Matthias Kolbusa

Strategy Scout

How to Deal with Complexity and Politics During Strategy Development

Management for Professionals

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with Complexity and Politics
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🦄 Springer

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In memory of my father

Foreword

The significance of strategic thinking and acting is continually growing in all businesses today. It is, after all, the strategy which determines the direction in which a business is heading. Strategy work currently faces many challenges: a highly dynamic environment demands robust and feasible strategies which, at the same time, adapt themselves flexibly to the dynamics of the markets, the demands of the customers and economic and political developments. In the end it is a question of keeping the business permanently on course and steering it successfully.

Strategy itself is something highly abstract by virtue of its very nature. On the other hand it is consequently regarded as being very concrete, since entrepreneurial success is always achieved by human beings. Let's be honest: in order to develop and implement strategies in business we often have to overcome bottlenecks in interpersonal relationships. There are opinions and prejudices, emotions and controversies—and, last but not least, often a lack of experience and knowledge as to how the strategic process should be organised to produce a good strategy in the end "despite everything". According to Matthias Kolbusa's definition as well as mine, a "good" strategy is always one which is realisable and which is actually also implemented within a company. It is important to chart a course correctly from the very beginning as most mistakes are made in the initial stages of a strategy process.

The strategy literature published to date spends a great deal of time discussing methods and concepts, but makes little consideration for the fact that strategies must be accomplished by organisations and therefore by people who have their own interests, capabilities and possibilities. In this context Matthias Kolbusa brings fresh impetus into the otherwise very "dry" material with his "Strategy Scout". Not unlike his personality, which I have learned to appreciate as being direct, refreshing, precise as well as inspiring, he takes the reader with him on a vivid and comprehensible journey of exploration through the "Strategy Jungle". Whereas in the rest of the strategy literature methods are often only described in contexts which are isolated, abstract and far removed from life within the company, the author shows how they can be applied concretely in practice and skilfully combined with one another—in fact in such a way that they are attuned to the necessities of the business, its situation and the capabilities of those involved in the strategy process. His belief is that the people in the business, the "strategy developers and implementers", unconsciously have far more knowledge than presumed. It is important to activate this knowledge by applying skilful methodology to bring it

to light and to use it to the advantage of the strategy and its realisation within the company. In this context the author is also particularly concerned with the pushing through of strategies in business—with the "politics", as he puts it.

The "Strategy Scout" is a strategy philosophy used by Matthias Kolbusa to convey to the reader the certainty of feeling comfortable both with the existing business situation, the strategic context and with the development of the strategy at that moment. Here, for the first time, a universal concept is being developed not only as to how a strategy should be developed but also how it should be thought through and planned right to the end to finally achieve the most important thing—its implementation.

The "Jungle Expedition" lives from many inspiring case studies of strategy work in medium-sized businesses as well as within groups in varying segments, based on experiences which the author contributes from his own practice. Business division leaders benefit from this as well as the decision-makers in groups; managing directors; proprietors; supervisory boards and all those who are entrusted with strategy work within a company or feel that this is their vocation.

Look forward to a book which is as refreshing as it is inspiring!

Hamburg, Germany   Burkhard Schwenker

Preface

From Strategy Frustration to Strategy Satisfaction

Repeated reorientation, growth, the conquering of other markets, repositioning and reviewing of value creation concepts are becoming more and more routine due to many global trends and developments. This applies in fact to all of us who play a role in the shaping and management of a company. My experience as a management consultant in a large number of strategy and reorganisation projects in the most varied companies—from global corporations to middle-sized companies and non-profit-making organisations—has shown me that there are two factors in particular which make up the art of strategy and, in particular, its implementation:

1. Strategy must be understood as a tool—as a means towards reaching entrepreneurial goals, instead of becoming an end in itself.
2. From the very beginning of the strategic work the end, namely the implementation, should be in sight—because in strategic work the only thing which really counts are its consequences within and for the company.

Taking the end into consideration right from the beginning has a strong influence on the planning of a procedure within the strategy process as well as on the choice of suitable methods. It is far too often the case that a "random" choice is made from the absolutely endless diversity of methodological tools rather than a purposeful one which is optimally adapted neither to the business and its situation nor to the capabilities of those involved in the strategy process. Entrepreneurial cultures can have very differing characteristics: in many businesses the executives are experienced strategists and have routine in the development and implementation of strategies. In controversial discussions they tackle the critical issues honestly and openly using accepted models; in other cases exactly the opposite happens. With regard to the success of the strategy process this must be taken into consideration from the very onset. Besides the methodical approach, the treatment of the socio-emotional complexity plays an important role, and in this case a skilful policy is required. By "policy" I mean reaching the entrepreneurial goals with the help of a

strategy. This should be developed, bearing in mind the prevailing conditions, and should be pushed through in spite of the resistance inevitably connected with it.

The fact that in some companies a certain "strategy frustration" has developed, can in my opinion be due to the following reasons:

- Corporate decision-makers and executives usually place their focus on the operational business, but much more seldom on the strategy. To a certain extent this is acceptable because this means that a high degree of professionalism is generated in daily operations. On the other hand, however, there is a lack of "practice" in the development and implementation of strategies. Should strategic work be demanded, there is often a lack of experience in carrying it out with the same measure of professionalism and routine.
- There is thus a conglomeration of "negative experiences" in the strategy work. It is true that the individual methods and tools are partly known, but it is often not clear at all as to whether their use in each problem or business situation is at all advisable. Thus strategists are frequently unable to cope. The search radius set can far too quickly become too narrow so that only obvious alternatives are considered and, where appropriate, "hidden" but strategically attractive possibilities are overlooked. Or the search radius is too broad. The right methodological tools are used with good intentions and plenty of impetus but for the wrong purposes or with the wrong intensity. They are often used very intensively at the beginning of a strategy project and worked through with "academic thoroughness", only to be gradually forgotten when the strategists begin to get more and more bogged down and disoriented.
- The strategy concept developed is often not consistently thought through, the consequences are not scrutinised thoroughly and not "broken down" sufficiently and concretely enough for the operational business. At the end of a complex strategy process the question then arises: "And how should we deal with this in practice?" If this question is not adequately answered, strategic implementation will fail.
- Implementation also comes to nothing if important and influential executives, who are indispensable for the decision in favour of, and implementation of, the strategy, cannot really be convinced of the strategic result and therefore do not encourage the strategy with enough conviction.

Do you recognise a "frustration factor" or even several from your strategy work within the company? Then this book has been written for you! It originated from the daily confrontation with the difficulties which go hand in hand with the use of strategic methods and procedures in practice, in particular also with the problems connected with the implementation of strategies and the principles of change management.

My intention with this book is to offer a "Strategy Scout" to people responsible for a strategy—no matter whether these are managing directors, leaders of a business unit, supervisory boards or owners. The book is intended to serve as a practical guide through the "Strategy Jungle". It should enable people to work strategically effectively as well as efficiently. Effectively means: target-oriented, with a high degree of assertiveness. Efficiently means: with a high degree of good results from the energy applied so that you arrive at sound results even with limited resources (time, personnel) without getting lost in a diversity of models. After all, in the end there is only one objective: the implementation of the strategy. The focus of this book lies very strongly on the strategic process. It presents a practice-oriented guide which meets the individuals responsible for strategies at exactly the point where they are at present and accompanies them the whole way. In doing so it does not matter at all what the corresponding conditions and corporate culture are like in each case,

– Whether those concerned have a great deal of or little experience in strategy work;
– Whether "trench warfare" is on the agenda within the strategy team or whether speedy agreement prevails within the procedure;
– Whether a strategy already exists and only needs to be reviewed for the future or whether completely new business fields should be opened up with a completely newly developed strategy;
– Which methods and tools have been applied so far and are familiar, and which tend to be new and unfamiliar.

As a "Strategy Scout" this book would, in an entertaining way, like to show the reader which paths of strategy development and ways of implementation he or she should take as an individual responsible for strategy in his or her very specific situation.

There are already numerous books on strategy on the market. Works such as M. E. Porter's "Competitive Advantage", H. I. Ansoff's "Corporate Strategy" or H. Mintzberg's "The Rise and Fall of Strategic Planning" are classics which lack nothing in the way of content. Many approaches and models for further discussion introduced in these and other books are established and have found their way into general practice. Literature however pays far too little attention to how the various approaches and methods can be implemented in practice—and especially how they can be sensibly combined with one another in particular business situations. The humane or emotional and social side of strategy development is notably excluded far too often.

My book conveys neither a "new model" nor a "new" approach nor a "new" method. Instead, while integrating long-standing and proven models and methods, it demonstrates a comprehensible and result-oriented procedure which is in step with actual practice. Strategy is, after all, a "frightfully simple" matter. It entails the answering of some very straightforward questions, the answers to which are often anything but trivial.

I wish you every success in developing your strategy and implementing it.

Hamburg, Germany   Matthias Kolbusa

Contents

Part I

The Strategy Scout: Signposts Through the Jungle

Introduction: From Impulse via Strategy to Implementation

In business practice working strategically is still often confused with operational activity. But measures such as the devising and introduction of an innovation; efforts towards internationalisation; the achievement of profit or expense ratios etc. do not count as strategy. At the most these are useful milestones or measures towards the realisation of a strategy.

A strategy is a description of a new, unique position aimed at by a business. The strategy development process is concerned exclusively with defining and describing this position and breaking it down for the business in its consequences and necessities in such a concrete way as is required for it to be understood by all those involved. Only then is a successful implementation possible.

"Strategy" is often reproached for being too "theoretical and abstract". This is true to a certain extent as it is in its nature, but abstract development and thinking through of the strategy is inevitable. This the precondition to arrive at the right, concrete operational measures later. Everything else would be "acting blindly" without a stable basis. It is not possible to steer around the "abstract" strategic process, but it can be shaped in such a way that it is adapted to the strategy team and its competence, which will be another topic of this book.

The "Strategy Scout" is an expedition guidebook describing the strategy process in terms of a "Journey through the Jungle". The "Jungle" is one of several metaphors used to explain concisely which stage of the journey you are currently at. In this chapter you will be given a rough overview of the whole strategy process from the very first step to its implementation. The chapter is also an overview of the book's layout and of the following chapters.

The Jungle is a synonym for situations which those involved in a strategy repeatedly experience in their strategy work. They cannot see for looking; they get lost in the thicket of methods and tools and become disoriented, running towards the presumed goal without realising why they have chosen a certain path at all. They may also traverse the Jungle very quickly, even finding a strategic position there, but it is not a really attractive one. Furthermore they do not give the strategy enough thought and are then surprised that its implementation does not work.

In order for us to be able to orient ourselves better, the whole journey is graphically illustrated in the form of a map and highlighted with various detailed drawings of the individual stops in separate chapters (Fig. 1.1). The most important stops are the Strategy Camp (Chap. 2); the Jungle Topography (Chap. 3); the Jungle Tools (Chap. 4); the Jungle Trails (Chaps. 5–10); the Monastery of Reflection (Chap. 11) and the Base Camp and Route Planning (Chap. 12).

Strategy processes are always easy if all those involved are in agreement and are sure which trail they want to take. In this case it is easy to decide on a certain strategy, and no further thought has to be given to which methodological tools or approaches should be chosen. Usually, however, the reality within the company is completely different, i.e. much more complex. A higher or lower degree of uncertainty prevails among those concerned. Questions such as: "What is really my market?", "Who is really my customer?" and correspondingly "What is my competitive and market environment like?" frequently lead to irritating answers. Corresponding questions relating to possible own strategic positionings are rarely answered conscientiously. Asking the right questions in this respect; answering them honestly and then finding the best path is the art which this book is intended to convey to all those responsible for a strategy.

Let us go through the individual stops one by one to gain a first impression of the strategy process.

1.1   The Strategy Camp

The very first steps already determine the success of the development of the strategy and its implementation. The beginning is not the consideration of possible strategies, but should take place one step prior to this, i.e. with consideration of how the process of working out the strategy should look. Recognising an attractive, desirable strategic position which could be linked to a well thought-out strategy is the basis of every success. The art is to find the right trail to get there. This is the objective of the Strategy Camp.
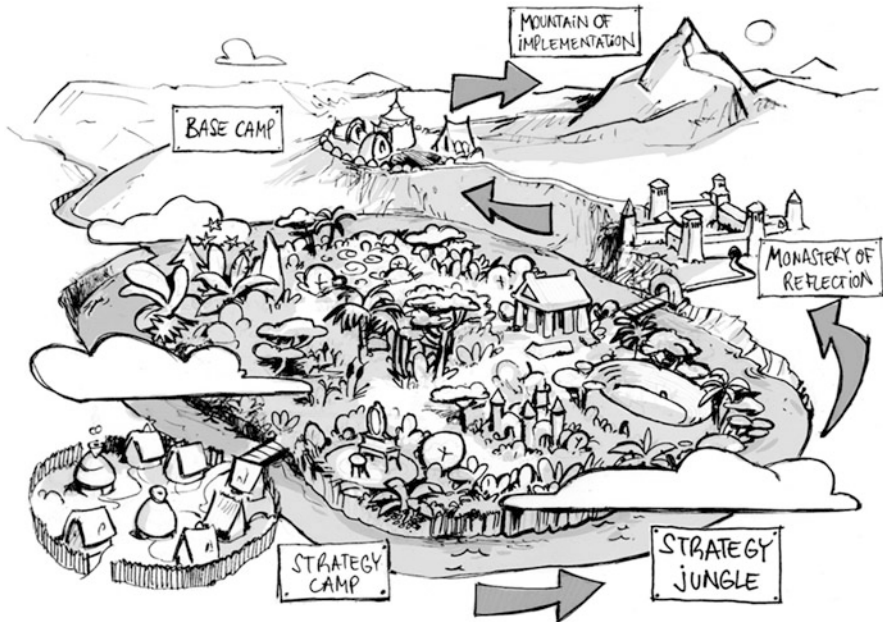
Fig. 1.1 Strategy Scouting stops

In the case of a real jungle expedition with subsequent ascent of a mountain (strategy implementation) no-one would set out without considering the purpose of the expedition beforehand; taking into account the possible challenges and hazards in advance and determining the demands themselves and the team selected. In the figurative sense this means first clearly narrowing down the strategic topic or problem. The situation is thus reviewed in the camp to work out the best trail through the Jungle. The following factors play a role in this: the company's situation; the team's structure; the strategy competence of the team members and the time and manpower available.

1.2   The Jungle Topography

In the course of crossing the Jungle, i.e. the development of the business strategy, every company passes a series of typical situations including, for example, the Magic Forest of Goals; the Swamps of Emotions and Viewpoints; the Scenario Park; the Temple of Options and the Fog of Uncertainty. Chapter 3 describes how to successfully pass through these regions methodically without getting lost on your way through the Jungle or even getting stuck there.

1.3   The Jungle Equipment and Jungle Trails

The Jungle Equipment consists of the tools and methods required to cross the Jungle. These also include determining how intensively and in what detail the selected tools should be deployed. Chapter 4 presents a number of different tools, including the portfolio methodology; the interlinked thinking to overcome complexity and scenario management. Instructions will be given for the use of the methods. In addition, the book demonstrates how the methods can be interlinked with one another. This is a very significant point since existing literature on strategy tends to present the individual tools as being "isolated" from one another without specifying what particular benefit arises from the skilful and "correct" combination of various tools—in particular when taking into consideration the prevailing social-emotional complexity—and the results which this can produce.

There are endless numbers of paths through the Jungle and every strategy development is something very individual and special. The Strategy Camp has provided you with some clarity about your strategic context and this knowledge gives you the opportunity of developing a path through the Strategy Jungle which is best suited to you and best corresponds to your strategic contact. You will then have a distinct navigation for your strategic path.

I have chosen six "typical" trails out of the infinitely large number of possible jungle trails and will be presenting them in detail in Chaps. 5–10, whereby each path is dealt with on the basis of a concrete case study from my own experience. None of these trails will match your specific situation as identified in the Strategy Camp. They should instead be viewed as examples of how to deal methodically and politically skilfully with strategy in order to be successful in the end. The trails include the Jungle Express, the Jungle Adventure and the Jungle Expedition. Put in simple terms, the Jungle Express is suitable if the entrepreneurial situation is not critical and those involved in the strategy are experienced in strategic thinking. In the case of the Jungle Adventure, on the other hand, the entrepreneurial situation is critical and a great uncertainty prevails with regard to current and possible sectors of business. The Jungle Expedition is suitable if the company is already strategically well organised but would like to look into new business segments and possibilities for the future. The six trails provide general orientation and can be supplemented, adjusted or reduced individually—depending on the company, the market and the strategy team.

1.4   The Monastery of Reflection

At the end of every Jungle Trail the thicket for all those concerned should have thinned out to the extent that it is clear in which direction the company wishes to steer as a whole, in other words what the desired, unique strategic position is. But it is still not clear what this means in detail for the individual business divisions or the subsidiaries within the business. Many companies do not take the trouble to break down their entrepreneurial strategy in each business unit, single company and in

particular the individual divisions of the company, i.e. to develop divisional strategies and concepts which are appropriate to the strategy, to reconcile these with one another and in doing so to ensure clarity among those concerned. Frequently each division subsequently interprets the strategy for itself individually—with the result that a conglomeration of heterogeneous sector concepts exist parallel to one another and a synchronised procedure is missing. For example, what is the use if the Customer Services division derives a certain procedure from the business strategy and implements it, but it is not supported by the IT Department because the latter interprets the strategy completely differently and places other emphases on its implementation? Often it is exactly this which leads to the failure of well-meant business strategies. In order to avoid this strategy getting out of control in practice because those involved and those participating are not really clear about what this really means in detail for themselves and their departments, the Monastery of Reflection is taken as a break on the way to implementation.

In the Monastery of Reflection the task is to reflect on company strategy and to clarify what it really means for the individual sectors of the company so that those responsible know which consequences and what necessity emerges for them and for the organisation of their sector. The business strategy is concretised, detailed, and the divisions are interlinked and synchronised or reconciled with one another.

Each divisional strategy must answer very concrete questions such as. For instance: "What does this mean for our division? What will be done differently in future? And why must things change? What will no longer be done in future? How will the interlinking with the other divisions of the company change?" To consider these things thoroughly and to clarify them in depth is the art of successful strategy work; it is where the wheat is separated from the chaff. A well thought-out strategy development concept is the basis for the further steps and for successful communication between all those concerned (for the crux of strategy implementation please also see *http:// www.strategie-scout.de*).

1.5   The Base Camp and Route Planning

Many paths lead to the summit, but not all of them are recommendable and practicable. Whereas in the Monastery of Reflection the strategy was thought through with regard to its consequences for the overall company and broken down into divisions, the actual strategy implementation is now planned in the Base Camp. The aim is to determine the most skilful way to implement it on the basis of the company's situation. In doing so, amongst others, the Strategic Gap—i.e. the distance between

the status quo and the desired, future strategic position—the implementation climate and politics play a role. The choice of political means is an important topic which is dealt with in the last chapter. Just as in the Monastery of Reflection, planning is illustrated on the basis of a concrete business case study.

Important statements on the trail through the Jungle are marked by the following symbols:

The "compass" symbol serves as a signpost at points where, in the course of the strategy development, perplexity arises as to why a certain tool is used, a means applied or stop passed through. To make the purpose comprehensible, answers and instructions are given here.

This symbol is a warning indicating how errors can be avoided when using certain methods or tools or even how to work around dangers in certain procedures.

The "Swamps of Emotions and Viewpoints" symbol indicates the hazards originating from emotions and group-psychological processes. Explanations are given covering how these hazards can be dealt with effectively, i.e. how the "human weaknesses" in the strategy process can be overcome.

Victory Is Decided from the Very Beginning: The Strategy Camp

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2.1 The Strategic Context

At the beginning of every strategy is always an impulse, i.e. either a problem or an idea, e.g.: "How can our company continue to grow in future?", "Are we still on the right path or do we need to correct our course?" or "How can we pull out of our present crisis?" The impetus often comes from outside of the company and is driven by the competition and market situation.

A cardinal sin of many companies is to "start off" with strategy work immediately after determining the central strategic issue, without previously considering the overall strategic context. Often a seemingly clear and obvious path—in other words the first best path—is taken without sparing any thought for effective, methodological tools or other issues. This often means that more trouble is taken than necessary, and also that the path taken does not lead to the desired results.

Strategies fail because they are not thought through properly! This already begins before strategy work commences. Quite frequently models which are known or just happen to be available are used to "support" an already well-known, possible strategic alternative. This means that new strategy alternatives are simply not developed at all. In addition, the cleverest, and therefore also the most effective way to develop a strategy is not taken into consideration nor is thought given to the factors crucial to success. Methods alone do not offer a solution. They can indeed help, but can also be strongly restrictive or even useless.

The "how" of strategy elaboration determines its success or failure to a great extent. For this reason it is very important to be aware of the strategic problem, its context and the influential factors in order to think things through carefully and consequently to apply the suitable methods. In this respect the Strategy Camp is "the core" of the strategy work. Its function is to inspire you, the Strategist, to give thought to critical success factors of the strategy project and to decide for yourself how and with which tools you can best organise the strategy project.

The strategic core problem is mutually influenced by a number of factors so that it must be handled in different ways depending on the context. This means nothing

more than the fact that one and the same strategy problem can, in different strategy contexts or business situations, lead to completely different trails through the Strategy Jungle. For example, "the opening up of new business segments" in established markets means something completely different to doing so in highly dynamic and fast-moving, young markets. A company in which all the people in the strategy team are in agreement and the future path is relatively clear can follow quite a different path to a company in which in the management has completely varying attitudes with regard to the further development of the business. The same also applies if a high measure of uncertainty and controversy exists within the company. Here it is imperative to follow a path through the Strategy Jungle which facilitates the mastering of uncertainty or intelligent handling of controversy among those involved. When choosing the Jungle Trail it also makes a difference, for example, whether the strategy team has a high degree of strategy competence and experience or not. The process can be developed much more effectively if the important factors are taken into consideration beforehand and if the essential levers for successful work, but also the more important brakes, are known in advance.

In the final instance the aim of the Strategy Camp is, after thorough consideration, to decide on a strategic trail which takes all circumstances and all those involved in the strategy process into account and at the same time gives them confidence in the development of the strategy and also in its implementation. The Strategy Camp gives the Strategist the opportunity of analysing the strategic context and thus avoiding the error of "falling head over heels" into the process with "any sorts" of methods in "any sort" of order on "any sort" of trail and with a "randomly" selected strategy team.

The following factors are examined as elements of the strategic overall context and explained as follows (Fig. 2.1):
1. The complexity of the strategic challenge
2. The role of the Strategist
3. The strategy competence of the "fellow explorers"
4. The attitude of the "fellow explorers"
5. The company's situation
6. The identification of the strategy trigger
7. Strategy pressure and resources
8. The political situation
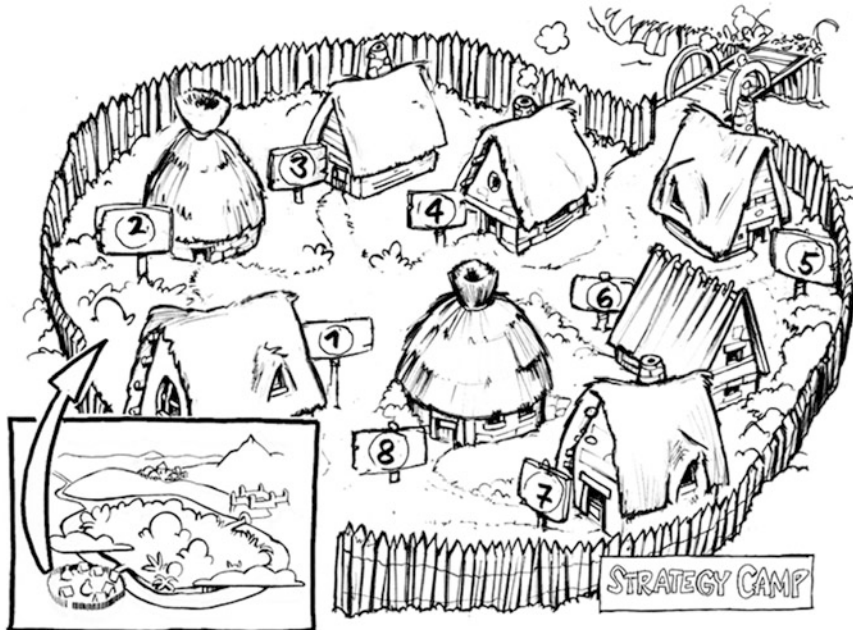
1: COMPLEXITY OF THE STRATEGIC CHALLENGE 2: ROLE OF THE STRATEGIST
3: STRATEGY COMPETENCE OF FELLOW EXPLORERS 4: ATTITUDE OF FELLOW EXPLORERS 5: COMPANY'S SITUATION
6: IDENTIFICATION OF THE STRATEGY TRIGGER 7: STRATEGY PRESSURE + RESOURCES 8: POLITICAL SITUATION

Fig. 2.1 The Strategy Camp with its factors

2.2   The Complexity of the Strategic Challenge

Clarification of the strategic complexity is important for the individual responsible for the strategy in as far as it forces a more exact preoccupation with the strategic problem. The individual responsible should clarify how complex his strategic problem is and how the connections are mutually presented. This is effected on the one hand by his becoming aware of the number of factors which need to be taken into consideration when dealing with the strategic problem and, on the other, by the degree of correlation to each other. The more complex a problem, the more difficult it is to be able to "grasp" it exactly and to also "tame" it in cooperation with the remaining factors to arrive at good options and, finally, at the best strategy variation. The problem should consequently be handled using varying methods depending on its complexity. In doing so, however, a sledgehammer should not always be used to crack a nut.

The market (customers); the company's own resources (strengths, weaknesses) and the competition should be observed in order to determine the number of factors which play a role in the strategic problem (Fig. 2.2). Should there be more or less clarity in almost all factors or should several factors be generally reviewed? Is the
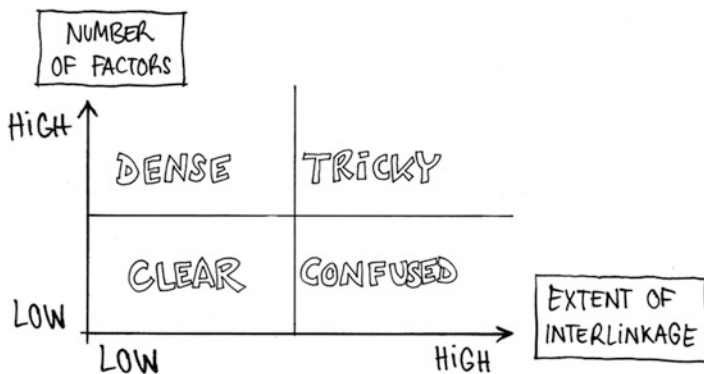
Fig. 2.2 The complexity of the strategic challenge

assessment that these things are easily tangible and can be named together with the main mechanisms of action correct? Or is this rather a case of fishing in troubled waters?

As we in the Camp wish to compile a "rough profile" of the strategic context which will, in the end, be used to assist with the selection of the right trail through the Jungle, I will be providing you with a pattern of thought, a plan, in the form of an assessment matrix in which you can classify yourself with your specific strategy problem, for each of the eight factors. The plan generalises and simplifies things but is a fairly good aid to developing a good understanding of your strategy context. I would like to inspire you to also consider the problem from other perspectives; to add others to the factors already listed; if necessary to penetrate more deeply into it and to derive consequences for the future procedure from it. You are deciding here on effectiveness and efficiency of your strategy work and the chances of its implementation.

In our model we differentiate between four characteristics of strategy complexity:

- A problem is *"clear"* if both the number of factors to be taken into consideration and their coordination is minimal. This situation is the one which it is easiest to gain an overview of. It is assumed that a company has a clear competitive environment and the competitors are obviously definable. In addition to this the stringent product range consists of a reasonable number of products. A product which has been successful to date has reached the end of its life cycle and must be replaced. Primarily the question must be answered as to which products should be in focus in the future.

- A strategic problem is *"confused"* when, although the number of factors to be considered is low, their interlinkage with each other is still high. For example, the Strategist can have clear knowledge of both the internal and the external customers with their requirements and the existing competitors are definable. Due to a drop in acceptance on the market an answer must be found as to how the

customers' requirements are to be fulfilled using the company's own resources. The number of factors which the company must focus on in this case is therefore low. However, their interdependencies are very strong. After all, the aim is not only to change or eliminate "a few" products, but, taking into consideration their own strengths and weaknesses, to make them distinctly fulfil the new requirements.

