extensive experience in transformation programs should also help **reduce the resistance** the new plan will inevitably generate among the **impacted teams**.*

*... I gave them an **extensive briefing already**... should not need much more input I believe... **They will** then **work very closely with you** and your teams.*

## SCENARIO 2

*I will ask my assistant to set up another meeting in the coming days to **share views** on the **next steps** and **agree on the actions** to take.*

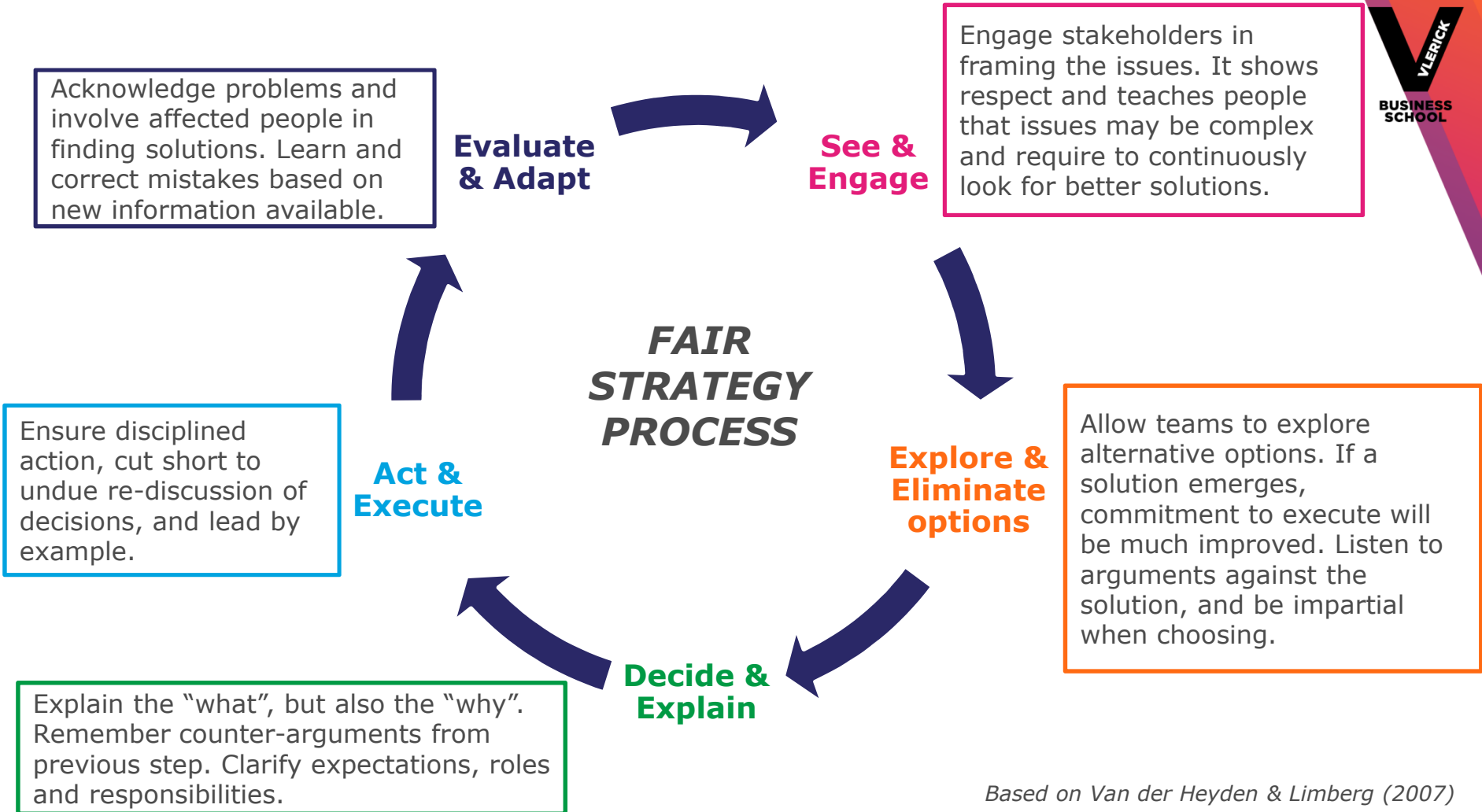
*I look forward to **your propositions**.*

*... I want that we **keep the discussion** between us **open** so we can address questions and concerns as they arise... no doubt you will do the **same with your teams**.*

*... that will be our best **weapon against** the **resistance** we may face in the process.*



**FAIR  
STRATEGY  
PROCESS**



*Based on Van der Heyden & Limberg (2007)*

## SELF-ASSESSMENT

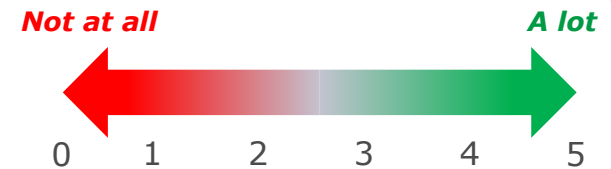


# HOW FAIR IS YOUR COMPANY (STRATEGY) PROCESS?



1. **Inclusion**

Are people concerned by strategic decisions invited to provide input, ask questions or raise concerns at both strategy formulation and strategy implement phases?