- The strategy complexity is "*dense"* when many factors need to be taken into consideration in order to find a solution to the strategic problem but these are only weakly linked to one another, be it in the number or intensity of the interrelationships. Let us assume a corporation is involved in heterogeneous business segments in very differing markets, but does not know how these business segments could fructify each other with regard to potentials, positions and competitive strength. In this case a number of factors need to be observed. However, as the markets are independent of one another and the resources are obvious, their interlinking strength is low.

- The situation is "*tricky*" when both the number of factors to be taken into consideration and their interlinking is high. In this case there is a distinctive strategic complexity. A possible situation in this context can be that, in terms of resources, a large number of factors exist which are extremely closely interlinked with one another. Their own core competences are not really clear and at the same time a clear picture of the competition situation and their performance is also lacking, i.e. the elements of their added value creation in their interlinking. In addition there is uncertainty within the company about the competitive environments and the role of the customer.

2.3   The Strategist

By "strategist" I mean the individual who has discovered a strategic problem; recognises the need for action and ensures that decisions are made and consequently implemented. The Strategist can, for example, be a shareholder, a managing director or a member of the board or even, which is quite often the case, act from the "second tier" as a member of staff or the head of a division or a business unit. The Strategist manages the strategy work either from the executive or board level, either with or in opposition to his board colleagues, or tends to act in the "background".

Depending on his position, self-conception and radius of operation, the Strategist takes on a different role and, in order to be successful, should choose a specific trail through the Strategy Jungle which differs considerably from other trails in terms of the choice of fellow explorers; the course of the project and the methods applied. Anyone who really wants to get something moving must get and keep the goal in their sights, i.e. the implemented strategy, in order not to get caught up or lost in abstractions, theories and unfavourable **constellations**.

We differentiate between the following roles or kinds of strategists:
– The *leader* has a clear vision of the future in his mind and dictates the route of expedition. Often he is a member of the executive management or of the board, sometimes even the only strategist in the top management.
– The *rebel* suspects or foresees difficulties and wishes to move something within the company to a new or other strategic position. He is not a member of the board or of the management, but rather is located on the tier below that, for example as head of a division or department. He frequently initiates strategic topics but his ideas are often thwarted or at least create very great controversy. For this reason he must take the path of "arousing" others via recognition processes.
– The *revolutionary* has a similar background to the rebel but is a member of the executive management or of the board. This can be an advantage because, for example, his thoughts are given preferential treatment or a disadvantage if resistance can be expected from the top management.
– The *prophet* tries to win others over for a new thing or new points of view. He is not a member of the executive management but mostly works one tier below and acts "on conviction", visualising a clear, strategic position for the company from his perspective.

The *leader* has the easiest position as he approaches the strategy project with a relatively clear vision of his goal and often has the greatest influence anyway thanks to his dominating position. He is often the only individual in the executive management or on the board who is at the steering wheel of the company. The difference between the rebel and the revolutionary lies in their individual *radius of operation*: as a member of the top management the revolutionary can exert his influence more easily and is more likely to run in open doors, whereas the rebel could possibly put himself in a dangerous situation, be looked upon as a "mutineer" when advocating the strategic views which are to be encountered by those individuals in the company management. On the other hand it can sometimes be easier for the rebel to bring topics or views into play which are not particularly opportune among the members of the management. He must therefore handle the strategic process differently to the revolutionary if he wishes to be successful and convincing. Political thinking is decisive from the very beginning.

What the *prophet* and the rebel have in common is that neither belongs to the top management tier (business management, board) but exert their influence from the second tier. Whereas the rebel tends to have "bad news" to tell, the prophet would like to spread "good news". In this respect he is less "endangered" than the rebel. However, the prophet often has the difficulty of introducing the executive

management level to completely new views and of convincing them that they should leave the worn-out, strategic tracks to the advantage of the company.

In a telecommunications company the head of corporate development had the impression that the strategy exercised by the management had not been right for quite some time. The trigger for him was a result problem which the management, however, tended to accredit to an economic or segmental phase than to recognise a trigger in it for querying the "existing strategy". As a "rebel" the head of corporate development was not able simply to confront the management with his contrary views because it would not have had any success. For this reason he took quite different action: he suggested to the management that they "examine" their present strategy. For his strategic path he chose fellow explorers who, being sincere colleagues, shared his opinion and with political intelligence engaged consultants to expand his radius of operation in this way and thus to strengthen his position.

The Strategist's own role or rather his self-conception in combination with the radius of operation gives him information about what type and how great his influence is on the strategy development within the company and how he must therefore organise the process. As a strategist you should also consider very carefully who your fellow explorers are to be or should be. Can you be classified rather as an amplifier or as a hinderer ("sceptic")? What is the correct mixture? Via whom are what setting screws possible?

The Strategist should analyse his own role, his radius of operation or influence within the company and his main amplifiers and hinderers. This gives him an indication of how he should best approach his strategic problem and organise the strategic process in such a way that it also leads to results, not just on paper but looking to implementation in practice.

The Strategist is also the one who clarifies the factors listed below in the Strategy Camp and therefore sharpens the profile of his strategic context in order to be able to define the best way to elaborate a strategy. In the end the question will be: Which path should I take through the Strategy Jungle?

2.4 The Strategy Competence of the Fellow Explorers and Their Selection

The fellow explorers are those taking part in the strategy project, i.e. the group of colleagues who the Strategist either chooses or must have on board in order to elaborate a solution to the strategic problem. Indeed a Strategist can also develop a

strategy on his own—and often even faster and more coherent in its result—but he will also easily turn into a "lone voice in the wilderness". As in the end the idea is to implement the strategy, a decision must be made concerning how many people are to be integrated in the strategy process. With regard to the problem situation, the radius should be as tight as possible but, with regard to sustainability and therefore the chances of implementation, as wide as possible. To take all those on board who are involved in the company so that they will later support and contribute towards the implementation is well meant but is often unsuccessful.

In accordance with his self-conception and his radius of operation within the company the Strategist should compile a suitable strategy team which will support him and do the preliminary work for him. The team can be made up of colleagues from various hierarchy tiers and also external individuals. S manageable number of fellow explorers who can be distinguished by their confident methodological handling of strategic topics and cannot only cope with uncertainty but can also tolerate it would be the ideal situation.

The Strategist will seldom be able to choose all his fellow explorers himself but will mostly have to fall back on an organisationally and politically prescribed circle of people which he can at the most supplement with selected fellow explorers. He must ask himself which deficits exist within the strategy team by assessing each of his potential fellow explorers with regard to their competence, both individually as well as in a team.

In his choice of his team the Strategist should consciously incite controversy as too much harmony generally leads to superficial and useless results. Good solutions arise through friction and this is created by purposely bringing friction factors into play. Correspondingly, do not exclusively select fellow explorers who are in agreement with one another but also uncomfortable, awkward people who provoke contradiction. Anticipate in any case certain feelings of resistance "running high" and when choosing your fellow explorers you should make sure that this occurs as near to the beginning as possible as otherwise the success of your strategy work will be endangered on a later occasion.

Within the team a differentiation should be made between
- Friction creators who, through the creation of controversy, have a positive effect on the strategy process,
- Drivers who march in the same direction as the strategy,
- Consolidators who ensure the combination of ideas and results and keep an eye on the goal, and

- Compensators who contribute towards the settlement of the deficits of the remaining fellow explorers in strategic method competence and "widen" the fellow explorers' blinkers from a professional point of view—with regard to markets, customers, possible business segments, etc.

As a Strategist you should consider who you still need to counteract the strategic problem in the degree of complexity described. Here it is not only a matter of the professional, factual and methodological competence but also of the sphere of influence and image of potential fellow explorers within the Strategy Team. Thus there are people who rather tend towards the protection of vested interests and those who can be classified as "opportunity thinkers" behind whom, however, "naïve opportunists" can also be concealed. Some of them can represent a potential threat to a strategy which is yet to be developed and this should be "neutralised" by means of one or several fellow explorers with a positive attitude.

The Strategist should take the selection of his team very seriously. By no means should too many be called upon as otherwise the strategic process becomes overshadowed. Even if it is contrary to the current trend, I recommend you not to fetch "all the world and his wife" into the team because this will be detrimental to the result of the strategy work. The higher the number of fellow explorers in the Strategy Team, the more difficult it will be to produce good and constructive solutions. The optimum number of participants is between five and 12 people. Individuals who will afterwards play an important role in the implementation should also be included on the team.

In addition to assembling the necessary fellow explorers it is important to determine how high the abstraction and strategy competence of the fellow explorers and their flexibility is, as well as of the Strategist himself. In this case honesty is necessary as the Strategy Team is often overtaxed with unknown or less familiar methods and tools which in the end will only lead to strategy frustration. In case of doubt, the lack of competence in methods, moderation or strategy must be compensated by deploying external advisers.

The central questions are:

- Can those involved handle abstract strategic problems or are they more at home in operational daily business?
- Do they deal regularly with strategy, perhaps rarely or not at all?
- Are they familiar with or do they master methodological tools for strategy development or do these tend to be strange to them?
- Based on their experience and their communication skills are they in a position to adapt facts and to classify them abstractly; to listen attentively and to reflect on contents with self-criticism?
- Can they live with an unavoidable degree of uncertainty or do they prefer to examine everything right down to the minutest detail in order to feel certain?
- Are they in a position to bridge the gap between an inevitably more abstractly formulated strategy and their operational daily business?
- Can they concretely visualise anything under a "change of their business segment into a defined direction X"; can they imagine what this means for their corporate sector? Or do they tend to be unable to cope in such situations where

the vagueness of the entrepreneurial factors, such as competition, resources and customers, is too great?

• Do they have a uniform abstraction and thinking level so that discussion and decision processes function or, in case of doubt, is external support required to provide communication or mediation between the various levels?

It is not imperative to choose your fellow explorers by the fact that they bring a high degree of strategy competence with them but rather by the fact that they are professionally and socially competent and have the genuine will to develop the strategy. A weakly characterised, strategic competence can be compensated in the strategic process by choosing a suitable Jungle Trail and appropriate equipment in the next stage and, where necessary, arranging for external support in the field of leadership of the strategy process and communication. The motto is: the less strategic skills and abstraction capacity exist, the simpler must be the trail and the method.

Abstraction and strategy competence often tends to be less distinct in companies whose cycle is in the build-up or maturing phase. Some have "not yet" learned how to deal with strategy, the others "no longer do it" because their focus is more on retaining what they have already achieved. Competence is also mostly low when management has developed quickly in fast-growing segments as per the Peter principle (cf. Peter and Hull 2009). Executive management's training and, in particular, range of experience with regard to specific professional tasks frequently make it difficult to completely query the status quo from a strategic point of view (Fig. 2.3).

A few years ago an Internet provider in a dynamic market spontaneously launched a product innovation, a genuine "star" which was positively accepted by the market and led to a rapid expansion of the business. The management had so far not paid any attention at all to strategy and did not need to either, as the product was a fast-selling item. The manufacturer's "shirt-sleeve" attitude, preferring to proceed experimentally rather than to spend long periods worrying about strategies, was also typical for Internet providers. When the established product became more and more of a "phase-out model" some thought had to be given to new markets and products and a decision made on where and how investments should be made. Now, for the first time in the development of the company's own business, strategic thinking was called for but first had to be learned.

The Strategist must decide on his strategy team's identity with regard to the evaluation matrix:
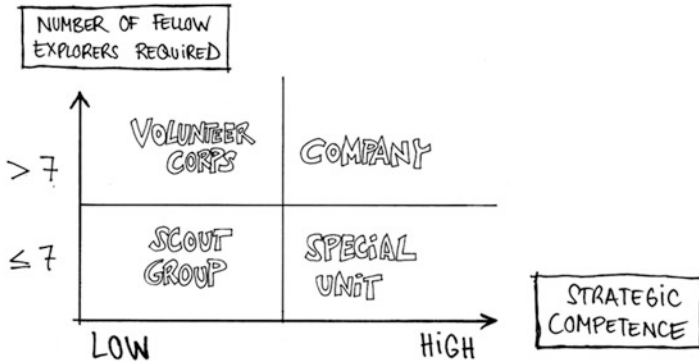
Fig. 2.3   The fellow explorers and their strategy competence

- As a strategy team the "*Scout group*" is small and straightforward but its strategy competence and flexibility is low. The process of strategy development should be kept correspondingly "flat" and equipped with a clear navigation so that the Strategist can always demonstrate to his fellow explorers the aim of a methodological application and its interlinking with other results. This way the lack of strategic competence is compensated and coherent uncertainty counteracted. Otherwise a result is simply produced more or less unsuspectingly. Alternatively the Strategist can also try to compensate for the lack of strategy competence by incorporating external individuals or employees of internal staff units. This is necessary if there is a danger of achieving suboptimal results because of a strategy approach which is too "flat", i.e. not hitting on the most attractive strategy options. In this case a "Special unit" is formed by means of external support from the "Scout Group". In doing so, care must be taken that the identification with decisions and the strategy is preserved thanks to an intensive integration of the fellow explorers.
- The "*Special unit*" is small and manageable, contrary to the "*Scout group*", however the fellow explorers have a high strategy competence and flexibility. The process of strategy development can definitely be abstract without those involved feeling overstrained. After all, they can live with indistinctness and likewise with a high degree of uncertainty with regard to a large number of relevant factors which need to be observed and enacted. In addition, sufficient experience with strategy work is forthcoming so that opportunity and sovereignty in dealing with the topics and dealing with one another is ensured. No question about it, this formation of fellow explorers is the optimum one for the Strategist. Unfortunately, but understandably, this situation is not often encountered.
- The "*Volunteer corps*" comprises a large number of fellow explorers due to the professional competence required or the political necessity, which makes the forthcoming Jungle Crossing extremely difficult. Guiding a large group of people, each with different capabilities, through the Jungle is more time- and

work-consuming as far as the process is concerned than in the case of a *Special unit*. In this case everyone would manage to cross the Jungle alone and would produce good results. The true added value is created, however, by professional cooperation. On the one hand the Strategist must now inevitably cope with problems arising from decisions within groups and at the same time be able to lead the process very stringently and moderatively in order to have any success at all.

- In the *"Company"* the strategic competence and flexibility of the necessary participants in the Strategy Team is indeed high but the Strategist must reckon with the classic pitfalls relating to group decisions due to their large number. If this is not counteracted there is a danger that too many capable "cooks will spoil the broth" i.e. the result.

These considerations help the Strategist to be aware of the strengths and weaknesses of his team and to draw the conclusion as to how these affect the further strategy process in order to be able to compensate them or to use them sensibly by applying the "right" method in a skilful interaction.

The choice of the team has already had a strategic significance for the Strategist himself and considerably influences the result and success of the strategy process. In as far as the Strategist can freely select his team or at least individual members of the team, he should take the following into consideration:

– The number should be restricted to 5 and a maximum of 12 if possible in order to keep the process manageable.
– The team constellation should support the Strategist and the strategic process without placing it in a specific, one-sided direction or without causing friction amongst each other as a result of controversies. "Support" can definitely also mean purposely integrating awkward people in the team as creators of friction.
– Still of importance in the team are drivers, consolidators, compensators, individuals who are later mainly involved in the implementation of the strategy, and respected individuals with great influence within the team.
– Professional and social competence has priority over strategic competence. If the latter is too weakly represented in the team this can easily be compensated by external consultants and the choice of a suitable Jungle Trail, combined with the appropriate methodological tools.

How Decisions Can Be Made in Groups Decisions are often made in groups because higher competence, more knowledge, greater diversity and different perspectives are expected from a majority of individuals than from individuals. Or it is purely a matter of securing the sustainability of the decision. But group decisions are not always better than individual decisions as research has meanwhile confirmed (cf. Braun 2010, P. 89ff.). Groups are particularly susceptible to errors if they are led by directives; do not adhere to distinct decision procedures and are constantly under pressure. In addition to this there is the group-specific tendency to mutate into a "tight-knit group" over the course of time which cuts itself off from the outside but internally ensures that no-one breaks the ranks by means of group pressure.

Typical pitfalls with decisions in groups are

– *An exaggerated readiness to assume risk*: A group is prepared to take higher risks than an individual would be—probably because the risk is distributed among many shoulders and the individual feels less responsible.
– *Overhasty consensus*: Based on the motto "But we all want the best" there is a tendency to exchange only well-known arguments and to reach an agreement prematurely.
– *Choice and assessment of one-sided information*: Discussions are always accompanied by the same, familiar arguments; new and deviating details are not demanded or sought, or they fall behind.
– *Pressure to conform*: Deviating opinions and criticism are prevented or suppressed. An unspoken diktat of harmony develops.

Experience shows that these weaknesses are not overcome until a recurrent theme is recognisable for the group, i.e. when it proceeds in a structured manner. Procedures are specified; responsibilities clearly allocated and results evaluated. Thus a cycle of orientating, planning and evaluating action is created which leads to informal and chaotic structures being abandoned and typical decision errors being avoided. The effectiveness and efficiency of the group's work are thus guaranteed. For this reason it is immensely important that you as a strategist always provide your fellow explorers with clear navigation so that everyone is constantly aware of what is now being done for what reason and what will be the next step.

2.5   The Attitude of the Fellow Explorers

The Strategist should ask himself to what extent he himself and his fellow explorers can cope with uncertain situations within the strategic challenge. How highly is the capability to deal with the challenge rated? What degree of uncertainty do the participants feel most comfortable with as regards the competitive situation; possible developments in the environment; etc.? How great is the need to have clarity "quickly" which often cannot be provided quickly. There are companies in which the uncertainty may by high but still no-one feels uncomfortable because they are used to dealing with such situations. In mature markets the uncertainty is mostly very slight whereas it is very high in dynamic and young markets.

A company for the development and production of control units renders services for the subsidiaries within the corporation to which it belongs. The strategy team has had experience with uncertainty due to frequent restructuring within the group. With the opening up of new business segments now stipulated by the group and the softening of established contraction enforcements, the strategy team has now reached the limits of its strategy competence.

Besides the degree of uncertainty, the openness of the fellow explorers also plays an important role for new solutions. How openly or reservedly do the fellow explorers react to new strategic directions, ideas and changes? Have they even before the start of the strategic process already "zeroed in" on a certain approach from which it is very difficult to entice them away? Experience shows that it is a fact that openness becomes even greater in crisis situations as the psychological strain also contributes towards opening up for topics and connections which have tended to be neglected before. Openness is also apparent if there is, for example, general "curiousity" within the company because this makes it possible to look perhaps with frankness towards new opportunities for the future, new markets or business segments, as these do not particularly affect the status quo.

An industrial business whose "money spinner" is water pumps and filters regards the measure of uncertainty as very high. Within the strategy team there are already two new ideas for a new necessary product innovation on the market, indicating that there is openness for new solutions. The strategy team, however, is for once finding it extremely difficult to detach itself emotionally from these two ideas and to venture into unknown, new fields in order to develop and examine further possible ideas. In this context statements are continually expressed such as: "That is too abstract—we don't understand it. What does this or that idea mean for us precisely? What should we do now?" The strategy team makes heavy weather of juggling with abstract ideas and goes through them in their minds without immediately deriving concrete actions and "to-do's" from this for practical use. The uncertainty felt is therefore very great although it can de facto actually be classified as being too low in view of the straightforward business segment with only one and a strategically demanded innovation.

It is helpful if the Strategist classifies his fellow explorers and himself in accordance with the above matrix in order to clarify the quadrant in which the strategy team is situated and where compensation is required concerning method,
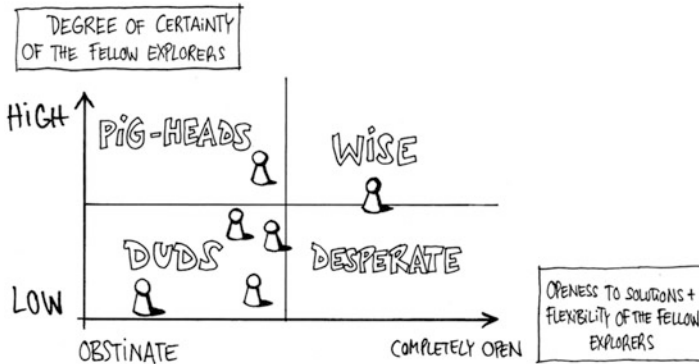
Fig. 2.4 Uncertainty and openness of the fellow explorers

personnel or content (Fig. 2.4). Even if "stereotyped thinking" is needed for this the result helps the Strategist to either change the context skilfully or to manage it purposefully.

Depending on the characteristics of the fellow explorers we differentiate between the problems/profiles of the strategy team:

- A strategy team full of "*pig-heads*" presupposes high moderative competences of the Strategist in order to get a grip on opinionated perspectives and controversial views and to arrive at successful solutions. On the other hand it is advantageous to have a slight measure of uncertainty in those participating.
- If the majority of the participants firmly believes in certain solutions to the strategic problem but upon closer examination of these solutions it is quickly determined how uncertain they really are, then the fellow explorers are "*duds*". This term is not to be understood as an evaluation of the personality but exclusively with regard to how well thought out, sound and resilient their "solutions" or viewpoints are. Whereas the "*pig-heads*" can well defend their opinion logically and argumentatively, there is no real basis for the views of the "*duds*". Here the Strategist has to fight on two fronts: on the one hand he must break down habitual tendencies and offer opportunities to abandon viewpoints without this involving any loss of face. On the other hand he must eliminate any uncertainty within the strategy team in order to arrive at resilient, strategic alternative solutions.
- The best point of departure for the Strategist is a team of "*wise men*" as all those concerned indeed have an vision, an opinion of a sensible solution, but are basically very open with regard to the result, therefore letting them be convinced of options and points of view. Where necessary, only adverse views need to be clarified through subtle moderation or brought together.
- The nightmare, but frequently reality for the Strategist, is a team of "*desperate people*" who are without orientation. Nobody really knows where he is going. There are also no explicit opinions and viewpoints. The Strategist must first counter the uncertainty with the help of scenarios before alternative solutions to the strategic challenge can be worked out at all in the next step.

The degree of uncertainty is closely connected to abstraction and strategy competence, but both are not identical and can also have contrary characteristics.

In the already mentioned industrial enterprise for the development and production of control units abstraction and strategy competence was low but nevertheless a high degree of certainty existed. The company's further concrete development was easily imaginable since an abundance of ideas and preconceptions of new products existed. However, it was not possible to derive or systemise these adverse views founded on the basis of strategic models and reproducible for all fellow explorers, in order to subsequently evaluate them emotionlessly.

The strategic process can be applied to systematically ensure entrepreneurial certainty and, with regard to a strategy, to provoke a decision. On the one hand it can also have the function of first and foremost drawing attention to entrepreneurial uncertainty in order to confront the existing strategic risks or opportunities. According to this the choice of Jungle Trails and the Jungle Equipment is only a means to an end and must be made with careful consideration.

2.6   The Company's Situation

The result situation is integrated into the evaluation of the strategic context (Fig. 2.5). Is there an urgent need for action and what degree of change in the market environment are we dealing with? How are the market and competitive environment changing at the moment? Are there changes in the customer and requirement structure, how is value creation changing?

If the answers to these questions are integrated into a simple model which serves as a basis for further considerations, four types of situations emerge. The factors and drivers of changes in the business environment should, of course, be carefully scrutinised during the course of the Jungle Trail.

- Should the entrepreneurial result certainty be in danger, despite the low change rate in the business environment, then the company is clearly not correctly, i.e. "*weakly*", established. In this case the causes should be examined in the course of the strategic process in order to improve it. Finding the correct strategy usually means concentrating on the small "correct" proportion by strategically "purging" the business and honing its profile as seen from the outside.
- In the case of high planning certainty, combined with a slight degree of change in the business environment, the company's situation can be described as "*relaxed*". It has been successful to date and can devote itself to new opportunities and possibilities without the pressure of strategic challenge. This,
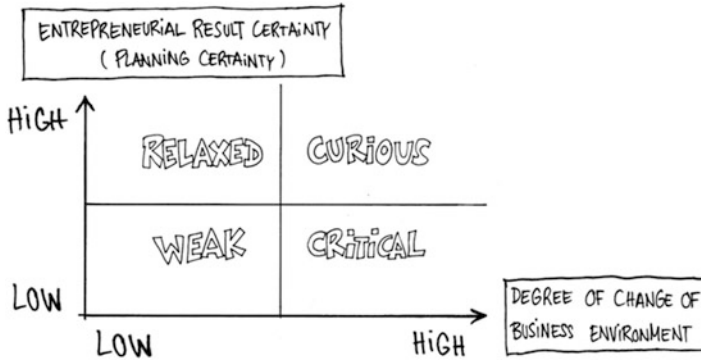
Fig. 2.5 The company's situation

for example, could be the position of an industrial group whose business segments are subject to a currently low degree of change and show a high result certainty whereas new fields of business are waiting to be processed.

- If a high degree of change is coupled with high result certainty, then this will give rise to "*curiosity*". In this situation the company can indeed rely on good results for a foreseeable period but in the foreseeable future the business segment will be acutely subjected to considerable changes with which it must cope.
- If the degree of change is high and in addition to this the entrepreneurial result certainty low then the situation must be described as being "*critical*". A strategic realignment in the form of "open-heart surgery" is necessary. The situation is also not good as regards the other strategic context factors observed here in the Camp. A "witches' cauldron" can easily result (cf. also the *Klingeling* example, P. 131 ff.).

The company's situation has an influence on the further elements within the framework of the strategy profile as, for example, in a critical company situation strategy competence is imperative for successfully mastering the strategic challenge. At the same time speed is necessary here so that the required time and resources must be available.

2.7   Identification of the Strategy Trigger

In most cases a strategy project is triggered by a certain strategic problem. Strategic triggers can be extremely diverse; put simply, they can be driven positively or negatively. "Driven positively" means that it is a question of growth possibilities; of the opening up of new business fields or of the certainty in applying an already existing strategy. "Negatively driven" means that we are dealing with the avoidance of an imminent crisis or the overcoming of an acute crisis, mostly combined with great time pressure and the threat of falling short of entrepreneurial goals.

An insurance group, active in five regions of the country, determines that it has a heterogeneous product spectrum, of which some products sell well in all regions, many of them, however, in only certain regions. The strategic trigger in this case is the question: Where are we positioned exactly in the individual markets in comparison with the competition? And which strategy makes the most sense for the group as a whole?" For instance, the question remains unanswered as to whether it is better to centralise and standardise product development or to leave it in the local markets and to move the corporation forward, preferably through innovations or with a strong, uniform brand. The group would like to gain in certainty in order to be able to invest appropriately and to position itself strategically wisely overall.

An IT service provider in a large corporation has so far had the function of IT service provider for the group itself but feels a growing pressure on the part of the competition towards the internal IT segments. The strategic trigger is the question: How should we position ourselves most intelligently as a company within the group in the future? What particular benefit can we offer in order to secure our existence within the group? And, most important of all: How do we get there?

The clarification of the strategy trigger is important in order to determine whether the recognised problem is really the actual problem. Use the methodology of interlinked thinking (cf. Chap. 4, P. 63 ff.) in order to also look behind the scenes. Nothing is more futile than to focus a strategy project on the wrong problem statement. In the most favourable case the actual problem is noticed during the process and work has to start again from the very beginning. In the least favourable case, however, it is ignored because no-one wants to admit that they have already invested much time and work for nothing.

With the trigger and its clear and obvious formulation, the strategy project is defined and clearly localised. The objective must be to identify the solution to an entrepreneurial problem. This must be exactly isolated and described precisely. Anyone who knows how the problem has arisen will find ways out more easily—and in particular he can recognise critical causes earlier in future and perhaps eliminate them.

The more certainly that can be determined concerning where the strategic problem lies, how complex it is and what connections exist, the more precisely the Jungle Trail can be defined and the more rapidly the process of strategy development can be run through.

If the strategy trigger's degree of abstraction is low and the problem therefore very precisely identifiable, then its driver and trigger are also often obvious as is the case with our IT service provider. The problem is very comprehensive, complex and must therefore be tackled from several perspectives and on various abstraction levels.
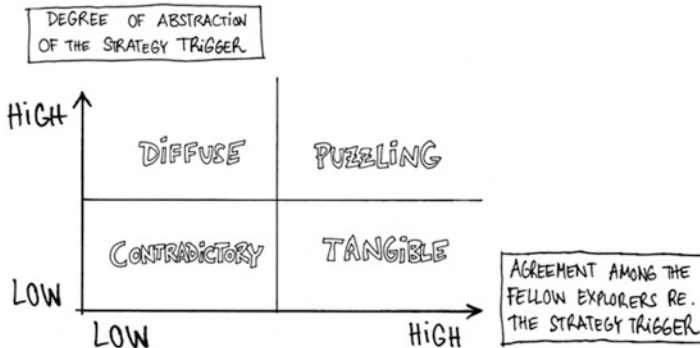
Fig. 2.6 Identification of the strategy trigger

Apart from the degree of abstraction, agreement among the fellow explorers must be checked (Fig. 2.6). Do the participants regard the same strategy trigger to be the cause of the strategic problem? Or are there very different opinions? Is there a need to first identify the problem in order to generate consensus within the strategy team with regard to the actual reasons for a problem? Or is the disharmony even advantageous and must it be integrated and processed in the development of options and scenarios?

Depending on the strategy trigger's degree of abstraction the consensus among the fellow explorers the following situations can be differentiated:

- If the strategy trigger's degree of abstraction is low (e.g. "In which business segments should we invest in future?") but the strategy team is not in agreement about the trigger, then the situation is "*contradictory*". In this case controversial views and opinions must be brought into a structure suitable for them.
- The situation is "*tangible*" if the strategy trigger's degree of abstraction is low and the strategy team is relatively agreed on this. This combination guarantees a speedy navigation through the process as all participants are pulling together with regard to sense, purpose and result.
- If the strategy team has a mutual and unanimous view of the strategic problem but the strategy trigger's degree of abstraction is too high to enable the problem to be tackled clearly with few reasons, then the situation is "*puzzling*". For example, it is clear to all participants that dynamic, sound expansion of a business segment must be attended to in order to be successful in that field in the near future and in the long term. However, none of them knows the reason why the expansion has not functioned well so far. They must first together make the main connections, key factors, perspectives and effects transparent in order to comprehend the actual strategy trigger. Only when these connections are known can the problem be solved.
- In a "*diffuse*" situation a high degree of abstraction of the strategy trigger is coupled with a low degree of agreement within the strategy team as to whether the strategy trigger is also really "the lever" for the solution of the strategic problem.

2.8   Time and Resources

The time available for strategy development and implementation depends on how complex the strategic problem is; on how challenging the strategic contact and how strong the operational pressure for speedy action is. In a latent or acute company crisis there is only little time available. The chosen path towards strategy development must allow for this.

The Strategist must pose the following questions, which have an influence on the shaping of the strategy process:

- How great is the strategy pressure? Must the strategy be ready by a certain deadline?
- How much work time and how many resources (personnel, external support) are available for the strategy process?
- How much time can the fellow explorers spare for the strategy development outside of their daily business?

An honest answer to the questions is important from the beginning. There is otherwise a danger that the strategy process soon "gets grounded" or stuck and cannot be brought to a successful conclusion.

In an honest analysis the Strategist will very often discover that he does not have, or will not be given, enough time and resources for his strategy project. Instead of doing without development of a strategy altogether it is in such cases better to apply the energy available in a more concentrated and focused form.

The whole process must thus be conceived of as a "slender" project so that a successful conclusion is possible. This can be effected by choosing a suitable strategic path and suitable tools and methods. The path must be correspondingly "steep" in order to lead the strategy team to their goal as quickly as possible and the deployment of the tools should not be too elaborate and complicated, but rather must take into consideration the tight resources but also the strategic problem (Fig. 2.7).

Time and resources on the one hand are set off against the strategy pressure on the other. "Strategy pressure" means How strong is the pressure to act strategically? Strategy pressure is not identical with result pressure. Result pressure is caused when there is an operational problem which can also occur when the company is strategically well organised. Result pressure can be alleviated by operational
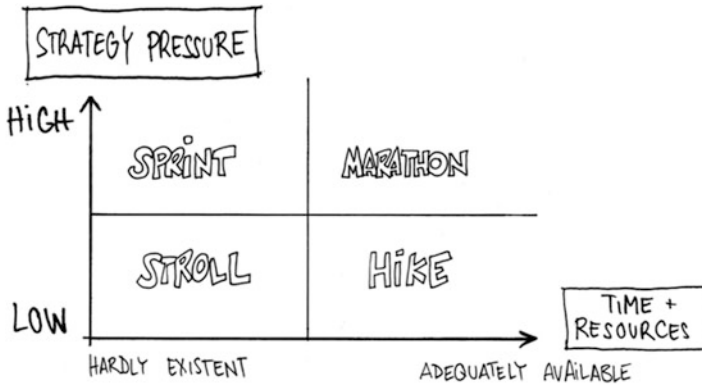
Fig. 2.7 Strategy pressure (deadline) and work time (resources)

measures, e.g. an increase in efficiency or cost optimisation. Strategic action pressure exists when the company is basically endangered and sees better possibilities for its own positioning. Strategy pressure often becomes obvious through result pressure but this is not necessarily the case.

Depending on how much work time and resources are available and how strong the strategy pressure is, four characteristics can be differentiated:

- *"Stroll"*: The strategic pressure to take action is low so that there is no deadline pressure for the strategy work. To cope with the strategic challenge the few available resources should be concentrated on the most important methods and tools in order to master these at a high degree of abstraction. To do so, however, the measure of felt uncertainty should not be too high and there must be sufficient strategy competence available.
- *"Hike"*: Sufficient resources are available and pressure is low—really the ideal situation for the development of strategies. The strategy team has enough time to devote itself to the strategic challenges and can occupy itself without pressure and intensively with the necessary tools and methods.
- *"Sprint"*: If strategy pressure is high and there are only few resources available, then the Strategist must proceed speedily with his team through the Strategy Jungle in order to arrive at a solution to the strategic problem under the prevailing circumstances. In this case it should be taken into consideration that this is only possible if the characteristics of the other elements in the strategy profile allow this.
- *"Marathon"*: If sufficient resources are available the strategy work can be carried out even under high pressure in a short space of time and very intensively in the form of a "marathon session".

An established energy company which was searching for new fields of business had sufficient time and resources available and the strategy pressure was low. It was thus possible to take time to analyse possible business ideas and check how much potential was behind each one of them or rather how attractive they were for the company. The Jungle Expedition trail (Pleasure Garden) was chosen for the

"hike". The trail primarily remains in the Scenario Park and was ideal for this company (cf. P. 149 ff.).

2.9   The Political Situation

In principle a strategy always means something new; a new, unique, desirable position of a company. This is constantly linked to a change in the status quo which challenges resistance. Where there is no resistance, where no "Holy Cows" are slaughtered, there are no real changes. The conclusion is clear. In an analysis of the political situation the Strategist contemplates where resistance can emerge in the course of the process.

As a strategist you should ask yourself whether and to what extent you integrate resistance in the strategy development and possibly forestall it. In my experience it is best to ignore resistance in strategy work for the time being. A strategy should never be a compromise. Compromises are reserved for the implementation of the strategy, not its development. However, this is not always realisable. As a strategist you should draw the necessary conclusions for the development of the strategy project, the trail through the Jungle, from the political situation. The political situation issues a statement concerning the extent to which the participants are in agreement with regard to the goals and to the possible solutions in terms of possible strategic viewpoints. The focus is on questions such as the following:

- Who plays a role in the strategic process (fellow explorers and strategy team, managers, boards, proprietors, supervisory boards, works councils, etc.)?
- Which goals are each of them pursuing?
- Are they all heading in roughly the same direction?
- Or is there disharmony because they are pursuing different goals and have different interests?
- What are each individual's positioning and profiling needs?

In the case of the water pump manufacturer I mentioned that only a few individuals were participating in the strategy process. They were, however, in extreme disagreement with one another with regard to the future orientation. The result was a "faltering" procedure. In this situation it was necessary to choose a rather "gentle" trail through the Jungle which, on an understanding level, included all the participants with their viewpoints and sounded out various strategic
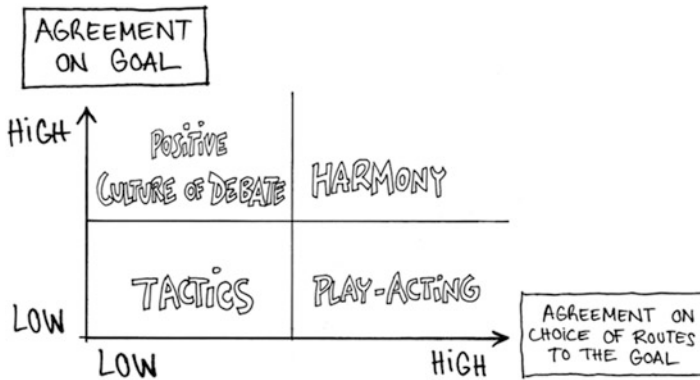
Fig. 2.8 The political situation

possibilities for the further procedure without proceeding too briskly or provoking unnecessary confrontations with methodically "hard" competition systematics.

The assessment of the political situation provides the Strategist with information as to whether he must establish goal agreement with the appropriate tools before beginning the strategy development process or, supported by a corresponding procedure, he should demand no decisions and viewpoints from the participants for the time being but keep the strategy process open for as long as possible. The assessment also gives an indication as to whether a strategy process will lead to success at all (Fig. 2.8).

The political situation can be characterised as follows:

- *"Tactics"*: Each of the fellow explorers pursues his own goal and also has a solution for it so that there is a low degree of agreement on the goal and the solution. The attempt to compile a mutual strategy can quickly fail in this constellation. In order to counteract this the Strategist must first establish consensus on the company's goals and only grant the participants the possibility of taking up viewpoints late in the course of the strategy process.
- *"Play-acting"*: Should the team tend towards low agreement on a goal coupled with high agreement on a solution, the strategy work becomes strenuous for the Strategist because it means that consensus is indeed simulated but this does not really exist in terms of goals. The result is a non-resilient and therefore non-realisable strategy. The Strategist must thus try to establish agreement on the goal and, in addition, break through the simulated agreement on a solution. The situation usually requires competent, provocative external support ensuring that all cards are put on the table before commencing with the actual work.
- *"Positive culture of debate"*: The best conditions for good strategy work lie in a positive culture of debate. This prevails if the participants agree on their goals, for example to achieve capital returns of 9 % and to achieve service leadership, but see various ways of accomplishing this. Should a high strategy competence also exist among the fellow explorers ("Special unit"), the Strategist only needs the tools most important to him and a clear structure in order to be successful.
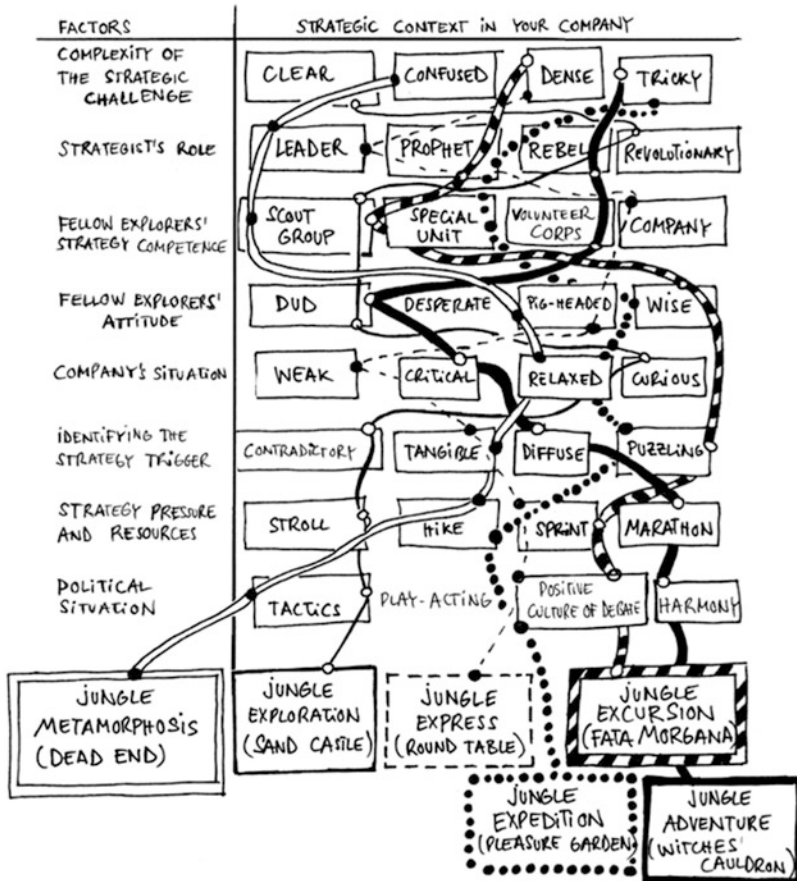
Fig. 2.9 Examples of possible strategic profiles

- *"Harmony"*: It is true that this constellation includes a high degree of consensus on the goals as well as on solutions but the lack of controversy can quickly lead to unusable results. In a group of "yes individuals" each one confirms the statements of the other and whitewashes these. In this case the Strategist must try to purposely establish a constructive disharmony and controversy by, for example, using deploying the scenario management tool (cf. P. 71 ff.) or choosing the fellow explorers accordingly.

2.10   The Strategy Profile

Once you have become familiar with the eight factors of the Strategy Camp—both individually and in their reciprocal dependencies—you will have recognised which factor influences the shaping of the strategy project. In Fig. 2.9 you will find, as an

example, six profiles which correspond to six Jungle Trails. These profiles represent only a selection as there are more than 4,000 possible profiles in this simplified model alone—an indication of the absolutely infinite complexity which is inherent in every strategic challenge and its context. It is not my aim to illustrate these in their entirety in the book. You should become aware how decisive it is for the success of your strategy work to consider these factors in order to carry out your strategy work in an intelligent, effective and simultaneously efficient way.

It is most improbable that one of the six profiles and thus also one of the six strategy paths described below will fit your problem and your situation a hundred per cent. In any case you should determine your special profile by marking the factor which best corresponds to your strategic context on every horizontal line of the above chart. If you connect the individual fields you have marked you will arrive at your individual strategy profile and thus an indication as to which path can be the most suitable. There is no such thing as a "perfect" path, but there are more or less suitable paths.

The six paths illustrated in the diagram, i.e. Jungle Express, Exploration, Excursion, Metamorphosis, Adventure and Expedition, are introduced in detail in the second part of the book, each on the basis of a concrete case study.

Orientation on Impassable Terrain: The Jungle Topography

3

Before we march through the Jungle and work out a strategy you will be given an overview of the Jungle Topography in this chapter. Topography is understood to mean "the description and representation of geographic locations" (Duden). This means various areas or sectors through which you will pass on your strategy trail through the Jungle, quite independently of which Jungle Trail and what equipment you choose. These areas and sectors stand for certain requirements on the strategic trail.

It is a matter of finding the right parameters. The sectors described are not necessarily crossed on every Jungle Trail; it is rather a question of the strategic context and therefore the depth, thoroughness and speed at which the strategy process is carried out in each case. The more difficult your strategic context, the deeper you will have to penetrate into individual sectors. The sequence of the sectors is not essential but arises from the process in question. The Strategist should know the sectors in order to understand their significance himself and to guide his team on a safe trail through the Jungle (Fig. 3.1).

The following Jungle areas are described in this chapter:
- The Magic Forest of Goals
- The Complexity Thicket
- The Swamps of Emotions and Viewpoints
- A Look in the Mirror
- The Scenario Park
- The Customer Palace
- The Competition Arena
- The Fog of Uncertainty
- The Temple of Options.

It is good to familiarise yourself with these areas before setting out on the strategic trail in order not to get lost in the Jungle later or to get stuck in one area without successfully bringing the strategy process to an end. After all, a safe crossing of the various sectors of the Jungle will lead to making clear decisions.

Fig. 3.1   The Strategy Jungle with its nine sectors

3.1   The Magic Forest of Goals

Anyone who does not know where he is going can also not recognise whether he has ever arrived. This means, without distinctive entrepreneurial goals and a clear knowledge of fellow explorers' thoughts regarding the goals, it is not possible to work out a strategy. Whereas in the Strategy Camp the focus was on the goals of the strategy process, now in the Magic Forest of Goals we are concerned with the clear definition of the *company's goals*. They are the fixed or anchor point of every strategy as they stipulate what is to be achieved with the strategy. Whereas company goals are basically set for the long term, strategies can change; depending on the type of business, the market and the company they have a life-span of between 2 and 15 years.

Targets can be clearly differentiated from visions, strategies and missions.

– The *vision* is the self-concept of the company: What contribution can it make to the world? What is its basic right to exist?
– *Goals* are the concretisation of the vision, mostly in the form of performance figure-oriented statements (capital development, turnover development, growth of sales, market growth, etc.).
– *Strategies* are means to an end in order to achieve goals and thus to get nearer to a vision.
– The *Mission* is the formulation of the strategic trail in words.

The Magic Forest of Goals is the only area which is passed through on almost every Jungle Trail. How long the strategy team will linger there depends on how clear the goals already are within the company and how united the team is on them and identifies with them. And when the Strategist will be stopping there with his team is sometimes a matter of tactic. It is certainly convenient to begin with the goals, but often it is better to only mention them briefly at the beginning and not to clarify them intensively until later when other topics, which are more comprehensible and simpler for those involved, have already been worked out.

The "magic" which is inherent in the goals lies in their great significance for the whole strategy work:

- Goals are a strong incentive in the company in order to achieve something and to move on to new pastures.
- Should opacity or lack of clarity prevail with regard to the goals, then it is impossible to develop a functioning strategy.
- Only when the goals are known and clear can possible strategic options be evaluated. After all, existing capabilities can only be evaluated as strengths or as weaknesses in the context of clearly defined goals. When the goals are known it is possible to assess whether a strategy is well or badly suited to reach those goals. Strengths and weaknesses can only be judged with regard to a strategic option, and, depending on the option chosen, other strengths and weaknesses are required.

Besides the magic which the goals have on the one hand, they can on the other hand give rise to controversies. After all, heterogeneous goal positions can arise from the different motivations of the participants. These have to be brought together under contract. To organise this successfully is the job of the Strategist who should already try to nip these conflicts in the bud in the Strategy Camp when forming his strategy team.

Within the company it can often be presumed quite naturally that the goals are in fact "clear" to everyone. If the strategy team is sounded out it will soon become apparent that each has his own very personal idea of the goal. It becomes difficult when members of the strategy team view the matter so differently that contradictions emerge and the various goals cannot be reached simultaneously. If the company, for example, has set itself the goal of generating a certain return for its shareholders, then this means, strategically speaking, running the business as efficiently and profitably as possible. Or is a certain annual rate of growth expected? In this case it can be strategically

advisable to invest in new markets and products. Both goals, however, eliminate each other as the short-term generation of a high capital return is not strategically compatible with a strong rate of growth which inevitably demands investments. It is important to set priorities on the time axis. To want to develop a strategy on the basis of contradictions in the goals is completely out of the question. For this reason clarity about the goals must first be established among the participants.

In particular in large companies it is almost impossible to determine one simple mutual goal because of the complexity. The corporate goal is almost always a mixture of the individual goals of each individual participating in the company's success (shareholders, boards, owners, etc.) If, however, clear priorities have been set for the goals instead of all being rated as "equally important" and "essential to achieve", and if all contradictions have been eliminated, then fruitful strategy work is possible.

In order to elaborate the relevant corporate goals, it is recommendable to first list all the goals put forward by the participants. In doing so not only the logical dependencies of the goals should be listed below one another, but also the various interpretations should be taken into consideration. Following this the individual goals should be evaluated and discussed from the point of view of the participants, until consensus is finally established. (cf. in this connection the Jungle Adventure, P. 131 ff.).

3.2   The Complexity Thicket

Facts are always regarded as complex when individual elements are so interlinked with one another that the effects of one action can no longer be estimated. Signs of complex systems are a structure with many elements which additionally interact with one another, and high dynamics with a high rate and frequency of change of the elements. The Strategist can encounter complexity everywhere in the Jungle where he has to deal with several factors which are interlinked with one another and have a temporal dynamic effect. As soon as facts are no longer foreseeable and controllable, you probably have a complex system ahead of you. Complexity can, for example, already occur in the company's goals, but likewise in the strategic possibilities and in the development of scenarios. It almost always becomes complex when human beings are involved—as human beings are themselves complex systems on which a large number of emotional and psychological factors are combined. When choosing the fellow explorers in the Strategy Camp you have already become familiar with some complexity factors.

One of the greatest errors is to believe that complexity can be "reduced". That is not possible as complexity exists per se and cannot simply be reduced. If this is attempted then the world is made simpler than it is and mistakes often occur. Complexity can easily be blended out but not reduced. The art of dealing with complexity is far more to identify those in the network who have a key character, and to concentrate on these. The key factors should be identified and by doing so should make the strategy controllable. (cf. P. 63 ff.).

In the development of the strategy less obvious alternatives should also be consciously searched for, considered and evaluated. Simple or obvious solutions are not always the best and frequently create neither unique positions nor competitive advantages.

3.3   The Swamps of Emotions and Viewpoints

The development of strategies and the making of decisions are not a "rational matter" as individuals never behave only rationally and will not exclusively represent the interests of the company. Within the strategy team, for example, each head of department will be out to represent a position with which he strengthens and protects his business unit and therefore his own interests, even if this appears rather impedimental from the point of view of the company. From the very beginning the Strategist would be advised to recognise the emotional factors in the strategy development and to take these into consideration as otherwise it is possible that, although he has a conclusive and sensible strategy, he may still fail with it because it does not take into consideration the differing interest, goals, positions and needs of the participants, does not meet with their approval and is not implemented.

Within the framework of the strategy process you will then predominantly land in the Swamps of Emotions and Viewpoints if the situation is characterised by a high degree of complexity, controversy and temporal and economic pressure within the company. This inevitably leads to extremely stressful situations in which on the one hand the professional, factual side and on the other hand the socio-emotional side play a role (Fig. 3.2).

In the case of "trivial" topics the professional complexity is just as low as the socio-emotional complexity. This means, agreement is quickly forthcoming. The challenge becomes greater if the professional side can be rated as complex, if professional knowledge and depth are therefore required before the results
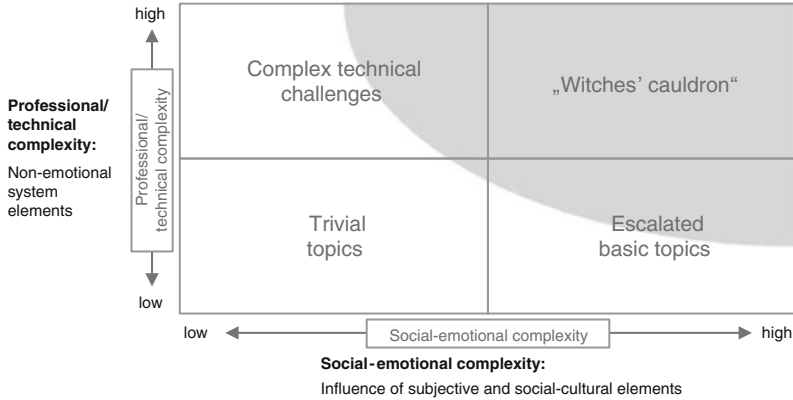
Fig. 3.2 The two dimensions of complexity within the framework of strategy work

gained can be applied to the strategy development. In many companies the opinions of executives, boards, employees and participants are completely "deadlocked" in the strategy process. In this case certain key topics become the "bone of contention"—often over a longer period of time—sometimes even reaching escalation, without the individuals being in a position to abandon the positions they once took up. Strategy development can become a "witches' cauldron" if the attitudes of individuals are not only totally "screwed up", but also even the subject matter becomes very demanding in a professional respect (cf. Jungle Adventure, P. 131 ff.).

The Strategist can avoid the Swamps with tactical skill, in particular by delaying the assuming of emotions and viewpoints for as long as possible and placing the emphasis first of all on the elaboration of a framework of possible options (Strategy Option Space, P. 69 f.), thereby de-emotionalising the contents and only letting evaluations of the individual strategic positions be carried out by the team at the end.

It can frequently be observed that, right at the beginning of the strategy process, certain participants—e.g. executives, members of boards or other key individuals—are persuaded to take a stand for a certain position, course or strategy. That is tactically unwise as on the one hand those affected can only relinquish their once assumed position with great difficulty without losing face. On the other hand there is also a danger of all of the other participants in the process becoming yes individuals who only approve the position of the key individual without seriously considering other strategic options. "Once the board or managing director has decided on this, why should we still develop another strategy?" is often their
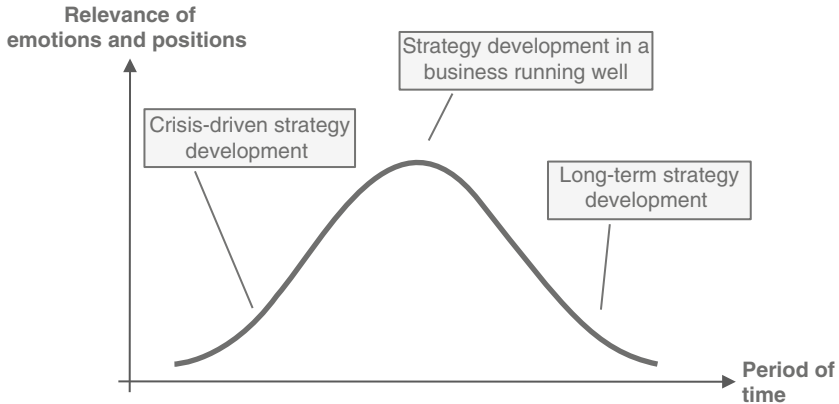
Fig. 3.3   Relevance of emotions and positions in strategy work

attitude. In this way the path towards a possibly more attractive and better strategy is completely blocked for the company.

In the case of a service provider from the industrial sector the board had already resolved before the beginning of the strategic process that the company would withdraw from a certain, unprofitable market. One business segment was severely affected by this. As the business segment manager in question was a member of the strategy team and his objection was naturally foreseen beforehand the Strategist avoided mentioning the withdrawal at all or bringing it into play as an established fact or viewpoint of the board. Instead he worked with the team quite "neutrally" in the course of the process on the overall picture of strategic options and procedural errors and had these evaluated one after another. Finally the team and in particular also the business segment manager realised on the whole, on the grounds of the processed logic, that the withdrawal from the unprofitable market was only consistent and convincing and therefore absolutely necessary. The fellow explorers themselves had arrived at the conclusion that the withdrawal was unavoidable, and approved it. On this basis it was possible to sound strategic options within the team for the positive further development of the company after the withdrawal.

The Swamps of Emotions and Viewpoints play a special role in the well-running, "normal" business operations, whereas in times of crisis and during a longer-term strategy development they are less distinctive (Fig. 3.3). Should the company be in a crisis and should it be under severe pressure of success, then solidarity is usually easy to establish among the participants. After all, the difficult situation bonds the strategy team and encourages everyone to subordinate their personal needs. The same applies when a strategy is developed over a very long term, over periods of 10 or more years. In this case possible conflict potentials are far removed so that agreement does not harm anyone. It is forgivable to agree to a rather uncomfortable position because it will not materialise yet and can perhaps be revised later. In normal business operations with medium-range time

frame, however, the conflict potential is particularly great. Here the need for the individual to position himself, to distinguish himself and to wage political trench warfare emerges.

Apart from the time frame and the company's situation it is also decisive for dealing with emotions and viewpoints to define which role the Strategist himself has. If, for example, he is the manager, owner or chairman of the board, the *Leader*, he can in cases of doubt overrule deviating viewpoints or objections more easily than the *Prophet* or the *Rebel* can allow himself to do. As these are second tier executives and under certain circumstances the company would even like to convince people of an unusual strategy or a critical situation, they must proceed differently as far as tactics are concerned. Metaphorically speaking, the Leader can drive through the swamp in an amphibious vehicle whereas the Prophet and the Rebel have to cross it on foot and therefore are continually searching for a strong foothold. Last of all the *Revolutionary* can jump here and there through the swamp and as a member of the management tier of the company is well recommended to hold back with his "deviationist" viewpoint for the time being.

3.4   A Look in the Mirror

Many companies develop excellent strategies but later discover that they are "suspended in mid-air" because they are not realisable at all. They have failed to take a look in the mirror, i.e. to reflect on the company's situation at present and why this is so. Metaphorically speaking, this can be described as follows: A look in the mirror is the zero-point for measuring the distance—the gap—between today's strategic position and the future strategic position. Strategies need an anchor at the "fore", but also at "aft". The forward anchoring represents the goals upon which the strategy development is based, and the aft anchoring is the present situation, the current strategic position of the company.

It is important to filter out of a large number of possible effects of and reasons for the decisive key factors (Complexity Thicket!) in order to describe the present situation appropriately, to penetrate it and to really understand it. The Look in the Mirror means to look the truth straight in the face, even if it appears to be a "grimace". The core issue is: What is the company's present status and why is this so? Once this question is answered then it is apparent what factors the soon to be developed strategy can "dock onto" later. An honest Look in the Mirror is important in order to evaluate different strategic options from an insider's point of view during the strategy process and to judge them realistically.