2. **Accuracy**

Are strategic choices and decisions related to their implementation based on accurate information about the local context of people concerned by the decisions?



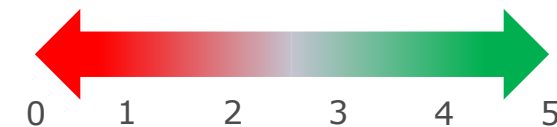
3. **Consistency**

Are decisions related to the formulation and implementation of the strategy taken in an impartial way and applied consistently across the organization?



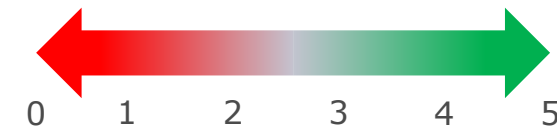
4. **Transparency**

Are decisions, their rationale, and resulting expectations explained clearly to all people concerned?



5. **Changeability**

Is the strategy process designed to learn from mistakes and revise decisions based on most recent and accurate information available?





**Wrap up**





**Fast, disruptive,  
unpredictable  
changes**

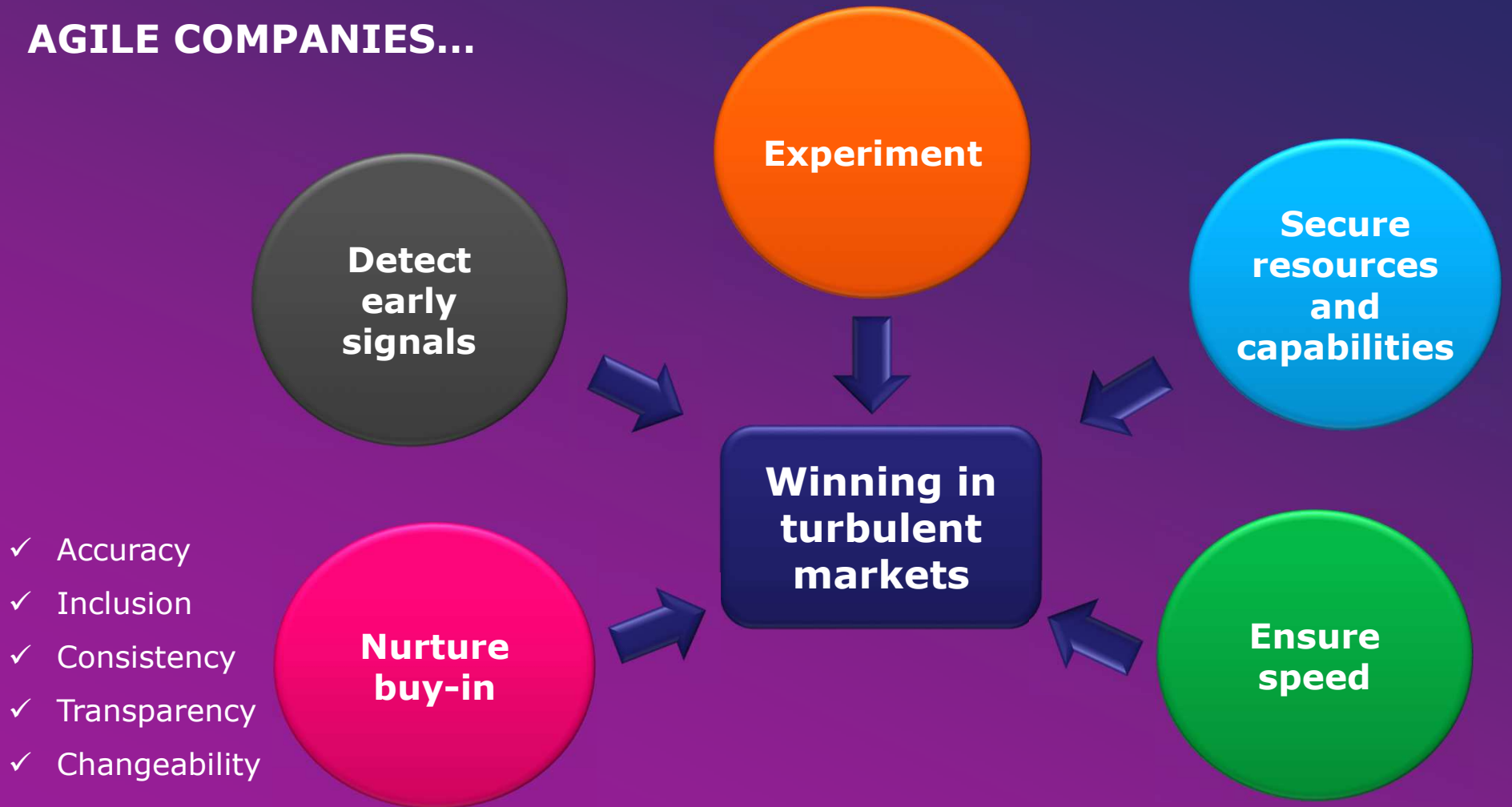


**Threats  
&  
opportunities**



**Strategic  
manoeuvring**

## AGILE COMPANIES...





Strategy-making is an immensely complex process involving the most sophisticated, subtle, and at times subconscious of human cognitive and social processes.

— *Henry Mintzberg* —

**AZ QUOTES**