A company within an automobile supply group was manufacturing products for the armament business at a loss and was thus in a poorer position than when it worked on armouring civil vehicles. What was the explanation for this fact, which was even more astounding in view of the fact that the company was the technological pioneer? It was necessary to analyse why its competitors were growing faster although they were working with outdated armament technologies. The analysis of a large number of elements finally led to three key factors:

the location strategy; the partner competence and the marketing competence. It turned out that the location of the company was not convenient and the competence of suppliers left much to be desired. On the other hand, however, the company had excellent research partnerships with technical universities and offered this as a reason for its technological head start over the competition. The company's marketing competence could be rated as below average in comparison with its competitors. This relentless exposing of the present situation, which also showed the unadorned weaknesses, became the basis for the further strategy development. Now it was known where the forthcoming strategy should "touch down". For instance, in this case it would have been unrealistic to develop a strategy which would have presupposed strength in the supplying partners.

To develop a strategy which suits a company and can also be implemented, presupposes that you review the present situation and its background frankly in a process of self-reflection. After all, reality is simply in the eye of the beholder. Make sure you acquire several "realities" for yourself. Know and accept the "facts" of your company from various perspectives. This way you will later not only avoid unpleasant surprises in implementing an unrealistic strategy but overall you will be able to mould the circumstances to your own advantage and benefit.

3.5   The Scenario Park

The Scenario Park is always crossed when the uncertainty within the strategy team is high and the fellow explorers should be given the feeling that they have looked into and evaluated all the relevant alternatives before making the right decisions. Scenarios are there to establish certainty, to generate new strategic options and finally to increase the sustainability of decisions. With the help of scenarios participants can often be convinced and reduced to a common denominator.

It is necessary to be aware that the development and use of scenarios is often a complex process. And this is also one of the main objections which are repeatedly voiced against scenarios. "Low returns of knowledge at a high expenditure" and "Reference to the strategy non-existent" are often criticised. This is true—but only when the application of scenario management is not target-oriented but is handled "discursively". Diffuse questions ("How will our environment develop over the next 5 or 20 years?") lead to diffuse answers with the result that the team becomes lost and wanders aimlessly in the Park in a multitude of possible scenarios without

arriving at any results or decisions. Under certain circumstances this may be inspiring or exciting but it is not effective.

Precise, clearly limited questions are the prerequisite for the skilful use of scenarios, e.g.: "How will our competitive environment develop over the next 3 years and what effects will this have on the present structure of our business units?" The procedure concentrates on a clear process with few decisive steps with the aim of drawing the greatest possible advantage from the scenarios (cf. on the methodological course of scenarios P. 71 ff.)

There are only two entrances to the Scenario Park:

1. Where the formulated strategy problem is concerned, the company has no strategic options at all and would like to develop various possibilities.
2. The company already has a concrete strategy and would like to know how robust, enduring and sensible it is and where it must be adjusted.

An international corporation chose the first of these two entrances in 2005 when it was inevitable that bio-technology would become a growing market. The questions upon entering Scenario Park were: Which of the entrance possibilities in the bio-technology market would be the most attractive assuming maximum utilisation of the competence of existing business segments? After playing through various scenarios the decision was made in favour of joining certain value creation segments of nanospectral and molecular technology.

A temporary employment agency which had developed a facility management sector growth strategy for itself but felt confused by developments among the competition and the introduction of minimum wages by politics, chose the second entrance. The clear question on the development of scenarios was: What effect will the introduction of minimum wages have on our company and our immediate competitive environment? Is the existing strategy robust enough under these circumstances?

3.6   The Customer Palace

No matter whether we are dealing with the internal functional sector of a company, a profit- or non-profit-making company, it is always important to serve a market and its customers. In order to be successful with this, the two central questions are: "Who is my customer?" and "What exactly is my market?" and they must answered. Too often these two questions, which are seemingly simple and mostly very difficult to answer, are not well thought through, discussed and answered. In the Customer Palace the idea is to find answers and decide whether a strategy should be carefully arranged to suit customers' needs, i.e. from the market point of view, or whether the answers should rather be given indirectly, i.e. based on resources or competition. It is often regarded as a "question of religion" as to whether the "school" of orientation should be pursued on a resource, customer or competition strategy. But only the strategic problem and the strategic context specify whether a strategy is preferably customer-oriented ("Do I have what I sell?") or resource-based ("Do I sell what I have?"); whether the competition-oriented approach should be drawn on for precise specification of the strategy or whether it

should be the driver of the strategy development. Methods are a means to an end and in this case the method is indicated by the strategic context.

3.7   The Competition Arena

Companies on a Jungle Trail enter the Competition Arena when their strategy requires a competition-based approach. In my opinion the times in which it was possible to develop purely competition-based, successful strategies are history. Strategically speaking, in the structure of today's markets it is more a question of being different and not better than others. The competition-oriented approach can, however, supply strategically valuable results. For instance, the company's own position and that of its competitors can be analysed, i.a. in market or competition portfolios (cf. P. 58 ff.) in order to subsequently review the company's own position based on these aspects. This is, at the same time, also the greatest draw-back of this methodology as focuses only on the competition which is helpful but should never be the only choice in the strategy development.

But beware! Market portfolios are often only developed in order to "whitewash" the company's own position in the competition environment. The Competition Arena is only recommendable if those elements which can be concentrated on within the company's own business can be identified seriously and with justifiable expenditure. This means having to move within a clearly marked court of players whose number is restricted and will not change in the foreseeable future. If this is the case, valuable results can be gained through competition-based strategy observations.

Competition-based strategies are exclusively suitable for established markets with clear entrance barriers and tangible competition structures. This is still the case, for example, in sectors such as automotive, aviation, oil or even the defence industry. The entrance barriers with their necessary high input of capital and resources ensure that newcomers or "lateral entry players" are fairly rare and the number of players who "have divided the market amongst themselves" remains relatively consistent over years or even decades.

In increasingly more sectors and markets the competition barriers are gradually fading so that isolated competition analyses are pointless. Some examples:

- In addition to banking services the post office meanwhile also sells electricity.
- A clothing retail chain sells loans and insurance policies.
- A coffee-roasting company offers not only clothing, gardening items and mobile phones but also holidays.

- Books are not only sold directly by bookshops but also by online suppliers; chemists; DIY stores; garden centres; drugstores and publishing houses.
- Encyclopaedia publishers are being displaced from the market by free Internet services; centuries-old department stores by Internet selling platforms.
- A search engine operator has become an electricity provider.

Assuming a video shop was compared only with a few other video shops and perhaps with two large video franchising chains too, this would be "too short a jump" to be able to derive a strategy from it. After all, the competitive boundaries are extremely indistinctly marked. As competitors, amongst others, online video stores would also be acceptable as well as video-on-demand providers on the Internet; free online offers such as You Tube; discount film sales on Amazon or eBay; possibly even bookshops or online bookshops. The market boundaries are so diffuse that there is no point in stepping into the Competition Arena at all. To a certain extent this would be competing with invisible opponents who are not tangible or, worse still, who "position" themselves prominently in a supposedly clear structure.

Where there is plenty of movement in markets—e.g. as a result of digital development and the Internet or because they are still at an early stage of development—the Scenario Park is often better than the Competition Arena for developing a robust strategy as it is usually much more decisive for success in being not better but different. To this effect resources and customer-based considerations should definitely be taken.

3.8   The Fog of Uncertainty

The Fog of Uncertainty can take you by surprise at all times and in all places in the course of the strategy development. It continually appears when the strategy team is suddenly abandoned by the certainty of the "why and wherefore". The more intensively attention is devoted to a topic and the more deeply the team becomes immersed in it, the more gaps in knowledge are discovered. Facts which seemed to be clear before now appear in quite a new light and pose more questions. Unsuspected possibilities of applying existing capabilities emerge suddenly, but there is uncertainty as to how they should be assessed. The "why and wherefore" of actions are queried.

The Strategist should always give his team the feeling that they are on the right path. He can already prepare them for the many uncertainties he expects at the beginning of the strategy. However, uncertainties with which he has not reckoned can evolve unexpectedly within the team.

The supplier to an aircraft company determines that with its competence in the cabin fittings (lightweight design) sector it could theoretically also gain the automobile industry as a customer. Is entry into this market advisable at all or not? In order to check out this option, it is necessary to enter the Scenario Park and ask: How will lightweight design products and the inherent customer demands develop over the next five years?

The team's certainty is one of the main success factors for finally arriving at a successful strategy. For this reason the Strategist should never stick rigidly to his chosen path when uncertainties arise, but remain flexible and, with the selection of suitable tools, give his team the opportunity to feel safe ground under their feet again.

Frequently an unplanned diversion into the Scenario Park will help as it is better to imagine a catastrophe than to actually have an unimaginable catastrophe on your hands later. In extreme cases it can be necessary to take a different path through the Jungle than the one originally intended. But this too is better than when a "queasy" feeling, which has crept in among the participants at some stage, is not eliminated during the entire downstream strategy process. It can destroy all the subsequent stages on the strategic trail and finally cause the strategy to fail, as it will in turn give rise to a "queasy" feeling. Rather a strategy to which everyone in the company is committed than a rational and conclusive strategy which is not accepted and is not implemented.

3.9   The Temple of Options

When developing a strategy there is a tendency to be far too quick to grasp at the nearest possibilities and the most obvious solutions and proclaim these as a strategy. Sometimes this happens subconsciously due to an attempt to avoid the "confusion" of complexity or artificially "reduce" complexity by not even considering many aspects. However, the strategic possibilities are usually much more multi-facetted and diverse than appears at first glance or than the Strategist and his team can imagine. It is therefore worthwhile setting up an option space where the many possibilities can be recorded and evaluated (cf. P. 69 ff.).

The Temple of Options has the function of liberating the team from customary, simple and obvious strategies which can be thought of "on the spur of the moment". A wider framework is set up within the context of which a large number of options or possibilities are considered and consequently evaluated by applying suitable methods. In this way unusual, but under certain circumstances far more attractive and better, solutions can also be identified.

The Methodological Tool Clears the Way: The Jungle Equipment

<div style="text-align:right">**4**</div>

4.1 Using the Methodological Tools

The methodological tools have a key function in the development of the strategy. For this reason it is important to choose suitable tools—i.e. those which are conducive to strategy development—and, in fact, to the same extent and with the same thoroughness as was necessary for the process. On the one hand this sounds obvious and logical but, in my experience, the practice of strategy development in companies shows that the reality looks quite different. The following are typical errors which are often made:

- Strategy teams do not find their way through the thicket of methods because they have previously snatched any "random" tools with which they are familiar but which do not bring them any further in their relevant strategic context.
- They apply the methods "academically", work through them schematically as they would a text book and in doing so often overkill the strategy process by increasing work on it unnecessarily.
- Sometimes the opposite also happens: a method is applied too superficially without its foundation being laid beforehand or its application being prepared within the team.
- The use of individual methods (typically e.g. the scenario management) is wrongly estimated.
- In many companies several methods are known as individual, isolated tools but it is not clear how the methods should be combined meaningfully with one another and combined to arrive at useable results.
- The professional or factual side is given too much space whereas the socio-emotional complexity (politics) is addressed neither selectively nor methodologically.
- Many methods are indeed useful but are applied at the wrong time in the course of the strategy process so that no usable results are achieved.

Not only the strategy process resembles a jungle but also the methodology and its application! In the case of unsuitable use of methods a "method frustration" quickly spreads through the companies and frequently becomes "strategy frustration" if a

realisable strategy is not successfully developed in the end despite intensive and careful work with the tools.

The following is important in strategy work: as much use of methods as necessary and as simple as ever possible! The emphasis is not on the method nor on the tool but on the goal, i.e. to work out a new strategy or to determine the new strategic position. Ask yourself repeatedly in the course of your Jungle Trail: Must the relevant method really be used? Does it bring us nearer to our goal? Never organise a workshop in which you use a method "just so" to clarify something because of the risk of something unusable evolving—in the worst case a non-sustainable strategy—is too great. The strategy process must be carried out in a goal-oriented way and the use of methods carefully considered and often prepared. In doing so the factors of the strategic context (cf. P. 9 ff.) stipulate what must be done and what not.

This chapter is intended to help the Strategist to become familiar the most important strategy tools and their correct application. I purposely refrain from explaining methods or aspects below which have already been frequently described in strategy literature. Instead I am concentrating on what, in my opinion, is described in literature either insufficiently or often too theoretically, not practically and without reference to the strategy. An example of this is the use of scenarios. If the reader discovers methods with which he is familiar, e.g. the SWOT analysis then he will not have an explanation of what it is exactly and how to carry out a SWOT examination but rather how this tool can be used in combination with other methods and to what particular attention should be devoted to. In addition helpful tips are also given for practical strategy work using those methods in order to avoid mistakes and misunderstandings. A large number of tools should be used in different ways depending on each strategic context, amongst others on their intensity. For this reason the possibilities for their use is presented resourcefully. In the following section of the book, the Jungle Trails, you will learn how the methods described here are linked and used sensibly with one another depending on the strategic context on the basis of six case examples. If you happen to be an experienced strategist, well versed in dealing with strategy tools, you can skip over this chapter or, if required, add it to the literature on the case examples in the following chapter.

4.2   Methods for Charting the Course and Weighing Anchor

4.2.1   Retropolation

Retropolation serves as a tool for introducing the strategy process for "mental warming up" so that the strategy team can give consideration to useful strategic possibilities (options) without going into the individual methods in detail. In this way viewpoints and perspectives mature which can be accessed during the strategy process. This prevents "thinking by word of mouth" too strongly during which everyone will only express imprudent opinions.

Retropolation is a look at the present from the point of view of the future: the fellow explorers prepare the forthcoming strategy work in the form of lectures by devoting themselves to the current situation, its complexity and possible strategic alternatives. From the retrospective view of a fictive future ("our company/our business unit in five (or ten) years") a description of which path the company has taken in order to solve its strategic problem can be obtained and which hurdles it has taken and how it "now" stands (= in 5 or 10 years).

Your fellow explorers, by thinking through their ideas from several perspectives and in doing so also taking into consideration the implementation of the strategy, bring "founded input" with them for their further crossing of the Jungle. The lectures have the function of supplying incentives to the remaining fellow explorers. Discussions and valuations must, however, be strictly prohibited because they would only lead to prematurely deadlocked viewpoints. (Further comments on this procedure developed in Harvard can be found i.a. in Doppler and Lauterburg (2008) and in the example of the Jungle Express, P. 85).

4.2.2   Assessing the Goal

In the end every corporate strategy "only" serves towards reaching the company's goals. However, these are often not clear at the beginning of the strategy process. Should unclarified ideas of goals, which even possibly contradict each other, exist subliminally or unexpressed within the strategy team the development of the strategy cannot lead to success. After all in the final instance it cannot be decided whether the strategic position aimed at really contributes towards achieving the company's goals or not—there is no measure. "No wind is favourable for him who does not know for which harbour he is heading" were Seneca's knowledgeable words. For this reason it is especially important at the beginning of the Jungle Trail that the company's goals are made transparent and that consensus prevails or is established within the strategy team.

In practice there is frequently the problem that goals involve a complexity which needs expressing not only in clear words but also in goal parameters which define its weighting, its priorities, the fulfilment degree already reached and its independencies. Words always allow differing interpretations but presentation in parameters, which are partially also processed quantitatively, is clear. In this way possible misunderstandings in the course of the further strategy process can be minimised.

If a retropolation has been carried out beforehand the collection and recording of the goals on the basis of the aspects named in the lectures is effected first of all. Should there be an extensive collection of goals a differentiation between drivers (reasons) and effects (results), in accordance with the goal logic, can be helpful. Putting the goals in relation to one another with regard to their influence within an operational network (cf. P. 65 f.) allows three to six really relevant goals to be filtered out. It is important in this context to bear in mind the so-called "passive elements", as goal values are exclusively effect values.

Only when there is explicit clarity regarding the goals and all interpretations have been expressed have the company's goals been clarified and can be weighted, prioritised and judged according to their degree of fulfilment. In doing so the period valid for the goals should also be observed. Many goals are possibly important at present but in the course of time fade into the background or vice versa. The weighting and the fulfilment degree of the goals can be illustrated in the "goal wheel" which can be well depicted electronically, for example with the aid of the EIDOS software issued by the Parmenides Trust. You can find examples of this in the Jungle Express (P. 85 ff.); in the Jungle Metamorphosis (P. 119 ff.) and in the Jungle Adventure (P. 131 ff.).

4.2.3   The Success Factor Analysis

When developing strategies I frequently come across strategy teams who, on the basis of success factor portfolios or even a SWOT, are discussing possible strategic approaches for their company, without, however, having established a reference to a concrete strategic option beforehand.

The use of a success factor analysis is only recommendable if you have previously clarified the key factors which are advisable for your strategic approach—i.e. when you have already compiled various strategy options and now wish to evaluate or compare them. Otherwise the success factors can only refer to the status quo—i.e. to your current strategy but never lead to new and promising strategic positions being recognised for the future.

Depending on the strategic option a success factor analysis will show completely different aspects and evaluate the significance of identical aspects differently. For example aspects such as "service structure" and "selling competence" will always be allocated a different weighting depending on whether the strategy option is called, for instance, "Building up new business fields through service leadership" or "Distinguishing from the competition through cost leadership". In the first case service

and sales could play a key role whereas in the second case they can be seen under certain circumstances in a subordinated position and play no role as genuine success factors. Each of the two strategy options demands completely different strengths and weaknesses or success factors. For this reason an anchor or reference point is needed for the success factor analysis and this is always a possible strategy option.

It should likewise be identified whether the success factor analysis refers to the whole company and all relevant main business segments or whether the individual business segments must be analysed separately.

Methodologically the analysis is carried out either manually with moderation cards or with the aid of software. In the first instance the factors—ideal is approx. 20—are collected, whereby there is a progression from the specific to the general. The following questions are helpful:

- Which factors are especially important for the evaluation of a strategy option?
- What can the company do particularly well with regard to the strategy option?
- What can it not do at all with regard to the strategy option?
- What does it have problems with as regards the strategy option?
- What are the reasons for the company doing so well—or so badly?

In the second stage the factors are evaluated with regard to how critical or significant they are for the strategic option. On the x axis their own position is marked between "obvious weakness" (left) and "obvious strength" (right); on the y axis the relevance of the success factor between "low" (bottom) and "high" (top) is stated. One example of this can be found in the Jungle Adventure trail (Fig. 9.6, P. 147).

4.2.4   The SWOT Analysis

The SWOT analysis gives an overview of the company's own strengths, weaknesses, opportunities and threats. A differentiation must be made between the current SWOT, which refers exclusively to the status quo and the current strategy of the company or business segments and the future SWOT, which depicts the strategic future position aimed at. There can always only be one current SWOT but several future SWOTs, i.e. one per strategy option. The development of these factors can be effected on the basis of the factors already developed in the strategy process, e.g. from the success factor analysis; the market portfolio or the scenario management.

For the SWOT analysis similar facts are observed to those required for the success factor analysis; this is a poor tool with which to start strategy work but excellent for collecting already developed results to shape the main topic and for visualising the strategy logic. It significance in this respect it is generally underestimated.
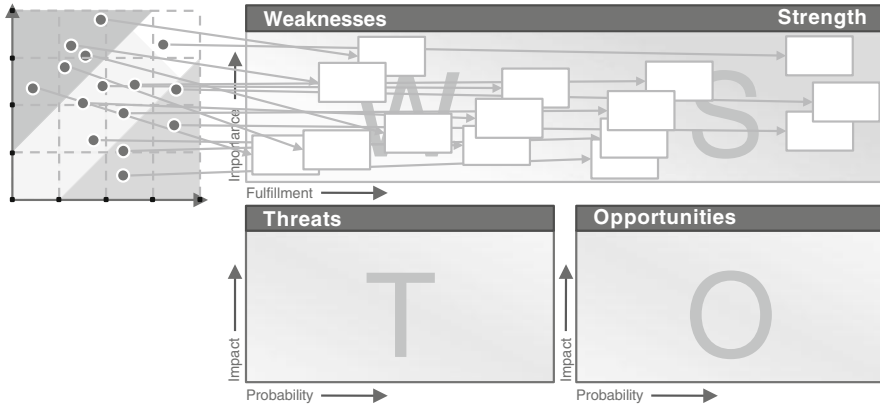
Fig. 4.1 Transfer of the success factors to the SWOT

The results of the success factor analysis can be used for the SWOT as these factors deal with the existing internal *strengths and weaknesses* of a company or of a business unit with regard to a strategy option. Figure 4.1 shows an example of how the transfer can look. (Further examples of SWOTs can be found in the Jungle Express, Exploration and Metamorphosis Trails.)

Opportunities and *threats* describe the external factors and therefore those factors which cannot be influenced by the company (exogenous) resulting from changes on the market and the technological, social and ecological environment. The main issue is: How will the company's environment (markets, competitors, etc.) company develop and what opportunities and threats emerge from it for the strategy option in question? Since there can be no absolute certainty regarding these changes subjective assessments ("faith") play a role here. If scenarios have already been developed then the opportunities and threats developed with their help can be incorporated here.

The future SWOT evolves when on the basis of the chosen strategy option a decision is made as to which of the success factors defined so far must be changed and in what way in order to achieve the desired strategic position and how the opportunities and threats will develop under this aspect. A measure of how great the strain involved in reaching the goal can be is the distance of the existing strengths and weaknesses or rather opportunities and threats from the current to the future position. This is illustrated in the form of vectors (arrows). Figure 4.2 shows a future SWOT with five weaknesses to be improved and one opportunity to be taken. (A further example of a future SWOT can be found in the Jungle Metamorphosis Trail.)

The length of the vectors illustrates as a "route" the extent to which the company must go in order to progress from the current situation to the goal, i.e. to reach the desired strategic position. In the upper illustration the service portfolio has the longest vector; it contains the currently largest relevant weakness in terms of the observed strategy option, measured on the competences necessary for the new strategic position. The visual depiction of the SWOT is an excellent means of making clear to the
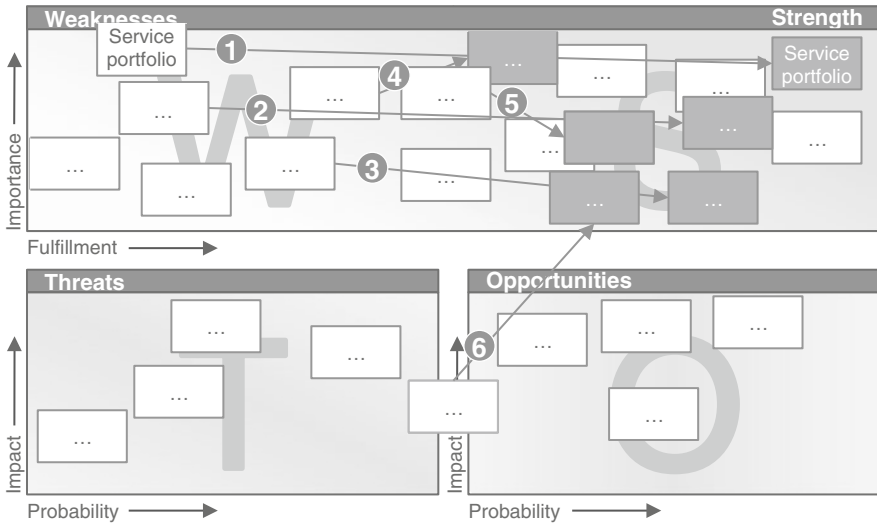
Fig. 4.2 Illustration of a future SWOT with vectors (*arrows*)

organisation which core competences must be kept, expanded or must first be developed in order to achieve the desired position. The future SWOT can also be used in the Base Camp for the implementation planning.

It is dangerous to wish to develop a strategy with the aid of the SWOT only. In this context the same problem emerges as for the success factor analysis— namely that a reference must be established to a certain strategy option for the determination of the strengths and weaknesses as otherwise there is no point in the evaluation of a factor as a "strength" or "weakness". If this reference is missing SWOTs will frequently be overloaded with too many criteria without it being possible to make a strategic decision.

4.3   Analysis and Evaluation of Business Segments, Markets and Services

4.3.1   The Business Structure Matrix

It is amazing how much vagueness exists in the companies about seemingly simple questions such as "What is our market? Who are our customers? Which services do we offer where?" These questions can be answered with a business structure matrix

Fig. 4.3   The business structure matrix

in a comprehensible form. It gives information about which market services and market segments the company operates. Correctly applied this matrix illustrates not only the status quo but also opens up space for further-reaching strategic considerations. The matrix can refer to the whole company but also to individual business segments.

Established and extensive business structures must on the one hand be regarded as an overall picture, on the other hand must be adequately differentiated with regard to their individual sections. The delimitation of the business segments is therefore not always easy (Fig. 4.3).

1. Segmentation of the Market Services   "Market services" are services rendered by the company for the market (= products and/or services). These are first collected and then combined at a higher abstraction level to form purposeful units. Distinguishing features can be, for e.g. functions, technical alternatives, individual products, product groups or bundles. No matter whether we are dealing with thousands of different products or with only five services, all of them are combined into five to 15 higher level categories. Should the strategy team be composed of fellow explorers from different product or functional sectors this bundling often leads to lively discussions because those responsible do not wish to subsume their services under categories but to regard them as so "important" that they claim separate categories for them. The Strategist, however, should insist on a bundling as presentation of the individual services in too much detail would increase the complexity in further stages to such an extent that the processing of the strategic problem would no longer be manageable. In order to compile a strategy it is necessary to abstract it—less is more!

2. Segmentation of the Markets   Often the terms "market" or "market segments" are as a matter of routine associated with various meanings in the company. It is important to be aware of this in order to subsequently break away from the

conventional definitions under certain circumstances. The segmentation of the market—no matter whether of a global corporation or of a medium-sized company with only three customers—can be carried out in three ways: division by customers; by regions or by distribution channels.

Segmentation by *customers* means merging the whole list of customers into possibly homogenous groups which differ in their buying behaviour. In most companies this proves to be very complicated because demographic (socio-economic and geographic) and psychographic criteria (attitudes, expectation and traits of behaviour) often exclude a structuring which avoids overlapping. On the other hand this type of segmentation is simple when, for e.g., differentiation is possible between male and female or between B-to-B- and B-to-C customers.

Segmentation by *regions* is advisable if specific behaviour patterns, which result in a different buying behaviour, have developed within them. Regional units can be (federal) states or smaller geographic areas. The most practical approach is often segmentation by distribution channels. This often also "reveals" that structuring according to customer criteria is superfluous because while, from an advertising or marketing point of view, differences must be made in the addressing of the customer groups these differences are irrelevant for strategic orientation. A life insurance company, for instance, sells products on a target group basis but strategic development is oriented not on customer segmentation but on sales channels.

If at all possible the strategy team should decide on *one* segmentation criterion since from a work point of view a combination of several criteria is very complicated, in particular in the course of the further strategy process. In each individual case it should be considered whether it is really necessary to use several criteria.

It is recommended to go to as high an abstraction level as possible in order to keep the extent of the business segment matrix as low as possible. A higher degree of detailing is only advisable if the strategy team has to occupy itself very intensively with the individual business segments and their positioning on the market and service portfolio (cf. P. 58 ff.) for the purpose of strategy development and also has a high level of strategy competence at its disposal.

In the matrix every combination of market segment and performance which is allocated by the company now forms a business segment. Furthermore by characterising the individual business segments (turnover, attractiveness etc.) preliminary comparisons can be made between them (examples in the Jungle Express Trail, P. 89 f. and Jungle Adventure Trail, P. 136 f.).

4.3.2   The Formation of Business Segments and Main Business Segments

The current business segments and main business segments are derived from the business structure matrix. 'Main business segments' defines groups of business segments which can be delimited from one another, within which identical or similar competitive structures prevail. This involves a "purposeful" clustering not a "correct" or "incorrect" one. The following criteria are of significance in this case:
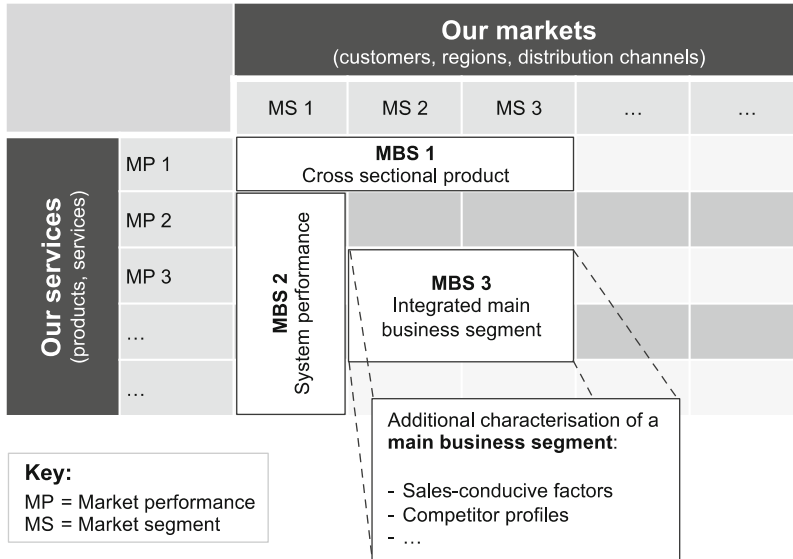
Fig. 4.4 Formation of the main business segments

- Independent market task: The main business segment can be clearly defined from others with regard to market segments or services.
- Relevant proportion of the company's net operating results: This is currently a measure of its business success.
- Relative independence of strategic decisions. The same success factors apply to a large extent for the business segments bundled in one main business segment.

As Fig. 4.4 shows, main business segments can either comprise market services (cross-sectional product); market segments only (system performance) or a combination of both (integrated main business segment). If the company is organised in business divisions a structure usually evolves from this. In the matrix there can also be segments which are currently not occupied, so-called segmentation gaps which, where appropriate, offer approaches for new strategic positions. (Examples for the formation of business segments and main business segments in the Jungle Express Trail, P. 89 f. and in the Jungle Adventure Trail, P. 136 f.).

In the business structure matrix and the formation of the (main) business segments the focus is on market segments on the one hand and market services on the other hand. These two categories can be drawn on to consolidate the analysis firstly for the *Market Portfolio* and secondly for the *Service Portfolio*.

4.3.3   The Market Portfolio

The market portfolio is used to compare the attractiveness of the individual markets with one another and to define the company's position in these markets in comparison with the competition. If the strategy team succeeds in detaching itself in this analysis

from thinking structures which have become popular in these markets and going to a higher abstraction level, it will pave the way for incorporating other and new markets in the portfolio which had not even been considered previously.

The market segments defined in the business structure matrix are used to prepare the portfolio and evaluated with regard to their market attractiveness and position in a system of coordinates:

- *Own position* on the market (x axis) describes the status quo of the company, i.e. its own strengths and weaknesses with regard to each market. Possible criteria are: own market share; the development of turnover; profitability and image. The measure of comparison is formed by the competitors on the market.
- *Market attractiveness* (y axis) means the entrepreneurial opportunities and threats within a market. These cannot be influenced by the company itself. Amongst others criteria they can be judged according to market stability; intensity of competition; environmental situation and market volume. The latter should not be measured in non-monetary parameters in order to avoid distortions due to currency fluctuations, inflation etc.

The market portfolio can be developed in two different ways—firstly in a thorough way and secondly by the fast method. The thorough version is not generally the most recommendable. Instead it depends on the uncertainty of the participants and therefore the necessity of collecting the appropriate data and visualising them. A strategy team with a high degree of market expertise will manage perfectly well with the fast version and can thus save itself unnecessary work (cf. Jungle Express Trail, P. 91 f.).

With both versions criteria are selected on a basis facilitating assessment of market attractiveness and the company's own position judged. To do so, no more than three to five criteria are selected. If the number of criteria is higher then there is a danger that the markets in the portfolio lie too closely together and the portfolio is then no longer expressive enough. The criteria are weighted and evaluated on a scale of 1 (weak) to 5 (excellent), which is effected in the *thorough version* with the aid of a morphological box (Visit http://www. strategie-scout.de for more information on this). All values from 1 to 5 must be assigned at least once and are subsequently transferred into the portfolio.

In order to make the portfolio even more informative it is advisable to depict the purpose, the positions of the market segment, not only in the form of points but in the form of larger bubbles to express the parameters; in Fig. 4.5 these represent market share and market volume.

The procedure is identical for the *fast version*. The difference is simply that the criteria are not determined in advance but the evaluation of the market attractiveness and own position is effected only *intuitively* on a scale of 1 to 5. Not until later are the criteria of evaluation worked out or defined by the team.
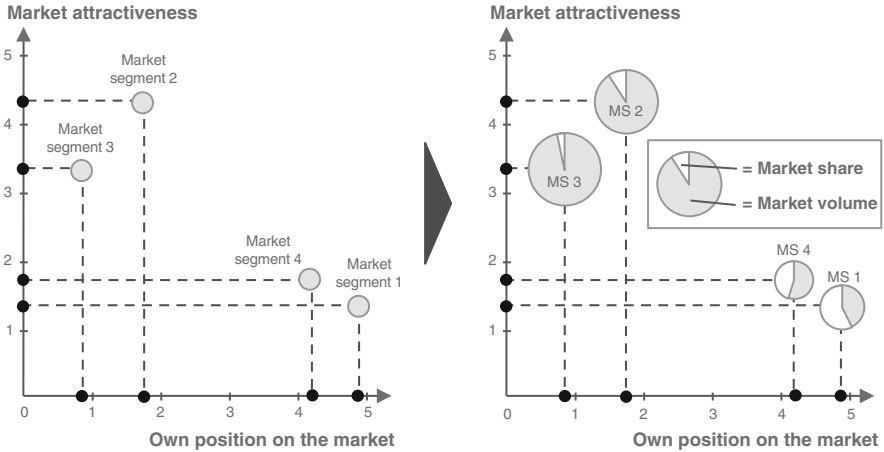
Fig. 4.5 The market portfolio

The "emotional" evaluation of the market attractiveness and own position may give the impression of putting the horse before the cart. The following should, however, be clear in this regard: the portfolio is only there to provide all the participants with a *uniform comprehension* of the market and to consider the future strategic position. In doing so it is irrelevant where exactly each position in the portfolio is or, where appropriate, if it is marked a little too far to the left/right or too far towards the top/bottom. This is not significant for discussion of the further strategy because it is a question of basic positioning and of the fact that the strategy team feels certain and asks itself the right questions.

4.3.4   The Service Portfolio

Analogous to the market portfolio the service portfolio determines how attractive the services defined in the business segment matrix (cf. P. 55 f.) are and how well the services offered by the company are organised in comparison with its competitors.

- Its own position (x axis) describes *capability*, i.e. how strong the company's own services are. Criteria are e.g. strength of innovation; efficiency and effectiveness of the services rendered.
- The *service attractiveness* (y axis) describes the external potential of the market services observed, e.g. technological maturity; access barriers to the market and substitution hazards.

Exactly as in the market portfolio there is a thorough and a fast version and the team will also be working with criteria which will be weighted and evaluated (See also *http://www.strategie-scout.de*). The service volume and share can also be recorded on any diagram.

4.3.5   Compiling Business Segment and Main Business Segment Portfolios

The business segment (BS in the diagram) and main business segment (MBS) portfolio shows the business segments determined in the business structure matrix (cf. P. 56) or the main business segments, with regard to

- Own *competitive intensity* (x axis): How good is the company compared to its competitors? and
- *Attractiveness* (y axis): How attractive is the business segment (BS) or main business segment (MBS)?

The aim is to investigate the company's own position with regard to all business activities and the existing status at the present time. This forms the basis for a later future portfolio which shows the direction in which the company or the business segment would like to develop. (cf. P. 62 f.).

There is also both a thorough and a fast procedure for this portfolio. In the *thorough version* the results are compiled from the market portfolio (P. 58) and the service portfolio (P. 60) produced in advance. Market and services are combined with one another by marking the market and services position on the x axis and the market and services attractiveness on the y axis. The attractiveness and position values thus determined can be combined in future and determine the position of the business segment (BS) or the main business segment (MBS) (More information on calculation at *http://www.strategie-scout.de*).

With the *fast version*, which in turn is suitable for a specific kind of strategy team (cf. Jungle Express Trail, P. 85 ff.), the compiling of the market and service portfolios is omitted. Instead the individual business segments are intuitively positioned with regard to competitive strength and attractiveness in the portfolio. Neither are specific evaluations of the markets and services incorporated nor are criteria for the evaluation of the BS or MBS defined beforehand. If positioning has taken place a separate business segment portfolio is developed for each main business segment with the aim of examining the main business portfolio for its durability. The criteria used to measure competitive strength and attractiveness should be investigated beforehand in each case. In a subsequent synopsis of all business segment portfolios a purposeful selection is made from these criteria in order to examine the main business segment portfolio once again for possible inconsistencies and, where necessary, to correct until it is conclusive.
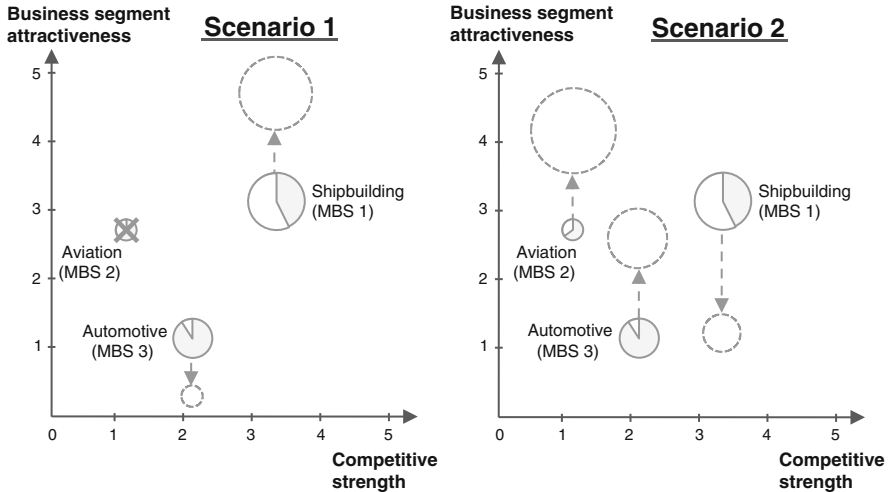
Fig. 4.6 Possible effects of two scenarios on a main business segment (MBS) portfolio

4.3.6 Compiling Future Business Segment Portfolios and Main Business Segment Portfolios

Whereas the current portfolios play a role at the beginning of the strategy process in determining the status quo exactly, the future portfolios gain in significance towards the end of the Jungle trail if sufficient input has already been acquired to develop the future direction of the company or of a company segment. The future business segment and main business segment portfolios are either developed on the basis of previously established scenarios or evolve from discussion within the strategy team.

If scenarios are used as a basis these are synchronised stage by stage with the current business segment or current main business segment portfolio (also cf. "The application of scenarios in strategy work", P. 79 f.). The portfolio is changed or adjusted for each single scenario. This means, depending on the scenario result, the attractiveness of a business segment (on the y axis) can change: it can rise or fall; it can remain unchanged; a business segment can disappear completely or a new one can develop. Figure 4.6 shows the effects of two possible scenarios on a portfolio:

- In Scenario 1 the main business segment (MBS) Aviation disappears completely and the Automotive MBS decreases severely. Only the Shipbuilding MBS increases in attractiveness.
- Scenario 2 paints a different picture of the future: the attractiveness of the Aviation and Automotive MBS is increasing rapidly, whereby the market volume is decreasing (larger bubbles), while that of shipbuilding is falling, whereby the market volume is on the decline (smaller bubble).

With regard to the company's own competitive strength in respect of a main business segment (MBS) (x axis) this can likewise change in the future. If a company wishes to improve its competitive strength then it should clarify for each main

business segment whether this should be effected by optimising its services, through an improved market positioning or with a combination of both. In the portfolio changes which are brought about under their own steam, are marked *horizontally only* - but never vertically. Movements of the MBS in a horizontal position along the x axis provide statements on whether a MBS will be developed further in the future or will be cut back. Vertical movements on the y axis, on the other hand, consistently describe *external* influences of the attractiveness which the company cannot have any influence through its own action. This can be taken into consideration when producing future portfolios but is often done wrongly in practice: you would like your own business segment to look "larger, better and more attractive" but do not differentiate clearly what you would like to contribute yourself and what cannot be influenced at all (cf. in this connection the explanations in the Jungle Express Trail and at *http://www.strategie-scout.de*).

Changes in the current portfolio on the x and y axes lead to the illustration of the future portfolio with which company's own future position is visualised (cf. e.g. Fig. 5.8, example Jungle Express Trail, P. 97). The future portfolio expresses the scenario on which the company has decided and how it would correspondingly like to develop the individual business segment or main business segment. It thus also demonstrates the imaginable vision of the company. Based on this decisions can be made concerning meaningful strategic goals.

4.4   Methods of Complexity Management

In order to reach an attractive strategic position it is often necessary to work out a large number of alternatives and to examine and consider these under very different perspectives. With our intellectual thinking we are, however, only in a position to "juggle" a very limited number of factors at the same time. Moreover we tend to find monocausal explanations by setting up simple "If – Then" relationships. We frequently evaluate factors solely from the point of view of our range of experience to and quickly revert to old, familiar solutions which have functioned in the past but are no good for the future. Complex problems are never monocausal but are interlinked; are highly interdependent and in addition must be differently assessed, depending on selected perspectives. Complexity cannot be reduced, as is often maintained, but it can be counteracted using suitable methods in order to arrive at better decisions.

4.4.1   Interlinked Thinking

In line with Gomez and Probst (2007) I have developed a methodology for strategy work making it possible to penetrate complex problems of differing types, which can arise in the course of the strategic process, precisely in a nine-stage process (cf. Jungle Excursion Trail, P. 111 ff.).

1st Stage: What Is Really the Problem? I often come across situations in strategy work which show that there is a preoccupation with the symptoms or effects of a

problem instead of with the problem itself, be it for political reasons or because the overall situation has not been adequately understood. To ensure that this does not happen, you should first clarify with your team when encountering a supposed problem where the real problem lies. An operational network (P. 65 ff.) can, for e.g., be used to do so or an open discussion can be held. Finally the problem must be clearly outlined in one to three concise sentences.

2nd Stage: The Problem System (Factors)   The factors of the problem will now be modelled in their relationships as an operational network. This provides the strategy team with a clear and, in particular, consistent view of the problem's complexity. It is almost always sufficient to define a maximum of five to 15 really significant factors and put them in relation to one another. The subsequent evaluation in a system grid (P. 86 f.) will support the thinking process and serve towards a better understanding and less towards filtering or determining the key factors.

3rd Stage: Identifying the Fellow Players   The "fellow players"—described by Gomez and Probst as "stakeholders"—are all individuals who play a role in the framework of the problem. Who is affected by it? Who has, under certain circumstances, an interest in it, no matter of what nature? Look as far as possible into the distance to make yourself aware of the politics in this problem context. Where necessary an operational network can be set up in case the number of fellow players is very large and the deciding players have to be filtered out.

4th Stage: Fellow Players' Goals and Key Functions   One distinctive sentence must be formulated for each fellow player summing up what their goal is in relation to the problem. Following this it is possible to recapture the fellow players' perspectives and collect and link each of the factors which from their point of view play a role within the framework of the problem. What is important to whom for what reasons? This allows an understanding of the problem and of the consequences of certain solutions to be developed.

5th Stage: Identifying the Motor   Which of the acquired perspectives (fellow players) is the decisive one as far as the problem is concerned? In other words: what is the centre, the motor, for solving the problem? Experience shows that, after answering this question, in two thirds of the cases a different perspective comes into focus than the one from which the problem was seen so far. One example of this is the Jungle Excursion Trail. The decisive five to eight key factors are used to create and visualise a cycle, the "motor".

6th Stage: Bringing the Motor into the Network   The remaining perspectives which are not central for the problem itself but can be decisive for its solution are now "docked onto" the motor with its operational networks and the key factors contained in them, thus demonstrating how all the factors are interconnected. The result is a wide view of the problem and its interlinking is opened up in the form of a system network.
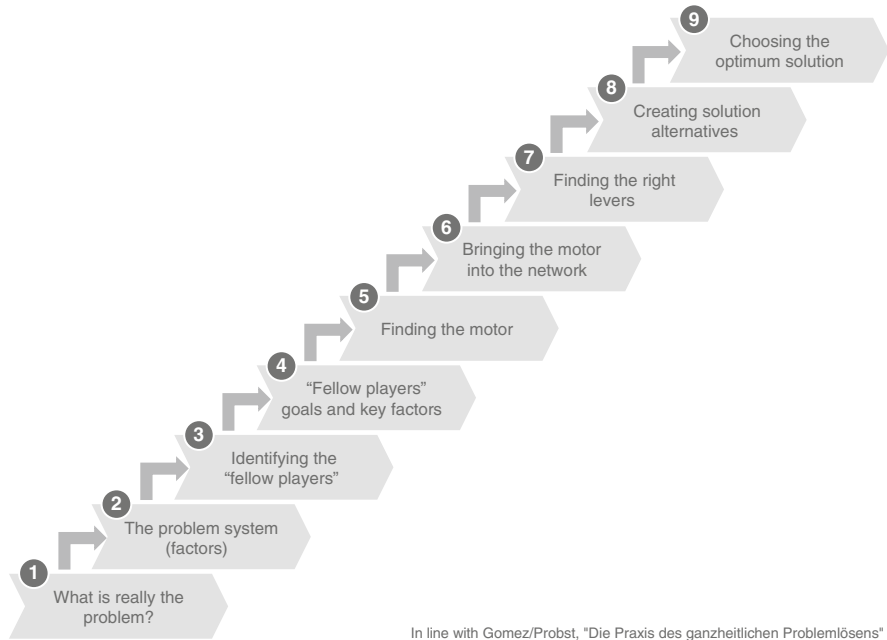
Fig. 4.7 Nine stages for comprehensive problem solving

7th Stage: Finding the Right Levers When the problem has thus been thoroughly penetrated it is usually easy for the strategy team to identify the decisive, indirect or direct levers on the motor of the problem. To do so a system grid can, for example, be developed.

8th Stage: Creating Solution Alternatives Either a number of possible solution options are identified immediately by incorporating the identified control lever or the solution option space tool can be used to do so. (cf. P. 69 f.)

9th Stage: Choosing the Optimum Solution The various solution options should be assessed using the criteria catalogue, if necessary from various perspectives. After weighting and deliberating on the perspectives, the optimum solution is chosen (Fig. 4.7).

4.4.2 The Operational Network Analysis

The operational network analysis developed by Frederic Vester (2002) can be applied in diverse ways when complex or controversial questions are involved, for e.g. to investigate which are the decisive levers in the strategy; what are the critical criteria of customer segmentation or the most relevant competitive factors (cf. in this connection the Jungle Excursion Trail, P. 116).

1st Stage The operational network analysis is always only as good as the question with which you begin the analysis. The question must be clearly formulated beforehand in one concise sentence. It would be a waste of time to start the analysis with a general question such as "Which factors play a role in our company environment?", as there would be an inflow of factors of varying dimensions, positions or abstraction levels so that an evaluation would be of no use. Instead the question should be: "Which factors will change our competitive environment the most over the next 3 years and how do we recognise the change?"

Inexperienced users often find that they "process" elements of different abstraction levels within an operational network, causing discussions to get stuck without achieving any results. If, for example, there are factors such as "price politics", "product portfolio" and "market penetration" then elements such as "size of household" or "customer behaviour" cannot occur, as the former factors are found on a higher abstraction level than the latter.

The labelling the factors with attributes, e.g. speaking of an "aggressive price policy" or a "successful product portfolio", should thus be avoided. This contributes towards agitation if the factors are placed together in positive or negative relations and thus leads to unnecessary confusion.

2nd Stage All factors are collected either on moderation cards or with the aid of software tools and made visible for the strategy team. No evaluations or discussions take place.

3rd Stage The factors are brought into relation with one another with the aid of the question: "Who is influencing whom or what in this case?" It is not a question of: "What follows from what?" as this would result in a flow or cycle logic which would tend to block the thinking process rather than to enable it. The influences can be of a positive nature (marked blue or black) or a negative (red) one. The relationships can also show different strengths, which can be depicted by the thickness of arrows or a corresponding evaluation of the relationships. The illustration of factor relationships using consistency matrixes (cf. P. 78) is only suitable to a limited extent for leading the team in the discussion and recognition process.
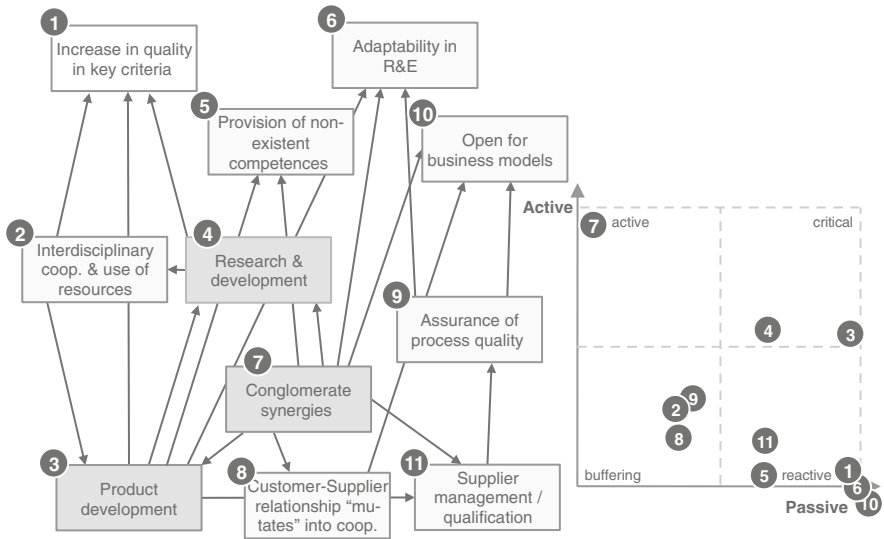
Fig. 4.8 Example of an operational network

4th Stage The aim is to work out those factors which are relevant to the questions. These are not always the most active factors (top left). In the search for goals, for instance, reactive factors (lower right); in the scenario work critical factors (top right) are of significance. Figure 4.8 shows an operational network and, on the right next to it, its evaluation which pursues a certain principle. A factor has an *active* effect on the whole network (system) if it either directly or indirectly influences other factors. A factor is *reactive* if it is influenced or driven by others; it often has the significance of an effect. The stronger the effect of a factor on the system, the higher it is placed; the more passive the effect a factor has on the system, the further to the right it is positioned. Critical factors have both an active and a reactive character, whereas *buffering* factors will neither have a stronger influence on others nor will they be influenced strongly themselves. Typical active factors or, in other words, levers are, for instance, rationalisation; strengthening of sales or product innovations; typical passive factors are cost efficiency, profit maximisation or increases in market share.

In our example in the above illustration the question is: "What are the decisive strategic control levers for improving our competitive situation?" According to this the active and the critical factors in the upper section of the illustration are significant. However if the question was, for example: "What are the decisive parameters to which we can attach the project progress?" it would be the reactive factors in the lower section which would be more important.

Applied correctly operational networks help not only to master professional complexity but also to control socio-emotional complexity in the discussion. If you have to deal with a complex issue, of which you know in advance that it will lead to adversarial views then make sure at the very beginning that opinions, solutions and positions are not required. In addition evaluations or attributes to the factors should not form part of the brainstorming. This way you avoid trench warfare and conflicts. Experience shows that relationships and influences of factors on one another in each case of one on one relationships can be discussed objectively and without emotion.

In the evaluation of the operational network you should then use software in order to continue ensuring emotionless discussion. The software "objectively" illustrates the contexts which the team itself has developed so that the statements compiled cannot be queried. This makes it possible to avoid the fellow explorers backtracking, true to the motto "I meant something different by that". Even if the one or other statement is corrected in retrospect the overall picture and the evaluation will not change considerably. The team will approve the mutually compiled result.

4.4.3   Influence Matrix and System Grid

Analytically speaking, i.e. without discussion within the team, key factors are also compiled in an influence matrix instead of in an operational network and illustrated in a system grid. In the matrix the active and passive totals are calculated after listing all factors by defining for each factor how strongly it influences others (0 = not at all, 3 = strong influence). The active total describes how strongly a factor influences all the others, the passive total shows how strongly he is influenced by others. The transfer to the system grid is effected in a similar way as with the operational network, whereby active, critical, buffering and reactive factors are differentiated in turn (Fig. 4.9).

4.4.4   "Core of Things"

Even when applying interlinked thinking it is sometimes difficult to work out which factors are really decisive and which can be ignored. In addition it is important to identify not only the central factor, the "motor", but also to ensure its compatibility with the other factors. There is one method which is suitable for this which I call the "core of things": The collected factors are evaluated for their compatibility on a scale of −10 (= strongly adverse to each other strongly) to +10 (= strongly attracted to each other) in a consistency matrix (cf. P. 78). Nil means that there is no relationship between the factors. Modelled graphically a "molecular structure" emerges which

No.		1	2	...	10	
		Factor 1	Factor 2	:	Factor 10	Active total
1	Factor 1		3	...	1	**13**
2	Factor 2	1		...	...	**12**
---	...	0	...	...	...	**...**
10	Factor 10	0	...	...		**1**
	Passive total	1	12	...	1	**80**
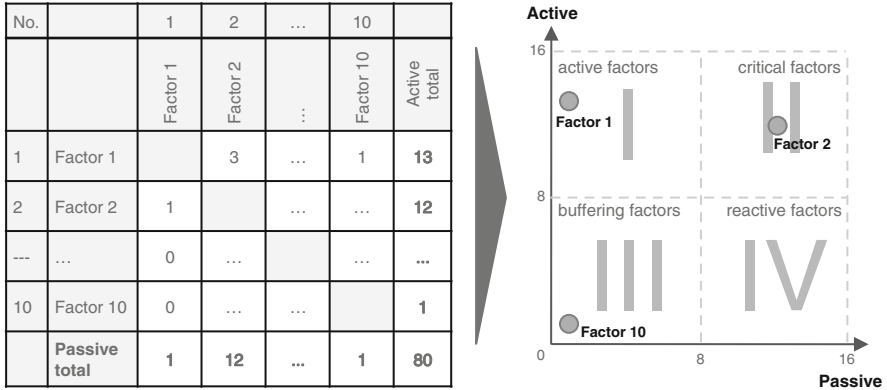
Fig. 4.9 Influence matrix and system grid

can be depicted sketchily or three-dimensionally with a software tool (e.g. EIDOS by the Parmenides Trust) (cf. Fig. 7.4, P. 117). The gist of the matter on the inside is formed by the element or the few elements which are most compatible with one another, i.e. have the highest degree of attraction for one another. The further outside an element is located on the chart, the less compatible and the less significant it is for the individual in question. The elements on the outside can be ignored (you will find an example of the use of this tool in the Jungle Excursion Trail, P. 111 ff.).

4.4.5 Developing Solution Option Spaces and Evaluating Options

In strategy work we are concerned with solving complex problems; developing alternatives and weighing these up. It would be a disadvantage to pick out *one* more or less "random" solution from a large number of possible solutions as being supposedly optimum without careful consideration—or even to weigh up just *two* alternatives against each other in terms of "Either Or", as is often the case.

Carry out the strategy process methodically so you can develop a whole series of different strategic options. The prison of our experience means that we usually only see what we know and attractive options remain submerged. Too many complex factors are interlinked with one another and these must first be carefully examined, analysed and weighed against each other. This is supported by opening up the solution option space based on the logic of the morphological box, with the aid of which attractive and practical options can be presented in their complexity and cross-linking and then filtered out.

As an example for a range of solution options I would pick out the *strategy option space,* which can be opened up at least towards the end of the Jungle Trail if a series of possible strategies or strategy options have been compiled beforehand with a view to solving the strategic problem. (You can find models for strategy option space in all six case studies in the following chapter.) In principle the solution option space tool can be used for all complex problems within the framework of the strategy process. Last but not least, the option space also serves towards arriving at solutions which are, in fact, less obvious and do not correspond with the experience of the participants in the company so far but are promising for this purpose.

The strategy option space, which is created in the Temple of Options, consists of
- A series of strategic errors of action (= control lever or key factors),
- Approx. two to seven options which are developed per sphere of activity and
- The strategic options which are created over and above the spheres of activity.

The control levers, errors of action or key factors are the parameters used to develop the possible, alternative strategy options. Which the key factors are, is worked out methodologically, for example via portfolios or through preoccupation with certain strategic ways of looking at problems. In the case of *Industrial Supplier GmbH* (the Jungle Express Trail case study) for instance, the company's five main business segments, Automotive, Aviation, Space, Energy, Systems and Electronics, are listed as control levers. In the illustrations the control levers are listed horizontally next to each other (cf. Fig. 5.9, P. 99).

Each control lever has a number of possible properties or options which are each recorded vertically below these. In the example mentioned there are three options—"Taking off", "Service and engine speed" and "Service wins"—for the "Aviation and Space" lever. This means the company could serve the segment Aviation and Aerospace in future by expanding it further, concentrating on certain segments or focusing exclusively on services instead of manufacturing products—three possible solutions.

In compiling options the idea is not to exclude a particular possibility but at the same time to avoid "utopian" solutions which would only be carried out for the sake of completion. A discounter for example would not seriously consider selling luxury products as a strategic solution. It is important to find original and new options but, in doing so, to do without a complete representation of all possibilities. The listing of the status quo, i.e. of the condition which defines the current activity within the company, is mostly suitable as the first option for a control lever. The options for this control lever must be disjunctive—this means completely free of overlapping. If a specific strategic field of activity is very complex it can possibly be useful to develop an option space cascade, i.e. to open up a complete sub-option space for this with its own control levers and options.

If the option space is formed in this way, combinations made up of the compiled options are created. The example of *Industrial Supplier GmbH* (Fig. 5.9, P. 99) shows how this is done. From the combination of various options "right across the option space" from left to right, by integrating all control levers three different variations emerge which are summarised in the form of slogans in catchy words: "Make 3 from 5—reduction of the business segments", "Focus on market potential" and "Careful expansion of attractive business segments".

When combining options it is important that those options which are coherent and harmonious in themselves are chosen and combined with each other—those which are thus advisable and do not somehow exclude or contradict each other.

A consistency matrix (cf. P. 78) is used to arrive at attractive—therefore consistent and thus sensible—options. A strategy is *sensible* if the individual characteristics of the strategic fields of activity make sense together. A *consistent* strategy option must not be attractive at the same time. The *attractiveness* is the outcome of the attractiveness of the business segments, the capabilities and competences of the company. An absolutely consistent and therefore harmonious, sensible strategy option may not be attractive because it demands things which the company could never afford. The solution option space cannot and should not allow itself to assess strategy options as being attractive or unattractive. It should contribute towards the strategy team "dishing up" all relevant options and those which are worth considering.

The consistency matrix puts together the individual parameters in pairs. Moreover, with the use of software which has implemented the so-called cross-impact algorithm, a solution landscape can be generated on the basis of this matrix and used by the Strategist and the team to examine how different the individual alternatives are and how consistently the possible solutions are presented. Finally, based on the evaluation criteria, a decision is made in favour of a certain strategy option which is subsequently chosen as the new company strategy. In order to examine the attractiveness of the options from the company's point of view the company's goals, which were compiled at the beginning of the strategy process, can be used, for example, for evaluation. In the Jungle Excursion Trail case study the company's vision serves as an evaluation criterion. With an experienced strategy team the evaluation can be carried out in the form of a weighted evaluation table (see also *http://www.strategie-scout.de*). The strategy option which the strategy team finally decides on can be incorporated in the compilation of the future portfolios (cf. P. 62) as well as in the future SWOT (cf. P. 55).

4.5   Scenario Management

If the degree of uncertainty within the strategy team is extremely high and the opinions of the fellow explorers on the future developments diverge considerably and are very differently founded, this is an indication in favour of serious changes on the market and competitive environment. Often this is the case in young sectors or business segments whose development is still open (e.g. in the renewable energy sector or in certain

segments of biotechnology) or in sectors which are subject to great changes (for e.g. at present in the defence industry and telecommunications). Scenario management is very suitable to determine the many impact factors which affect these developments. It is an excellent tool for revealing non-visible perspectives and developments; for placing complex contexts in a consistent explanatory model and for systemising, synchronising and even emotionalising controversial perspectives, based on the experienced knowledge of the strategy team.

The following situations are not suitable for the use of scenario management:
– The company is located in an established and widely consolidated market,
– The strategy team senses no uncertainty whatsoever with regard to the future,
– The fellow explorers in the team are not open for new solutions but are blocked in their deadlock positions (*pig-head, dud*) and
– It is "more or less clear" what needs to be done. In this case it is a matter of pure self-affirmation and the trouble would not be worthwhile.

Scenarios are particularly important for reducing the degree of entrepreneurial uncertainty but not, as frequently maintained, to unearth original new business ideas. In my opinion there are methods which are considerably better suited. For this reason it is also not recommendable to use scenarios to model faintly possible future developments on the market or within the company in all directions or even to want to depict them completely. This only leads to unnecessarily bloating of the strategy process while the benefit tends towards nil because it is lacking in clear, entrepreneurial questioning—the hub of scenarios. It is the *inappropriate use* of scenarios which repeatedly leads to the typical feedback that scenario projects are always very time- and effort-consuming but only bring a slight gain in knowledge.

Even with the best scenario management absolute clarity and complete certainty will never be generated. Scenarios only help to reduce entrepreneurial uncertainty; to show toeholds which would otherwise have gone unrecognised and to foresee possible catastrophes in order to be forearmed.

One typical error is also to place too much importance on probabilities in scenarios. In the end it makes no difference whether a scenario will materialise with 80 or with 20 % probability because this does not relieve the strategy team of the decision in favour of or against a certain strategy. It is far more important that the company assumes several different futures and is so flexible in its strategy that it guards itself as well as possible against possible negative future developments.
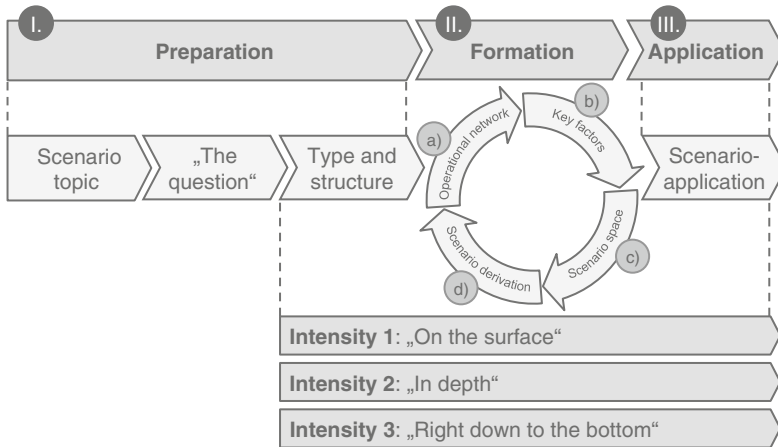
Fig. 4.10 Procedure for scenario management

A good scenario management requires a clear and well-considered procedure so that the company can concentrate on the few essential steps and gets the greatest possible benefit from it (Fig. 4.10). In principle the procedure is divided into three phases:

I. Preparation
II. Creation of scenarios
III. Use of scenarios in the downstream strategy work (a detailed example can be found in Jungle Expedition Trail, P. 149 ff. and in the Jungle Adventure Trail, P. 142 f.).

4.5.1 The Preparation of the Scenario Workshop

The following is clarified in advance: What exactly does the company intend to achieve with the scenarios? What entrepreneurial uncertainty is to be clarified or eliminated? Scenarios are, in the final instance, only a means to an end in order to identify the suitable strategic position. Ideally you have given thought to your strategic options before the scenario work. It is true that scenarios are useful in generating further options or specifying or justifying existing ones. In my experience they are not, however, suitable for developing strategies from scratch.

The *scenario topic* should be formulated as concretely as possible and be related to the strategic problem. The question "How will our market develop in the future?" would be too abstract to arrive at useful results. On the other hand the question "What effect will the behaviour of our major competitors have within the next 4 years on our research and development strategy?" will lead to specific answers. The scenario theme can be transformed into a concrete scenario question with the aid of the three-point bearing (question, time-frame, geographic region) (cf. the example of the Jungle Expedition Trail, P. 152 f.).

Once the scenario question has been precisely formulated you can fall back on the model I have described as the "strategy onion" to determine the number and structure of the scenarios to be used. Imagine that you are sitting in the centre of an onion with your company and possible strategy options. The strategy options are now enveloped in "onion skins" which determine how good or bad the individual strategy options are. The first or innermost skin is that of the "strengths and weaknesses" or even "success factors". You cannot get out of this skin quickly because it is formed by your company's profile. The innermost onion skin controls the attractiveness of strategy options with regard to the strengths and weaknesses of your company (*resource view*). This means that the strategy options are more or less attractive when regarded from this inner layer (*company's attractiveness*).

Further onion skins cover the inner skin, whereby all skins are interconnected. The next onion skin could be the "competition" which covers your options just like the strengths and weaknesses of your company and defines what could happen there. The quality of this layer has an influence upon how attractive the individual strategy options are in the centre (*scenario attractiveness*). A further layer, e.g. a "technology skin", could form around the competition skin, and in turn determine what could happen in the "competition skin". Further outer skins are possible, e.g. a "regulating/promotion skin" which defines what will happen in the technology skin. The outermost skin of the onion would finally be formed by a "megatrend layer", i.e. global developments such as climate warming, population explosion, demographic changes, etc. How many and which onion skins you wrap around your strategy options depends solely on the question formulated precisely at the outset; the scenario topic and on the measure of uncertainty with which you see yourself confronted.

Numerous theoretical attempts to classify various scenario types exist. I would, however, advise you not to orientate yourself on such classification as it does not provide any added value in practical scenario work and is hardly beneficial for the usability of scenarios; is sometimes even detrimental. In the final instance the question which must be answered is what decides on whether the scenario space is simple or layered in the same way many onion skins are layered around the core and whether the issue being dealt with is a competitive, sectorial structure; a trend scenario space or a mixture of these of further types.

Experience shows that it is possible to manage very well with two variations:

- A single classic environment scenario with only one onion skin in which all decisive key factors (maximum 12) are incorporated (cf. Example Jungle Adventure),
- A scenario space in which the criteria of market and service attractiveness or the competitive position worked out beforehand in the competitive portfolio are integrated. Developments for the criteria are then worked out with the relevant key factors and combined with the portfolios.

Multiple nested scenario spaces which result from the complexity and uncertainty with regard to the scenario topic, only occur infrequently (cf. Example Jungle Expedition Trail).

Once you have determined with the aid of the strategy onion how many onion skins are necessary, what their names are and what they look like then as preparation for the scenario work you should consider how they should be developed and finally

used for the strategy work. In principle there are two possibilities: either the scenario spaces are developed exclusively using studies and research results. Or the scenario spaces are worked out "from scratch" in workshops. Mixtures of both versions are also customary, by means of introducing analytical input into the workshops. If the markets or the relevant environments to which your scenario topic refers have already been scrutinised in various surveys, the scenario space can be derived at least partially from the existing studies. Building on this you can supplement or change the scenario space and then form your scenarios together with your fellow explorers within the framework of a workshop.

Should the selection of topics be very specific, for e.g. based on the possible developments of your direct competitors and their effects on special strategic issues, there will certainly be no studies available but at least one, mostly even several workshops, will be needed. The choice of the *workshop participants* should be carefully considered. Often the expansion of the strategy team to include internal and external experts is recommendable for the workshops.

The workshop team should have heterogeneous characteristics seen from two perspectives: on the one hand the participants should not "tell each other what they want to hear" and therefore should definitely incorporate controversial opinions on possible developments. On the other hand they should regard the scenario topic from various perspectives. A team which is exclusively made up of marketing and sales staff would, under certain circumstances, generate fairly biased views. In any case the participants should, however, be homogeneous with regard to their abstraction and intellectual power. Otherwise the moderator acts more as a mediator and "bridge of comprehension" in order to bring the participants to a mutual level of thinking and discussion instead of offering progress in the matter itself.

4.5.2   Scenario Development in Three Intensities

The extent and controversial nature of the scenario topics define the intensity of scenario work, i.e. the effort which needs to be made for compiling the scenarios. Thus a team made up of people responsible for a business division, who are experts in their markets, should manage with Intensity 1 in a consolidated sector. However if a dynamic sector with indistinct competitive limitations is involved Intensity 2 or 3 will be more appropriate. The case is the same when the team consists of members who have very adversarial views and are not in agreement with one another (Fig. 4.11). (One example for Intensity 3 is the Jungle Expedition Trail.)

Independent of the intensity, the formation of scenarios always runs in a cycle (cf. Fig. 4.10, P. 73), which consists of the following four and, where appropriate several, stages which need to be undergone:

(a) Compiling an operational network
(b) Selecting key factors
(c) Creating or extending a scenario space
(d) Deriving scenarios
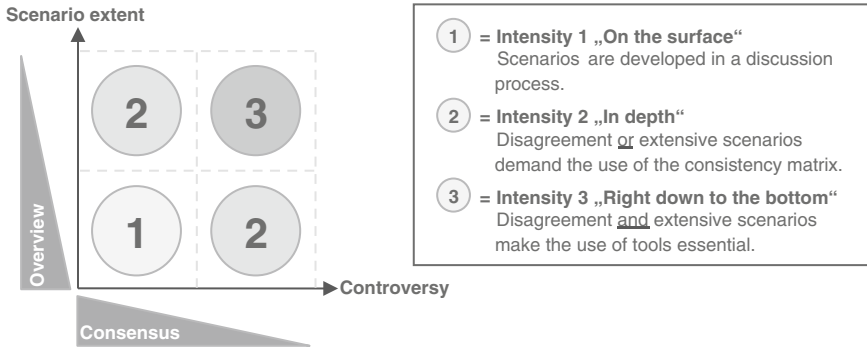
Fig. 4.11 The effect of extent and controversy on the intensity of scenario work

Fig. 4.12 Sample scenario space based on an automobile parts supplier's strategy work

Intensity 1: "On the Surface" With a simple scenario topic the circular course is only run though once. After an operational network (cf. P. 65 f.) has been set up with reference to the question five to a maximum of 12 key factors are chosen by analysis and form the "headings" or cornerstones of the scenario space. In Fig. 4.12 these are called i.a. "Market Development", "Technology" and "Supplier". The scenario space is opened up around these factors by noting two to five future projections per factor (more only if absolutely necessary), i.e. possible developments. These projections must be completely disjunctive (free of overlapping) and realistic. Should certain projections occur parallel to one another then these are shown by combinations according to the diagram "x + y + z" (in Fig. 4.12 e. g. "3 + 4", which means that Competitor A "leaves us behind" (Point 3) and at the same time Competitor B "advances" (Point 4)). The formation of scenarios is effected by combining the

projections of the key factors with each other which are in agreement and go well together. In this context thinking should not be in causal associations true to the motto "If A happens then B will be the result" as it is purely a matter of linking the *appropriate* projections to form a scenario.

This simple intensity is also useful for a consideration in greater detail of the possible developments in a competition portfolio and knows on which factors or criteria the possible developments of the relevant services, markets and business segments depend. Then some "drivers", active factors besides the already familiar criteria can still be determined in an operational network. The scenario space is opened up by taking over i.a. the criteria evaluations from the morphological boxes of the portfolio structure and forming projections to the other adopted key factors. The developed scenarios can be fed back into the portfolios in order to visualise the possible development of the relevant markets, services and business segments and to make the necessary deductions for the company's own strategic direction.

Intensity 2: "In Depth"   Two aspects are characteristic of Intensity Stage 2:

1. The projections of the ascertained key factors are more complex and cannot be determined so easily and distinctly that all participants understand immediately what is meant.
2. The relevant scenarios are not ascertainable simply by discussion the scenario space.

The first aspect can be counteracted by running through the scenario formation cycle several times in order to form individual projections of certain key factors and for relevant key factors to form a type of sub-scenario space. Figure 4.13 shows this exemplarily. In the scenario space "Telecommunications 2020" the key factor "Degree of Innovation" is too complex to be able to depict it in direct projections. For this a sub-scenario space is therefore formed which records the various degrees of innovation for the factors "End Devices", "Fixed Network", "Mobile Communication" and "Applications". The three ascertained degrees of innovation correspond to obvious combinations in the sub-scenario space. Within the team everyone works with sub-scenario spaces where this precision is necessary because otherwise the degree of abstraction would be too high and the scope for interpretation too great so that misunderstandings would arise.

If the scenarios are not readily ascertainable through discussion they are confronted with a consistency matrix. Figure 4.14 demonstrates this using one example: all projections of the individual key factors ("Price Primary Energy Source", etc.) are correlated. In doing so the projections are always allocated a value per pair, depending on whether they complement each other excellently (+3), cannot appear together or are adversary to one another (- 3) or show no relationship to one another (0). Here, too, thinking should not be in causal associations but should only be an evaluation of whether each of the factors is harmonious or disharmonious. Useless controversial discussions are thus avoided since these complex facts cannot be correctly manifested and conveyed at all with language. According to experience, the 1:1 confrontation in pairs runs emotionlessly, objectively and clearly. In addition, this enables a database to be compiled in order to determine the relevant scenarios. These can subsequently be
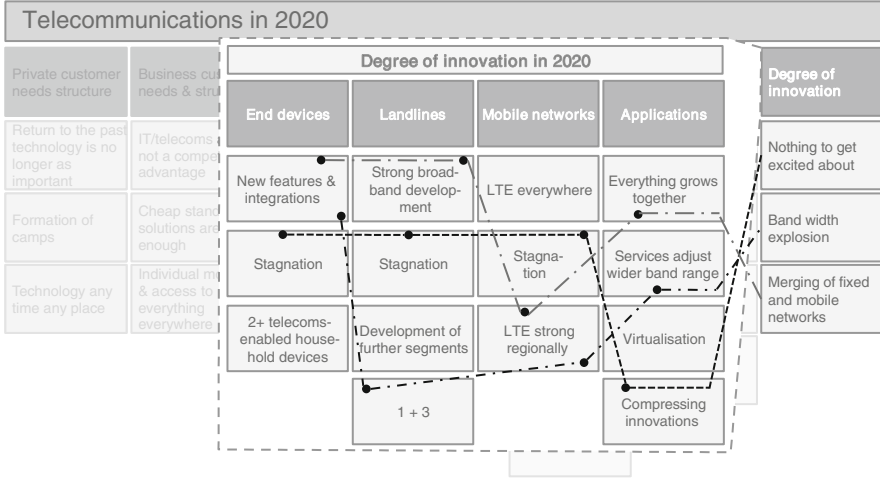
Fig. 4.13 Transfer of the "Degree of Innovation" sub-scenario results to the higher level "Telecommunications in 2020" scenario space

Development of 2030 energy sources

		Price of primary energy sources			Re-establishment of atomic power stations			Market mechanisms			Innovation/technology development		
		Low (<60$/bbl)	Medium (>60$ < 150$/bbl)	High (> 150$/bbl)	Renaissance of atomic energy	Extension of live of existing ones	Shutting down of atomic power stations	Free market	State incentive systems	Full state control/regulation	New key technologies	Quantum leaps in existing technology	No innovation surges
Price of primary energy sources	Low (<60$/bbl)				-3	-3	0	3	0	0	2	2	3
	Medium (>60$ < 150$/bbl)				-2	1	-1	0	1	2	0	1	0
	High (> 150$/bbl)				2	3	-3	0	0	0	3	2	1
Re-establishment of atomic power stations	Renaissance of atomic energy							-2	1	3	0	2	0
	Extension of live of existing ones							2	0	0	0	0	0
	Shutting down of atomic power stations							-2	0	3	0	0	0
Market mechanisms	Free market										2	3	1
	State incentive systems										3	2	-1
	Full state control/regulation										-1	-1	-1
Innovation/technology development	New key technologies												
	Quantum leaps in existing technology												
	No innovation surges												

Fig. 4.14 Consistency matrix for the "2030 Development of Energy Sources" scenario space

ascertained "manually" within the scope of a discussion as the team has now developed a better feeling for the individual projects and their relationships. Or a cross-impact algorithm is used as it is implemented in many kinds of software; it provides the most consistent scenarios as input for subsequent discussion.

Intensity 3: "Right Down to the Bottom"   The highest intensity stage means that modelling of further outer layers of the onion is necessary in order to be able to identify the right scenarios at all in a scenario space nesting inside it. Assuming that, with the aid of a specific competition scenario space, a telecommunications company would like to clarify how the various behaviour patterns of the individual competitors affect its own strategy, in fact with regard to its product portfolio and added value chain. In doing so the company discovers that the future behaviour patterns of the individual competitors depend strongly on how political and technological developments will present themselves in future. To stay with the strategy onion metaphor: the company itself sits with its strategy options in the core and has placed a competition scenario layer around itself covered in turn by a further layer of politics-technology scenarios. (One example of this is the Jungle Expedition Trail P. 149 ff.)

If the development of scenarios in nested scenario spaces is desired then software support is often required to be able to evaluate the dense consistency matrix. These matrixes are "dense" because all projections both of the enveloping and of the inner scenario space must be correlated both individually and with one another. If the trouble taken to compile matrixes is too much then the profit will be high in view of the corresponding complexity: the team develops an excellent "feeling" for the problem, its facets and approaches to solutions, the complexity of which can otherwise only be mastered "subconsciously". The gain in knowledge is particularly noticeable when within the scope of the use of scenarios the various scenario variations and their impact on the strategy options are simulation with the support of software.

Intensity Stage 3 is not automatically the best or the most productive version, simply because here the most intensive work is done. The decision in favour of one of the three intensities depends on how precisely the scenario question is worded and how high the degree of entrepreneurial uncertainty is based on it. Scenario work should not be organised more intensively than absolutely necessary with regard to an economic procedure.

4.5.3   The Application of Scenarios in Strategy Work

Independent of the intensity of the development, the result of the scenario work is at least a scenario space with usually a handful of scenarios which dictate within the

space and has been labelled with a "metaphorical name". Now it is a matter of either selecting the optimum option among the strategy options or, where appropriate, of forming further more attractive strategic alternatives in the strategy space. Below you will find a description of the typical use of scenarios, whereby there are different kinds (cf. as an example the Jungle Adventure Trail, P. 142 f. and Jungle Expedition Trail, P. 162 f.).

1. Simple Scenario Usage   The simplest form of use exists in listing horizontally in a matrix the scenario designations and vertically the strategy options. At the interfaces how well each strategy option fits the scenario in question should be recorded in each case, using a scale of 1 (not suitable) to 7 (extremely suitable). In addition, a weighting factor (1 to 5) per scenario can be used to note which of the options are most likely to be "backed". The strategy option with the most points has the highest *scenario attractiveness*.

In a similar way the *company attractiveness* the strategy options can be determined: in a matrix the overall relevant success factors in terms of the strategy options are listed horizontally. The different strategy options are listed vertically. Following this it should then be recorded per success factor and per strategy option how much weight the individual success factor bears in terms of each of the strategy options (1 to 5) and at the same time how well the company covers this factor (1 = not at all, 7 = excellent). The more points a strategy option receives, the higher is the company attractiveness; i.e. the better the option fits the strengths-weaknesses profile of the company. Correspondingly it will probably be simpler to implement and less fraught with risk.

Strategy Option Portfolio   The sum of the corporate and scenario attractiveness forms the *strategy attractiveness*. If even more relevant parameters are added for the strategy evaluation, e.g. the time- and cost-expenditure for its implementation or the financially evaluation opportunity potential, the a strategy option portfolio can be depicted as a summary: on the x axis the company's attractiveness, on the y axis the attractiveness of the scenario is represented by the size of the bubbles, each of which described one of the strategy options. Figure 10.4 on P. 164 shows the strategy option portfolio of the company *Strom & Co*.

Scenario Feedback into Competitive Portfolios   A further form of the use of scenarios is to feed back into the portfolios the quantifiable projections of those criteria which have previously and purposely been "copied" from competition portfolios (service, market or business segment portfolios) as key factors in the observation of the scenario spaces. In this way it is possible to see how the attractiveness of a service, a market or a business segment develops when entering the different scenarios. A competition portfolio prepared in this way graphically visualises the effect of the various scenarios in an overall display and contributes towards the selection of an attractive strategy.

2. Advanced Scenario Application   In addition to the simple scenario use, the advanced use can be carried out in order to question strategy options, in case of doubt to amend them or even to form new scenarios or strategic options. Without software this can only be achieved to a limited extent.

On the basis of the comprehensive "interlocking" of the strategy option space with the scenario space in a consistency matrix, with the aid of the cross-impact algorithm it can be ascertained which is the most consistent strategy option in each case under a set condition (of a scenario). On the one hand suggestions for the strategy options developed so far are generated by this and on the other hand, under certain circumstances, completely new ones can be formed. If all the scenarios are played through in this way and "browsed" through the various strategy options which appear to be the most consistent under the condition of each scenario, in the one or other key factor of the strategy option space it will be discovered that more or less always the same option is "backed" and will not change under any circumstances whatsoever. For these elements certainty of decision exists from a scenario point of view.

In order to determine under what circumstances a strategy option can make sense, the horse can also be put before the cart. This means, a strategy option can be selected and it can then be examined which would be the ideal conditions for it. This may appear futile at first glance but it fortifies an understanding for the assumptions which were perhaps only implicitly made in the formation of the strategy options. This contributes towards the exact definition of a scenario or also of the formation of new scenarios. Under certain circumstances assumptions made beforehand during the formation of the strategy option are led to the point of absurdity. All this finally serves to exclude unsuitable strategy options and to find best-suited options in order to finally find a really sustainable option which does not stand on rather shaky foundations.

Robustness Tests and Scenario Benchmarking of Strategy Options   In order to examine the robustness of individual strategy options systematically, to possibly evaluate and compare them with regard to their scenario attractiveness the procedure should be as follows: the scenario space is interlinked with the strategy option space in the form of a consistency matrix. For each scenario it can be ascertained with the aid of a cross-impact algorithm which is the strategy option with the highest consistency. (The value will usually lie between 1 and approx. 2.5). In practice a consistency of 3 is not achieved because this option would have been too obvious and an examination of the scenario therefore less effective.) The maximum consistency value is noted. Now it should be ascertained which are the consistency values of the previously developed strategy options in the relevant scenario. The values are noted next to the maximum consistency value. This process is now run through for all scenarios determined beforehand. In the end a tabulation is developed with the various scenarios entered horizontally by name. Vertically a line should be devoted to "Maximum consistency" which lists in the cells on the various scenarios the maximum consistency value attainable through a strategy option. In the lines below

that the strategy options are listed with their relevant consistency values under the corresponding scenario conditions.

The observation and discussion of this chart is a very result-revealing process for most strategy teams. To explain this here in detail would be going too far. Informative are, for example, questions as to how certain strategy options deviate strongly from the maximum consistency value and how, under a certain scenario condition, which key factors are decisive in this case or how is it that only poor consistency values result without exception under a certain scenario condition. If a scenario is not carefully thought out, it can be determine whether factors have been forgotten or overlooked. The scenario management will reveal its true value via these and other factors coming to light as a result of the use of the scenario: the strategy options are intensively thought out and weighed up.

Part II

The Right Trail to Cross the Strategy Jungle

This section of the book describes the six jungle trails based on genuine business case studies from the field (the companies' names have been changed and the case studies have been anonymised). The trails concerned were introduced at the end of Chap. 2 (p. 48). As you will remember the trails across the strategy jungle are the result of the strategic context assessment carried out in the Strategy Camp. The combination of strategic factors and their complexity actually allows far more than the six trails presented here.

The jungle trails serve as examples to demonstrate how to:

- Use the relevant given strategic context as the basis for the most efficient hike through the Jungle – i.e. how to develop an realisable strategy;
- Skilfully overcome interpersonal difficulties (political situation, resistance, know-it-all's in the team, etc.) and
- Practically apply methods and tools – the jungle equipment – and combine them in terms of strategy work objectives.

The tools will not be described in detail here. You can, if necessary, re-read Chap. 4 for information on the step-by-step application of the individual methods.

As a strategist you must make use of your own profile to identify the relevant correct trail for your strategic project. Since it can reasonably be assumed that none of the trails described as examples in this book will match your specific situation exactly you should primarily view these practical case studies as stimulation when considering your own strategic plan and, where necessary, as a starting point for revising it.

Making Progress with the Round Table: The Jungle Express

5.1 The Round Table: Characteristics of the Strategic Context

The "Jungle Express" is a good tool for a strategic context which I have summed up using the term "round table". "Round table" because, just as in the case of the Knights of the Round Table", the strategy team is made up of competent fellow explorers whose extensive knowledge and experience enables them to make decisions. As a result it is possible to get a handle on the strategic problem quickly—in other words the Jungle can be crossed at high speed. The Strategist can begin work in a pragmatic manner, only needing to put in a small amount of methodological effort.

Our case study company, *Industrial Supplier GmbH*, is the German-based subsidiary of a global industrial service provider delivering engineer- and specialist-based project and service contract services to various market segments. These include, among others, the automotive, aviation and energy industries. The Spanish parent company has given the CEO of the German subsidiary the task of whipping business in Germany back into shape and embarking on a course of expansion. In terms of strategy the CEO has taken on a *Leader* role. He already sees a clear direction for future strategy and needs the strategy development process to structure this direction and ensure that the company's operational management shares a common understanding of it. There are a total of seven business units, giving rise to a large number of strategic problem-related factors; they are, however, not strongly interconnected and the business environment only changes slightly. The complexity of the strategic challenge can thus be described as *dense*. The reliability of corporate results is increasingly being questioned, the company's situation must thus be categorised as *weak*. This is an indicator that *Industrial Supplier GmbH* is incorrectly positioned and must improve performance.

The strategy team is made up of the Strategist; six business unit heads and two members of the administrative staff. As a group the fellow explorers are competent to work with abstract models and experience only a small degree of uncertainness. That is to say, they know what their business environment—all established industries and markets—is like. They are, however, proponents of entrenched
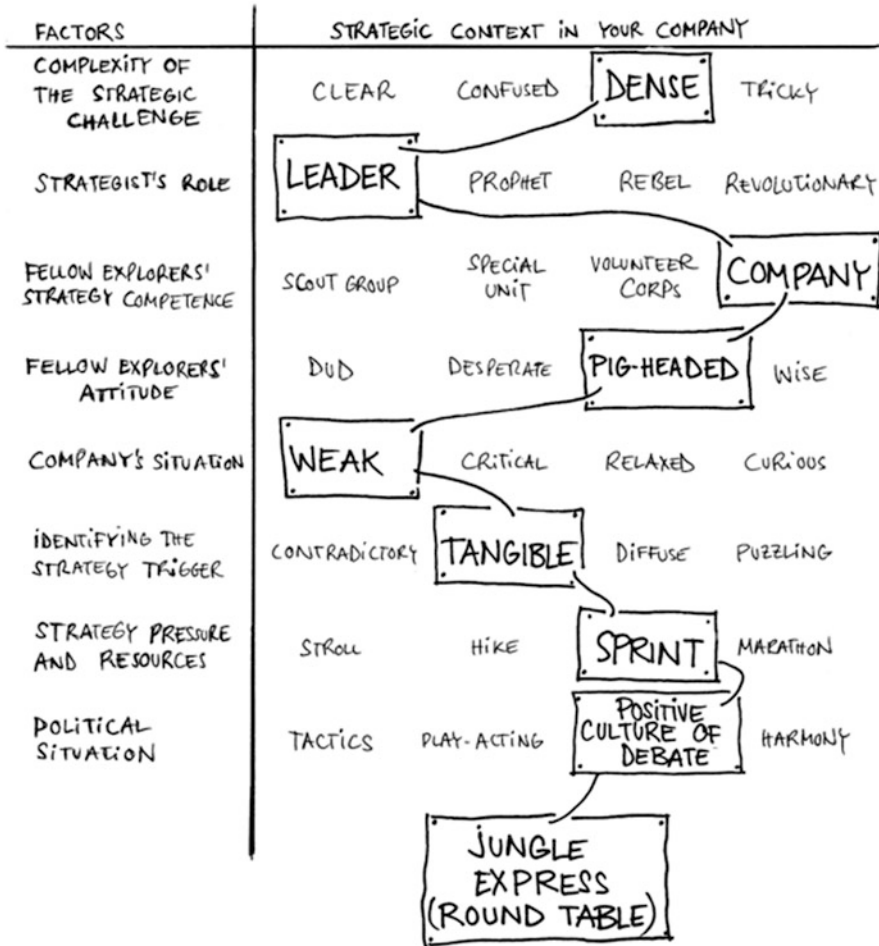
Fig. 5.1 Strategy profile for the Jungle Express (Round Table)

perceptions and have controversial opinions regarding the development of their relevant business units. We are thus faced with a group of "*pig-heads*". The development of the overall strategy required for the expansion course is, however, supported by both the business units and also the shareholders so that there is a basic consensus concerning objectives. This *positive culture of debate* provides the Strategist with excellent preconditions for successful strategy work. The team's time and resources are limited and there is a certain degree of pressure, making it necessary to develop a solution quickly (*Sprint*).

The task at hand is to develop a repositioning strategy—i.e. one defining how the specified corporate objective can be achieved. Which business segments should *Industrial Supplier GmbH* focus on in future and how? Where should it make investments and which segments should it withdraw from? What consequences will this have for the individual business units? The strategy trigger's degree of abstraction can be characterised as *tangible* (Fig. 5.1).
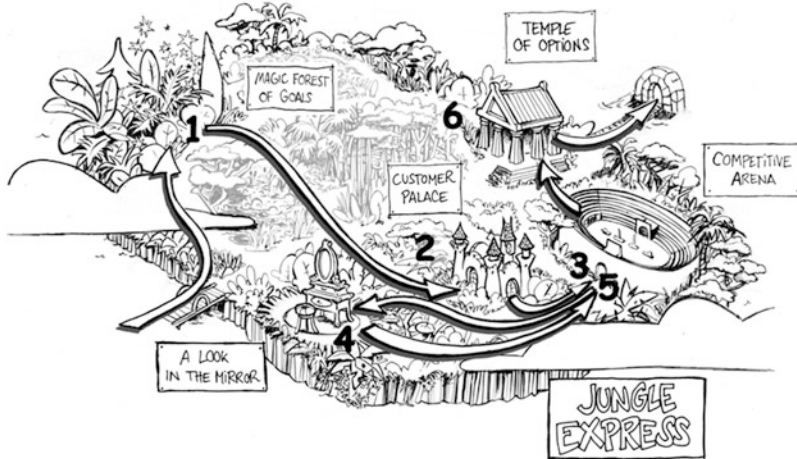
Fig. 5.2   The Jungle Express Trail

5.2   The Trail: Characteristics of the Express

As already implied by the term "Express" strategy development on this trail can be completed very quickly since the team is able to bypass time-consuming stops such as the Scenario Park (see P. 43) thanks to its high degree of entrepreneurial certainty. The Jungle Express can do without the gathering, processing and model-based analysis of analytical data without there being any risk of the experienced fellow explorers making the wrong decisions. Instead of developing models the team can exploit to the full the knowledge it already has, particularly since the positive culture of debate ensures that good, well-thought out decisions are made.

On the Jungle Express trail a clear differentiation to the competition can be developed and clear decisions made concerning which specific business segments should be served in future and how this should be done. In addition to this a clear plan defining strategy implementation in concrete terms is developed for the individual business units. When this has been completed every one of the fellow explorers knows the exact route and the business unit leaders know in detail how they should proceed in their units (Fig. 5.2).

5.3   Preparation: Sketching a Picture of the Future

The Industrial Supplier GmbH strategy team prepares itself for the upcoming strategy work in a pragmatic way, employing retropolation (see P. 51). Four weeks prior to the workshop each fellow explorer prepares a short presentation describing the current situation; the route chosen to achieve the goal and the obstacles to be overcome, all seen as if looking back from the future ("five years later").

During the workshop the fellow explorers make their short presentations about the situation in 5 years to each other, allowing all the team members to familiarize themselves with each other's perspectives; possible strategic positions and any difficulties which may arise. The presentations are not evaluated or commented upon; only questions to clarify understanding are allowed. The Strategist ensures that discussions are kept on track for a tightly managed Express.

The Strategist and his assistant note the content of the presentations (e.g. goals; strategic approach; opportunities and threats; strengths and weaknesses; implementation aspects) so that it can be used in subsequent strategy work. There are often many contradictions, offering an excellent platform for downstream discussion.

5.4   Achieving Clarity in the Magic Forest of Goals

Since the raison d'etre of a strategy is to achieve goals these goals must first be clarified. The Strategist has already compiled a list of goals in advance and it is now supplemented with the goals developed during retropolation. In the end the team will have developed a short list of five goals concerning return on capital; growth of turnover; service leadership; the EBIT target and technology leadership. All the individuals involved agree on the goals; the only issues which need to be discussed are weighting and the extent to which these goals have currently been achieved. This is important since it ensures that the fellow explorers know how the strategy can be used in future to close shortfalls in achieving the goals and what they will concentrate on and in what order.

A common demand when defining diverse corporate goals is for there to be "a little bit of everything" and for contradictory goals to be given equal priority. The Strategist must, in this context, ensure that there is a clear focus. What exactly are the goals and what is their weighting over time? The team should focus on three to five goals.

The strategy team weights the five goals in terms of their relevance and in relation to the years 2011, 2015 and 2017. The fellow explorers first plot the estimated significance of the goals in the form of three pie charts. Following this, they discuss the goals, rating them on a scale of 1 to 10 (1 = hardly relevant; 10 = highly relevant) and enter them into a table. They agree that growth of turnover and EBIT are the two goals with the highest priority (10), followed by technology leadership (7). The desired return on capital (3) and service leadership (1-3) in

Fig. 5.3   Industrial Supplier GmbH

The pie charts and table:

Goals	Relevance			Fulfilment		
	2011	2015	2017	2011	2015	2017
1. 10% return of capital	3	3	3	54%	-	-
2. Growth of turnover	10	10	10	60%	-	-
3. Service leadership	1	2	3	70%	-	-
4. EBIT goal	10	10	10	60%	-	-
5. Technology leadership	7	7	7	80%	-	-
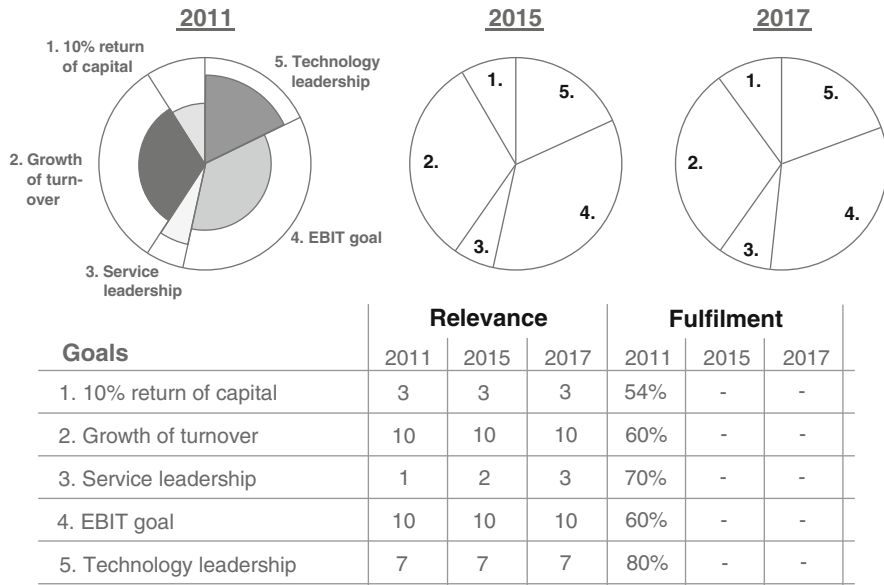
contrast are relegated into the background, whereby the latter will gain slightly in significance in the coming 5 years. The extent to which the goals for the current year 2011 have been achieved is entered as a percentage.

This cognitive procedure facilitates a clear understanding of the goals on the part of all concerned, not only in terms of the goals themselves but also regarding their significance and degree of fulfilment (Fig. 5.3).

5.5   Honing Market Understanding in the Customer Palace

Current market coverage and future possible coverage are examined in order to subsequently identify which markets the company wishes to be active in and how. One of the business unit leaders comments that this stage is superfluous since they know the market and have a good understanding of it. Upon subsequent enquiry in the strategy team it soon, however, becomes apparent that understanding of target markets is anything but uniform and that demarcation of markets and services is unclear. A business structure matrix is thus next used to clarify which services (products and services) *Industrial Supplier GmbH* supplies to which market segments. The central question is "What is our market and what criteria are used to structure it?"

Current market coverage is used as the basis for subsequent decisions
clarifying which business segments (markets/services) will be served in
future and which will not. It thus functions as the foundation for downstream
strategy discussions and must not only be clearly defined but also understood
by everyone to avoid misunderstandings.

The team decides on an industrial segment structure since the majority of the
business units are organised according to this criterion. The information concerning
possible new segments identified in the course of retropolation is also included
in these considerations. The team agrees on seven markets and/or industrial
segments—namely Automotive, Aviation, Medical Devices, Energy, Systems,
Space Flight and Rail. The company already serves the first five, while the
remaining two are interesting markets for the future.

Products and services are organised into five units: Interior Fittings; Services;
Turbines; Components and Electronics. Interior Fittings comprises, for example, all
interiors services for vehicles and aeroplanes, while the Components unit includes
chassis systems and technical components (cf. depiction in Fig. 5.4). A discussion
about the Turbines unit begins, since it is initially unclear if this is a market or
service element—a typical and frequent situation for this type of structure and
which serves to hone the fellow explorers' understanding. Turbines are finally
classified as a service as they play a role in several markets. Although electronics
play a role in all other service units they are, however, designated an independent
unit since they are also a separate business unit within the company.

In the next stage the team adds shading to the business structure matrix it has
compiled to identify the business segments which *Industrial Supplier GmbH* is
currently active in (cf. Fig. 5.4). There is, for example, currently complete vertical
coverage of the aviation market, while the energy market is only served with
turbines and services.

At this stage the team focuses exclusively on the company's current status;
future positioning is taboo. The only business segments to be shaded are those
in which the company does substantial business, not those in which it is
experimenting or which make only a minor contribution to business.
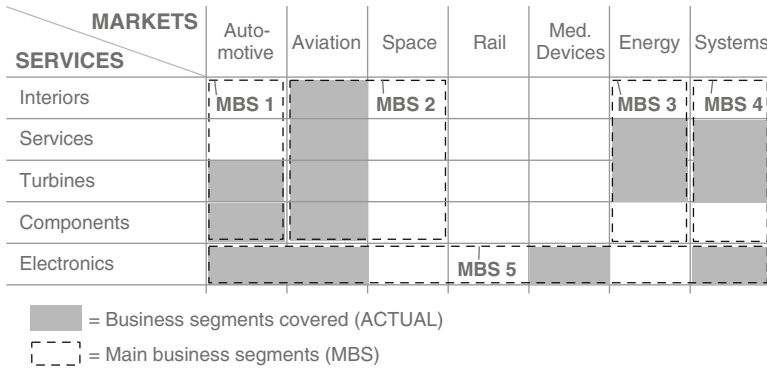
Fig. 5.4 The business structure matrix including current market coverage and main business segments

Once the business segments have been defined the team can move on to clarify which segments it would make sense to amalgamate into separately demarcated groups—'major business segments' (MBS). To facilitate this the Strategist poses the question "Does *Industrial Supplier GmbH* tick more 'horizontally', in other words is it service-based, or more 'vertically', in other words market-based?" Put another way: Is the company more concerned to sell specific services in single, separate markets (horizontal) or to completely cover specific markets with as many services as possible (vertical)? This serves as the impetus for decisions about how MBS-based structuring can best be realised.

The participants quickly agree that *Industrial Supplier GmbH* is market-oriented. This also corresponds with the company's organisational structure. The business segments are thus primarily organised on a vertical basis, namely in the four units Automotive MBS, Aerospace, Energy and Systems (cf. Fig. 5.4). The only exception to this is the Electronics MBS, which is horizontal. This is due to bundling of know-how in a field, which corresponds to an independent business unit.

5.6 Positioning in the Competitive Arena

The next thing the Strategist does is to request the team to rate the main business segments identified in terms of their competitiveness and attractiveness when compared to the competition. The fellow explorers react with strong criticism when asked to carry out this positioning "intuitively". They argue that the criteria for the rating must be defined, otherwise it will not be grounded in fact. The Strategist counters that the objective is to use the team's experience and thus its *subconscious* know-how to identify the key aspects during the subsequent discussion. In addition to this, the focus is on the relationship of the positions to one another, not their exact location. "Use your gut feeling to position the main business segments without thinking about it," the Strategist requests the team.

MBS attractiveness

MBS 1 = Automotive

MBS 2 = Aerospace

MBS 3 = Energy

MBS 4 = Systems

MBS 5 = Electronics

Competitive
strength
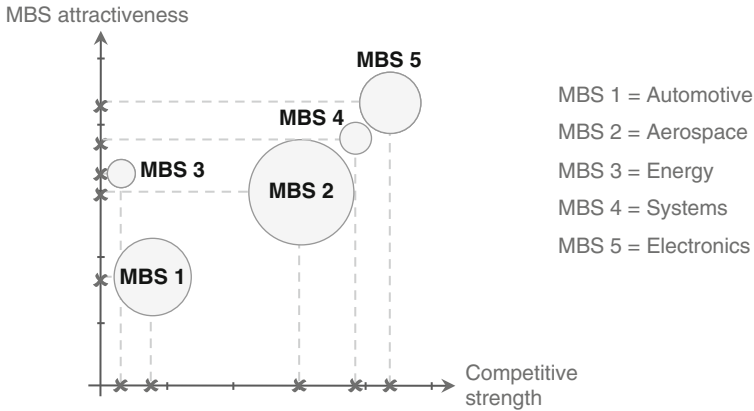
Fig. 5.5 The intuitively identified *Industrial Supplier GmbH* MBS portfolio

The fellow explorers agree to this and in the course of the controversial discussion which now takes place the Strategist takes on a role which is both provocative and also guiding. The team rates Automotive MBS attractiveness as lowest on the y axis, Electronics MBS as highest. On the x axis the Energy MBS is least competitive, while the Electronics MBS is ranked best. Figure 5.5 illustrates the positioning results, whereby bubble size expresses estimated MBS market volumes.

After compiling the MBS portfolio the Strategist asks the fellow explorers to now describe the criteria they used to carry out the "felt" positioning. The team initially refuses to retrospectively gather the criteria as requested, strongly criticising the Strategist's seemingly haphazard methods. He however explains "We worked on the principle of 'better to clarify afterwards than to limit things in advance'. It makes sense to consider overall criteria retroactively rather than selecting too few criteria before getting started."

The MBS portfolio—as, by the way, all portfolios—makes no claim to be scientific, as is often suggested. There is thus no "right" or "wrong" when compiling portfolios. They are merely intended as an opinion-forming tool and to assist with subsequent decision making. This is why an intuitive procedure functions so well, particularly if the team is competent and experienced. The retroactive gathering of criteria serves to hone alignment of mutual understanding among the participants. Everyone in the strategy team learns how to understand their colleagues' mind sets. In addition to this the criteria can later be used as the basis for developing detailed portfolios for the business units.

With the team's agreement criteria are now gathered and prioritised. In a final stage the team agrees on a maximum of five criteria for attractiveness and competitive strength. The attractiveness criteria are diversification; profitability; turnover (volume); market development (potential) and competitive intensity. The criteria for competitive strength are own profitability; attractiveness as an employer; market share; internationality and portfolio attractiveness (= a combination of the criteria 'service portfolio' and 'own product attractiveness').

5.7   The Individual Business Segments Enter the Competitive Arena

After compiling the MBS portfolio for the entire company individual portfolios are developed for each MBS. Their purpose is to provide a basis for detailed strategy for the individual corporate divisions. The team orients itself according to the overall positioning which has already been compiled when doing so. Separate working groups deal with the individual MBS, first completing intuitive positioning before subsequently consulting the previously defined criteria or, where applicable, criteria which are more suitable. The outcome of each group's work is presented individually to the entire strategy team; feedback is collected and then incorporated.

The Strategist's most difficult task is to ensure that everyone adheres to the feedback rules, thus preventing the discussion from getting out of hand. Listeners should provide genuine feedback—i.e. they should first write down everything that attracts their attention or which they view differently before subsequently discussing it. Neither the feedback givers nor recipients are allowed to give reasons for feedback. Since the process is not about someone having done something "wrong" or not seeing something "right" both sides should also avoid justifications. They should instead view the feedback in neutral terms; simply accept it and discuss it in the team before either using or discarding it. The Strategist knows from experience that long-winded discussions can result in the Express Trail mutating into a "slow-coach route".

Feedback on the overall company portfolio can only be provided in the first round if the central concepts at corporate level also manifest themselves at division level. Significant contradictions often occur and must be clarified within the team by the Strategist to achieve reliable results and increase the degree of certainty and clarity.

Figure 5.6 shows the results arrived at by the group working on the Aerospace MBS. The Interior Fittings, Services, Turbines and Components business segments
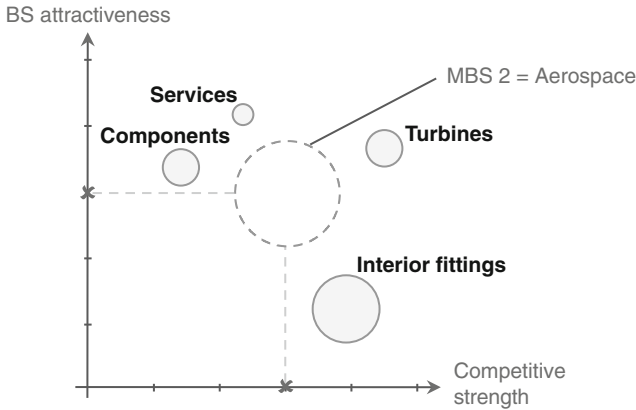
Fig. 5.6 Business segment portfolio for the *Industrial Supplier GmbH* Aerospace MBS
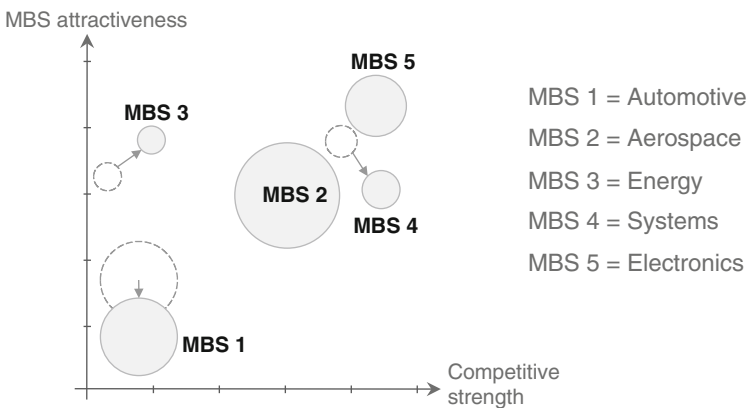
Fig. 5.7 Up-dated *Industrial Supplier GmbH* MBS portfolio

have been positioned. As can be seen, overall positioning of the Aerospace MBS in relation to the individual business segments is, in contrast to Fig. 5.5, coherent.

The business segment portfolios for the remaining four MBS also provide important information to up-date the overall company portfolio (cf. Fig. 5.7). It now has the following characteristics:

- Retroactive positioning of the Automotive MBS is considerably more negative—an important result since, prior to the workshop, the market had been estimated to be more attractive than it has now been shown to be.
- The Systems MBS is also classified as being significantly less attractive. On close inspection it became apparent that the market is, to a large extent, saturated, offering no further potential.
- The Energy MBS in contrast now appears in a better light.

The business unit leader for the Systems MBS is dissatisfied with the outcome of the team discussions. He had previously seen himself as acting successfully in an

attractive market and must now adjust his current portfolio position downwards. He feels himself forced into the defensive and, as a "pig-head", does not view his unit in the role of a cash cow which is being milked but will become less attractive in the foreseeable future. When, in the course of discussions, he recognises that his unit represents a corporate "asset" since it produces profits which can be used to develop other business segments he calms down and becomes cooperative again.

Using Findings to Date to Hazard a Look in the Mirror   The following section sees the team evaluating the current position which has been identified by asking the question: "Why are our business units situated where they are in the overall company portfolio and not somewhere else?" The company's existing internal strengths and weaknesses are identified and entered into one SWOT for each MBS (cf. P. 53 f.). The work is again carried out in groups; however this time made up of different individuals to ensure the incorporation of new perspectives. The Strategist's objective is to trigger heated discussion and thus achieve viable results, since the compilation of the business unit SWOTs is intended to facilitate self-evaluation and reflection—an honest look in the mirror to determine the reasons for the status quo. The Automotive MBS SWOT, for example, reveals pronounced weaknesses in the areas of service portfolio; specialist know-how and sales/marketing, which would have to be developed into skills to successfully position *Industrial Supplier GmbH* in this business segment. There are also significant threats with regard to competitors and price pressure and the transfer of know-how from other units is more difficult than thought. The overall company portfolio (cf. Fig. 5.7) had already shown that the Automotive MBS is not particularly attractive and the SWOT now reconfirms this. It seems advisable that *Industrial Supplier GmbH* abstains from further development of this business segment, despite the attractive market volume. The strategy team is getting an increasingly clear overview of the current position of both the company overall and also the individual main business segments. This provides the basis for turning to the company's future focus.

Since both the strengths and weaknesses and the opportunities and threats vary widely for each individual MBS the team foregoes combining them into one SWOT which would depict *Industrial Supplier GmbH* in an overall SWOT scenario. This kind of a scenario, which is more of an "academic exercise" nature, would not produce any additional results.

Developing Possible Positions for the Future   The business structure matrix is now used to consider what a future market coverage strategy could look like. Central to this are the questions: "Which business segments do we want to remain in?"; "Which ones do we want to enter?" and "Which ones do we want to leave?" The team employs the knowledge it has already gained within the scope of its discussions concerning the current portfolios to answer these questions. Figure 5.4 (P. 91) shows current market coverage. During the discussions concerning future market coverage the team decides that the Automotive MBS should on no account be further developed and that the Energy MBS should be developed more

intensively. In addition to this the Electronics MBS should be supplemented to include the "Energy" industry.

In this stage the course for the future is initially charted, however without yet making any definitive decisions. The development of positions provides grounded input for discussions concerning the future, avoiding the risk that the strategy is otherwise limited to "tinkering" with the existing status quo. After compiling target portfolios feedback on market coverage is given.

Thinking About the Business Units' Futures The strategy team now splits up into groups to identify what the future options—i.e. positioning and development— should be for each main business segment. The existing business segment portfolios (cf. e.g. Fig. 5.6, P. 94) provide the basis for this. The Strategist asks the groups to develop three target positions per business unit, each of which should be significantly different from the others, and to enter them into the target business segment portfolios. The groups are asked to keep each MBS' SWOT in mind when doing so and to evaluate the options using solid criteria such as costs; chances of implementation; threats and competences. Each group then presents its findings before discussing them with the team.

The Strategist must ensure that the groups not only develop obvious but also *extreme* strategic options, since this is the only way to successfully break out of habitual mind sets; to enter new spaces and to develop visions which seriously question the status quo and provide the impetus for controversial team discussions. It is sometimes difficult for the groups to identify and champion extreme viewpoints, so the Strategist must play a provocative role in this regard. The task of developing three options has advantages. On the one hand, it prevents one-sided positions which can easily result in confrontations among team members. On the other, it gives all participants the chance to contribute their own "dream option", making them "acceptable" as the basis for team discussions.

Figure 5.8 shows the three options developed for the Aerospace MBS. The arrows identify movement from current to target status, i.e. future change. All options are given descriptive "nicknames"—which is recommended as a general rule—making them easier to remember.
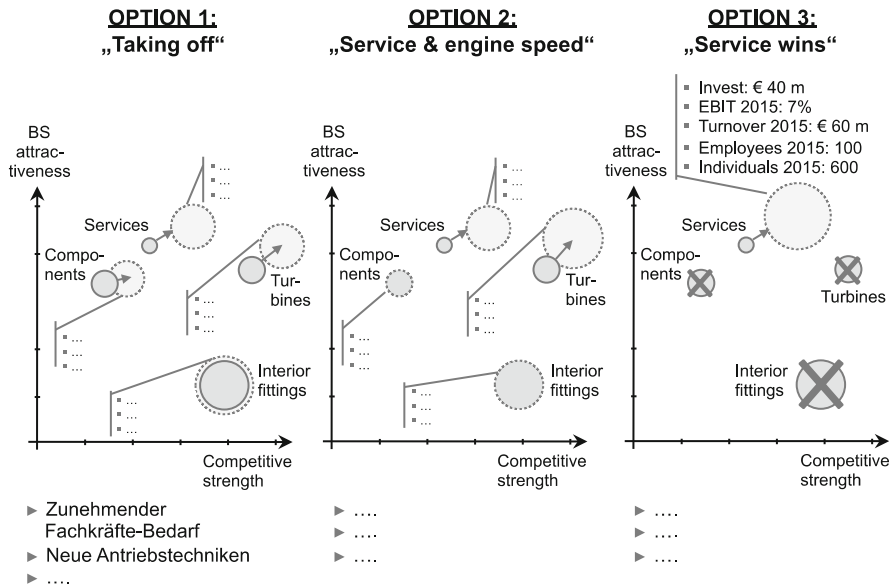
Fig. 5.8 Optional future portfolios for the Aerospace MBS

- Strategy Option 1, entitled "Taking off", includes the development of all existing business segments. Intensive expansion of the Services segment, moving it up the y axis, is based on the assumption that the scarcity of skilled labour will become even more pronounced so that external services will be required, thus making the segment even more attractive.
- Strategy Option 2, entitled "Service and engine speed", not only assumes the massive development of both these business segments but also that Components and Interior Fittings will remain constant.
- In Strategy Option 3, entitled "Service wins", the key benchmark data have been listed for the Services business segment. Among other things it is assumed that investments totalling 40 million euros will be made to achieve the desired target positions.

The first round of development and presentation of the future portfolios often suffers from an "uneven keel"—in other words, all the options show the business segments moving to the "top right". Put another way: Everything will be "bigger, better and more beautiful" in the future, which is, of course, totally unrealistic but "human" at this stage of strategy work. This is, to some extent, also recognisable in the case of Option 1 in Fig. 5.8. It is the Strategist's task to make clear to all participants that it is impossible to further develop or reposition every single business segment since the purpose of strategy it not to merely to make everything shine in the splendour of new colours but also to discuss seemingly negative developments such as the withdrawal from specific business segments in order to achieve long-term success. This means slaughtering "sacred cows" and concentrating on the most promising strategic options.

When carrying out future positioning it is important to note that the vertical movement of business segments is solely market-driven. Whether a market is more or less attractive does not depend on the company but is rather solely the result of external, uncontrollable influences. Horizontal movement of a business segment can, in contrast, be actively precipitated since the company is able to influence competitive strength.

In the second round of development the participants focus on developing specific business segments, foregoing development of the others. There is a minor "move to the left" since most of the results are slightly corrected; they are, however, still not yet realistic. The Strategist can use the information gathered up until this point to make things easier since, in the final instance, it is the relationships of the business segments to each other which is really important, not their absolute positions. He simply restandardises the positions identified by moving the axes to the business segments' poles instead of them being further away. The result is a portfolio which speaks a clear language.

At the end of the process the strategy team has several and, above all, very different strategic options for each business unit, similar to Fig. 5.8 for the Aerospace MBS.

Combining the Collected Findings in the Temple of Options The question "What direction could we develop in?" has now been answered by providing possible options for each business unit. The strategy team now turns its attention to developing an overall strategy for *Industrial Supplier GmbH* by relating the individual options to one another and employing criteria to convert them into an overall strategy. To this end they create a strategy options space which lists and names the options available for each MBS (cf. Fig. 5.9). The combination of various strategy options from left to right "across the spectrum of the option space" results in a selection of overall strategy variations. In this context each strategy option's selected fields of action must fit together, in other words they must be consistent. Thus in the case of *Industrial Supplier GmbH* the combination of the options "Total withdrawal" (Automotive); "Service and engine speed" (Aerospace); "Status quo plus interior fittings and components" (Energy); "Sale" (Systems) and "Massive move ahead" (Electronics) represents a possible strategy variation for the overall company. It is given the name "Make 5 into 3"—Reduction of business units". Two further strategy variations are developed in the same way— namely "Focus on market potentials" and "Cautious development of attractive business segments".
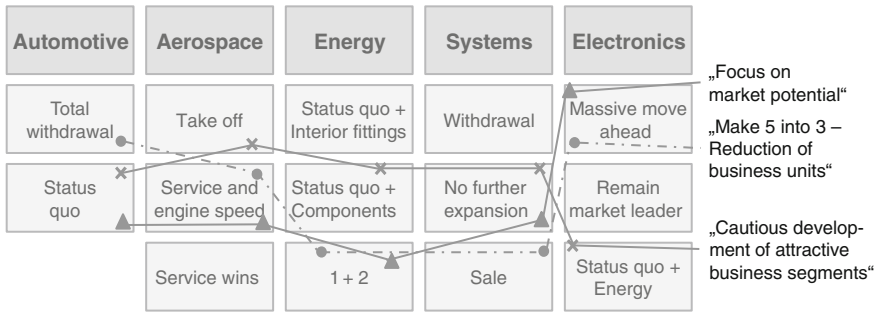
Fig. 5.9   The strategy option space for *Industrial Supplier GmbH*

The strategy team now employs criteria to evaluate the strategy variations it has created, whereby on the one hand it refers back to the corporate goals (cf. Fig. 5.3, S. 89) and, on the other, a catalogue of criteria which are important seen from the *Industrial Supplier GmbH* perspective (e.g. change of implementation; effort). The team decides on the "Focus on market potential" strategy option because it offers the best possibility of achieving the turnover growth and EBIT goals; the required investment of resources is primarily limited to development of the Energy and Electronics segments and it is thus financeable. The Automotive and Systems segments continue as before, while the Aerospace segment concentrates on the previously assigned business units Turbines and Services. The strategic option selected is then charted in a future MBS portfolio and summarised in a few brief sentences.

All strategy team members are satisfied with the results and feel that they have embarked on a sensible, promising course. They are confident that the strategy selected will be successful.

Defining the MBS' Strategic Basic Focuses   In order to define the basic framework parameters for strategy implementation the strategic basic focus for each MBS must be defined. Ideally all MBS should have the same strategic focus as companies always find it difficult to act "schizophrenically" with regard to the strategic basic focus of their business segments. The requirements and competences demanded by the possible basic focuses vary too widely: Innovator; Me-too; Quantity and Revenue. In this spirit *Industrial Supplier GmbH* needs to clarify for each MBS whether it wants to achieve its desired competitive position by means of

- Generation of innovations combined with a core competence in the field of research and development,
- Rapid adaptation of competitor products (me-too) combined with an excellent marketing and sales competence,
- A quantity strategy combined with high process and manufacturing efficiency, or
- A revenue strategy combined with excellent brand competence.
  The company must decide on a focus for each MBS.

The central question is "If the company had one million euros to freely invest in one thing, would it invest them in the development of new ideas (innovator); in the optimisation of processes and procedures ("factory"); in market knowledge and its adaptation (me-too) or in brand management (revenue)?" Should, for example, 'me-too' be selected as the basic focus then this does not mean that money will also be invested in marketing or increasing process efficiency but "only" that a 'me-too' philosophy is the driving force for corporate thought and action; that a corresponding culture is created and that the relevant core competences have to be developed. Anyone who fails to make a clear decision in this regard runs the risk of constantly dissipating their energies. And all the companies which I have experienced as being "unclear" in this regard waste productivity.

After having clarified which direction each business unit should develop in the next task is to identify what has to be done to achieve this. A raft of operational activities, which serve to dissipate energies, should, at all costs, be avoided. Based on the corresponding SWOT compiled the strategy team defines the following criteria for the repositioning of each business unit:

- Which strengths to maintain, develop or neglect,
- Which weaknesses must be worked on,
- Which opportunities must be seized and
- Which threats should be avoided.

The results are entered into future SWOTs. The information compiled is, however, still too abstract since it does not provide the individual business divisions with any indication of what they must now do to implement the strategy. It does not, for e.g., list where the required competences come from; whether new business segments will be developed with partners or alone; how the organisational structure and value creation will be designed; etc. In order for the strategy to be understood by everyone in the company—also those individuals who did not participate in its development—it must be further "broken down" to become concrete and to answer questions concerning the "how". The fellow explorers thus set off on a journey to the Monastery of Reflection (cf. Chap. 11, P. 167 ff.).

Protecting the Sand Castle from Collapse: The Jungle Exploration

6.1 The Sand Castle: Characteristics of the Strategic Context

A characteristic scenario for the strategic context of the "Sand Castle" is that a strategic problem has to be solved by the company's management or among the fellow explorers under difficult emotional conditions. From a technical point of view the problem itself can certainly be solved, however the real challenge lies in the political situation. If the Strategist is not careful he will become completely lost in the Swamps of Viewpoints and Emotions which are vehemently championed in the strategy team without any genuinely sustainable strategy being developed. In the "Sand Castle" many things are, quite literally, built on sand. As a result a capable strategist can lose even the partial successes he has achieved in the course of the process, seeing them "trickle through his hands", when the team becomes locked in trench warfare.

Our case study is concerned with *UK Web Works Inc.*, a major European Internet provider headquartered in England. The company owes its prosperous past to a product innovation which is now coming to the end of its life cycle. Since everyone is aware that the domain and web hosting business is reaching its limits there has in recent times been opportunistic, ill-considered investment in numerous new, heterogeneous business segments, which has, however, proven to be increasingly inefficient and energy-sapping. The organisation is thus experiencing growing uncertainty about the future.

The Chief Financial Officer (CFO) thus considers it necessary to have a clear strategic focus. As a *Revolutionary* he is unable to develop, decide and implement the strategy on his own in a short space of time. He has to consult his strategy team which he cannot, in this case, choose himself and comprises four members of the board responsible for the Marketing, Sales, HR and Technology divisions. The difficulty lies in the fact that the fellow explorers have extremely different viewpoints regarding, and assessments of, the future of *Web Works*. In addition to this, their management and strategy competence—typical for a company which has grown rapidly—is below-average (*Scout group*). Inclusion of additional fellow

explorers in the strategy team to compensate for the prevailing deficits is, in this case, not possible since their lack of influence in the organisation would only serve to further exacerbate the existing psychological difficulties.

The four fellow explorers confront the Strategist with political situation issues of the *Tactics* nature. Even though they are aware of the problems faced by the currently still profitable domain and web hosting business they are not open to new solutions (*Duds*). Despite uncertainties each one of them uncompromisingly champions their own viewpoint because they "know" what the solution to the problem is. Each one of them, however, believes that the solution lies in a different place. The company is characterised by a rough culture in which individuals enjoy attacking each other and bluntly stating their opinions, unfortunately not in the sense of a positive culture of debate. Honest, constructive expressions of opinion are rare. Seemingly "simple" issues such as, for e.g., customer segmentation provide points of attack and sources of misunderstanding. The team could become "bogged down" in such topics, working itself into the ground—which the Strategist must take into account when planning his jungle trail. A further difficulty is that the *UK Web Works Inc.* shareholders have failed to specify clear corporate goals, causing the management team to act in a strategically unclear, contradictory manner. Goals and successes are primarily defined in terms of the daily operational business.

Fortunately the strategic challenge itself is at least *clear*—i.e. neither the interlinking nor the number of factors is problematic. The strategy trigger which, despite its low degree of abstraction, is a bone of contention must be characterised as *contradictory*. Thanks to longer-term contracts with customers the revenue and financial situation can be viewed as non-critical in the mid-term. The company's situation can thus be described as *curious* (Fig. 6.1). The high operational demands on the board members and their lukewarm interest in a pro-active strategy discussion mean that resources for the strategy process are minimal (*stroll*).

6.2   The Trail: Characteristics of Exploration

In the case of the Jungle Exploration trail the challenge lies less in technical problems; changing the competitive environment; possible market developments or changing the value creation structure and more in the Swamps of Emotions and Viewpoints. If attention was turned to them the results could collapse like a sand castle because of the tactics in play. The results could subsequently be called into doubt and interpreted differently by every division, meaning that they were not reliable—a situation which is, unfortunately, common in companies in the field.

The focus of this trail can thus not as, for e.g., in the case of the Jungle Express be on method diversity while quickly crossing the Jungle but rather is on achieving *consensus* concerning the key issues. Fellow explorers should, to a large extent, not be asked about their positions and these positions should not be made the basis for the subsequent process, as is advisable in the case of the Jungle Express with competent fellow explorers. Instead of proceeding *from the top down* issues are handled *from the bottom up* during the exploration. The Strategist feels his

FACTORS	STRATEGIC CONTEXT IN YOUR COMPANY			
COMPLEXITY OF THE STRATEGIC CHALLENGE	CLEAR	CONFUSED	DENSE	TRICKY
STRATEGIST'S ROLE	LEADER	PROPHET	REBEL	REVOLUTIONARY
FELLOW EXPLORERS' STRATEGY COMPETENCE	SCOUT GROUP	SPECIAL UNIT	VOLUNTEER CORPS	COMPANY
FELLOW EXPLORERS' ATTITUDE	DUD	DESPERATE	PIG-HEADED	WISE
COMPANY'S SITUATION	WEAK	CRITICAL	RELAXED	CURIOUS
IDENTIFYING THE STRATEGY TRIGGER	CONTRADICTORY	TANGIBLE	DIFFUSE	PUZZLING
STRATEGY PRESSURE AND RESOURCES	STROLL	HIKE	SPRINT	MARATHON
POLITICAL SITUATION	TACTICS	PLAY-ACTING	POSITIVE CULTURE OF DEBATE	HARMONY

JUNGLE EXPLORATION (SAND CASTLE)

Fig. 6.1   Strategy profile for Jungle Exploration (sand castle)

way forward by first connecting with his fellow explorers on individual issues and achieving a corresponding consensus before gradually combining the details agreed to create a coherent overarching overall model. On the journey from the specific to the general the team begins to pull together to an ever increasing extent and, step by step, agrees on a strategy (Fig. 6.2).

6.3   Finding a Common Base

A strategy can only be successful in the long term—i.e. be implementable—if a unifying element, a common goal, is found among the decisive individuals, the "drivers"—in this case the strategy team, and everyone views this goal as being
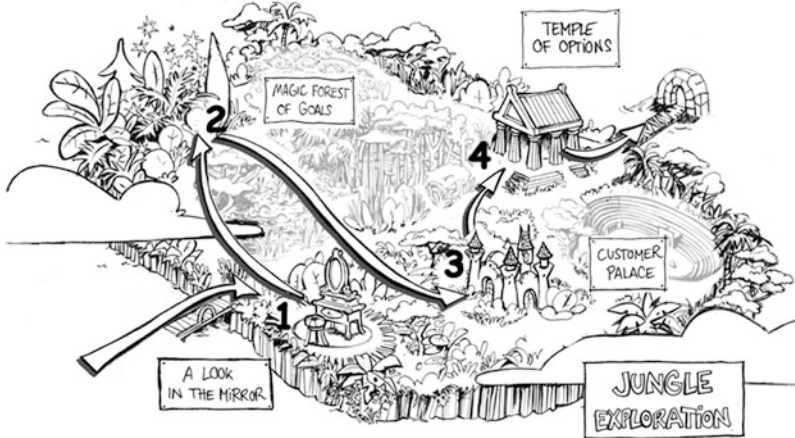
Fig. 6.2 The Jungle Exploration trail (sand castle)

fair and also corresponding with their personal goals. Key to this process is taking the participants' interests and crystallising them into a common denominator for the company.

In order to approach this goal the Strategist works with his fellow explorers to map out *Web Works'* current situation in the form of a market review which takes trends into consideration. The review comprises the seven dimensions price structures; products; customer segments; customer expectations; technology; market potential and market structure. In the course of a discussion the four to seven critical factors are presented in the form of a network and their mutual influences are identified. This makes it possible to pinpoint the key factors which are relevant for the future by first having the fellow explorers concentrate on the individual relationships of the factors to one another, thus quickly 'identifying' with each other when evaluating the network, which in turn results in a clear common view of future trends.

By means of a process of elimination the team arrives at the recognition that the current business with B-to-B customers will not play any significant role in the future, but instead consumers (B-to-C) will be at the centre of attention. Future products will have to be "simple" and "individualised" instead of "complex" and "standardised". In the course of the subsequent process this will become an important market and strategy evaluation criterion. Technical issues will no longer be the focus of attention, as expected by the Chief Marketing and Technology Officers. In a first stage consensus has successfully been achieved among the fellow explorers on the relatively simple—because detached from the company—issue of market development without them having become bogged down in differing positions. This has created a good basis for the downstream procedure.

6.4   Confronting the Truth: A Look in the Mirror

In order to further develop the basis for a common understanding the Strategist must tackle the most contentious issue—namely an assessment of the current situation. Since there is, in his opinion, no point in developing a SWOT with his "squabblers" he assigns this task to external consultants. In the course of workshops with eight to ten participants in five core corporate divisions the consultants develop one SWOT per workshop for the overall company including central levers. The participants' viewpoints are recorded, analysed and prepared for use as a suitable basis for discussion. The consultants also merge the SWOTs into one single SWOT to identify consensus and contradictions. Anonymised visual versions of both the individual SWOTs and the consolidated SWOT are provided to the strategy team in the form of simply structured posters.

This form of "mood barometer" and opinion gathering in the organisation has the advantage that it provides the strategy team with both a basis as well as also individual issues for discussion. The overall picture is approached via the details. Compression and merging into one consolidated SWOT means that the fellow explorers are left with no loopholes to avoid disagreeable aspects. Instead they are confronted with the facts or perceptions as they exist in the company and must initially simply accept them as feedback from the organisation.

It becomes clear that the organisation confirms what the strategy team's market review revealed. The fellow explorers find looking into the mirror an experience which is not particularly pleasant when they realise that their management competence is judged to be weak and their tendency to disagree is obvious to the rest of the company.

By looking into the mirror the Strategist has guided the fellow explorers to a common assessment of the current situation which would not have functioned without the "blueprint" from the five corporate divisions. This has made the findings sustainable. The fellow explorers can use the consolidated SWOT to settle key areas of action and their interdependencies among themselves. In the further course of the process the SWOT will be supplemented with findings originating from trend analyses; a value creation-based competence assessment of *UK Web Works Inc.*; analysis of customer needs and a review of the competition.

6.5   Smoothing the Trail Further: The Magic Forest of Goals

There is no consensus among the strategy team concerning goals and corporate goals are also generally unclear. Without goals it is, however, impossible to develop strategic options, let alone to evaluate and select them. The crucial question is "What do we want to achieve together?" and must first be answered. This requires a walk through the Magic Forest of Goals and, following a look into the mirror, this is possible. In the course of discussions led by the Strategist the strategy team agrees on three goals—or, better, goal crash barriers:

1. Market leadership in Europe
2. Maximising of market coverage
3. Maximisation of turnover in the coming 5 years.

The three goals are assigned equal importance. The fellow explorers consciously take leave of profitability goals because if they are going to expand their market power it will be necessary to make investments which will be a drain on profits. The Strategist, who is himself responsible for the area of finances, initially has difficulty warming to this decision, however in the end accepts that profitability is of secondary importance.

It would have been preferable if the goals had been backed up by figures, however taking into account the difficult psychosocial team constellation this was not possible. At any rate a consensus on goals and the correspondingly required "common denominator" for agreement has been achieved and the Strategist is satisfied with this as the outcome of crossing the Jungle.

6.6   Customer Structure Analysis

In a discussion led by an external consultant the question "Which characteristics distinguish customers in the web hosting market and/or which ones could be relevant in future?" is posed and answered. The objective is to use the customer analysis to take a step towards market structuring and focusing of the business. Existing customers are analysed and grouped according to their characteristics and their needs are identified. In addition to this market potential is assessed and compared to the company's own competence. The sole basis for this is the team's knowledge of the market.

After several rounds of discussions the team is able to progress from its previously fragmented, contradictory view of its customers to a uniform under- standing. The position that the B-to-B market is in decline and that the company must concentrate on the B-to-C business, already identified in the initial stages of the process, is now further developed and details are fleshed out. Four customer categories are defined for *Web Works*:

- "*Tech Pro*": Business customers who either have IT responsibility in larger organisations or own their own small organisations. They provide IT services to other companies and place value on a wide functional or performance scope; have a high degree of technological affinity and are not particularly

price sensitive. These customers have to be won by catering to their interest in excellent technical solutions. This group's market potential is in decline.

- "*Solution Business*": Business customers with high functional or performance requirements; with a pronounced desire for simplicity and, where necessary, service support. They are not particularly price sensitive. These customers must be won over with "peace of mind and uncomplicated technical solutions".
- "*Pro-Sumer*": Consumers (B-to-C) requiring a low intensity of advice and support and who are price sensitive. They have high functional and performance expectations. These customers are won over with "technically excellent solutions".
- "*Con-Sumer*": Consumers (B-to-C) requiring a high intensity of advice and support and who are not particularly price sensitive. They have low functional and performance expectations. These customers are won over with "peace of mind and uncomplicated technical solutions".

This customer and market structuring is the basis for further strategy work and allows the fellow explorers to unanimously agree that the company

1. Will withdraw from the *Solution Business* market, no longer offering corresponding services,
2. Will gradually withdraw from the *Tech Pro* and *Pro-Sumer* market, in which *Web Works* is today still primarily active, and
3. Will serve the *Con-Sumer* market to become Europe's Number 1.

The focus is thus on the needs of the *Con-Sumer*, who places less value on technically sophisticated characteristics than on being able to access their data easily from their end devices. All corporate divisions and activities will be focused on this. Based on this and with the aid of a market coverage strategy a customer-based strategy development will be clarified which makes clear the order and time scale in which the company will withdraw from which market segments and which new segments it will focus on.

The Strategist is satisfied because he has succeeded in developing a clear strategic focus supported by all the fellow explorers. The focus is unambiguous, attractive and unique and will be enthusiastically accepted by the workforce.

6.7   Deriving Meaningful Strategies in the Temple of Options

Using the key factors originating from the SWOT discussion; the customer characteristics compiled and an associated competence assessment the fellow explorers develop the strategy options space.

The team gathers corresponding alternatives for each of the eleven dimensions listed (target group focus; expansion policy; etc.). The four customer categories and possible combinations of them are, for example, reused in the target group focus dimension. After the option space has been fully developed the Strategist first asks his fellow explorers to chart the current strategy across the option space to make them conscious of it. This demonstrates to the fellow explorers the extent to which they are currently overextending themselves, trying to serve all four target groups at once.

In the course of the search for possible future strategy options and following a long, gruelling discussion the group agrees on three options (cf. Fig. 6.3):

1. "*Move cautiously in the Con-Sumer market*": Business will continue to be done in the established target groups, with the exception of *Solution Business* customers. The *Con-Sumer* market will gradually be developed. The product portfolio will be clustered according to target groups with the objective of achieving technology leadership. New customers will be acquired via direct marketing.
2. The "*Technology expertise wins*" option is oriented to the roots of the past. The focus will continue to be on technology leadership and customers will, as previously, be acquired via direct marketing coupled with online sales.
3. The "*Con-Sumer conquest*" makes the biggest differences to the status quo apparent, demanding change in many areas of the company. Marketing and sales operate via recommendations and partners. The objective is simple solutions which can be integrated into other software products, requiring a strategic partnership with software manufacturers. Customers are able to directly purchase access to numerous software solutions and end devices as an "infrastructure product". To this end the company must be transformed into a profit centre structure replacing the existing function-oriented organisation. The goal is service and quality leadership instead of technology leadership.

It is obvious that all three options entail withdrawal from the *Solution Business* market—a necessity about which consensus has already been achieved at the beginning of the strategy process. In addition to this it is clear to all concerned that the development of new products will be carried out in-house.

The strategy team now defines the criteria to evaluate the three options selected and, following this, to decide on one option which fits the defined goals. The criteria 'company change'; 'implementation risk'; 'investment requirement' and 'growth chances' are quickly identified, however it takes a long time to agree on their weighting on a scale of 1 to 10. There is resistance from the Chief Technical and HR Officers particularly during the discussions concerning company change. They raise objections such as "How are we supposed to do it?" and "That won't work because …" The Strategist finally manages to convince the fellow explorers that change is unavoidable. Following this 'company change' is weighted with three; 'implementation risk' with eight; 'growth chances' with ten and 'investment requirement' with four (Fig. 6.4).

The results of the evaluation result in the decision to choose Option 3 "Con-Sumer conquest". The Strategist is highly satisfied that the company change, which naturally also implies a change of management, has been given a relatively low weighting. If the weighting had been five or more it would—due to the low degree of willingness to change in the company—have meant the choice falling not on the "Con-Sumer conquest" but instead on the "Technology expertise wins" strategy. This is what the Strategist wanted to avoid at all costs. His fellow explorers can, however, also warm to the decision, particularly since each "module" leading to this result has been given their "blessing".
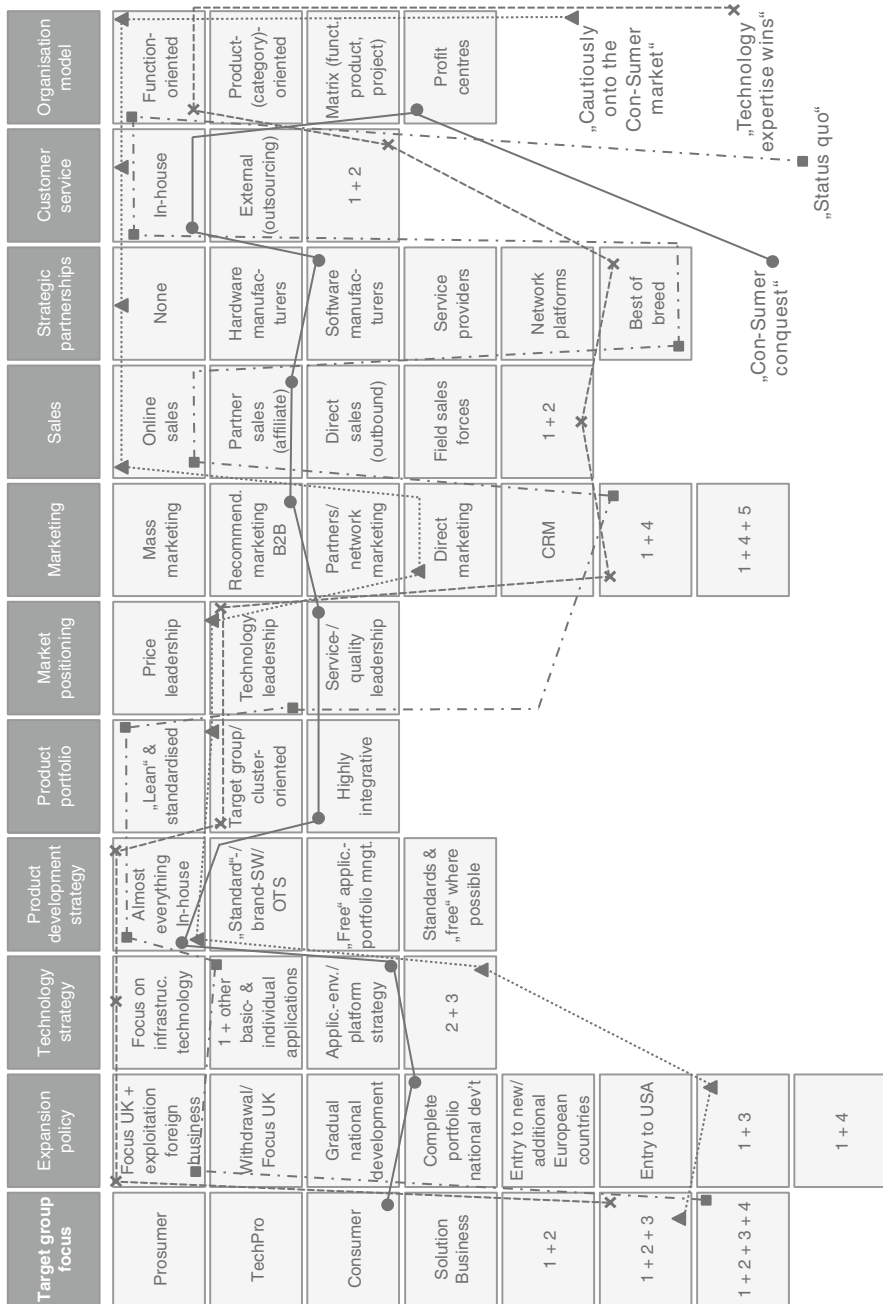
Fig. 6.3 The strategy options space for *UK Web Works Inc.*

		Evaluation criteria				Attrac-tiveness
		Company change	Risk	Investment requirement	Growth chances	
	Weighting	3	8	4	10	
Strategy options	„Moving cautiously on the Con-Sumer market"	4	7	3	5	**33,5**
	„Technology expertise wins"	10	10	7	3	**44,5**
	„Con-Sumer conquest"	1	8	4	10	**46**

Fig. 6.4 Evaluating UK Web Works Inc.'s strategic options

The information gained and the decision for a strategy can be used to complete one last task before moving on the Monastery of Reflection. The team must consider what exactly will change for each business segment and in what form. The most important explanations of content; critical decisions; open issues and implementation activities are listed for each business segment. Only then can a good strategy concept, which is imperative for implementation, be developed in the Monastery.

Exposing a Fata Morgana: The Jungle Excursion

<div style="text-align:right">**7**</div>

7.1 The Fata Morgana: Characteristics of the Strategic Context

The *Club of Rome*—an international association of individuals from the fields of scholarship, culture, business and politics founded in 1968—campaigns for a future for all humanity which is worth living. Its leitmotif is sustainable development based on the needs of today's and tomorrow's generations; on Earth's scarce resources and on the limited resilience of our ecosystems. This leitmotif, expressed in the statement "think global, act local", has become internationally famous as the *Club of Rome's* 'trademark'.

One of the NGO's main initiatives in Germany is to set new standards in learning, namely by means of educational opportunities which mirror the leitmotif in terms of their concept, methods and content. To this end in 2005 a national campaign was initiated to certify schools as *Club of Rome* schools; by 2010 some 16 institutions had been awarded certification. In order to further advance the vision and increase the number of certified schools one of the *Club of Rome's* members proposed reviewing the existing strategy, which seemed too "idealistic" to him. The current strategy consists of winning schools over to the idea and to certification by inspiring and convincing head masters and mistresses. Funding of the administration required to do so is assisted by like-minded companies, who act as sponsors. Current objectives concerning the number of certifications have been achieved and, thanks to the high level of voluntary participation, the costs to the *Club of Rome* are low, facilitating the reliability of results. This said the German educational environment is undergoing dramatic change. An ever increasing number of private schools are being established and "competitors" with similar philosophies are attempting to enter the market (e.g. the *Robert-Bosch-Schulen* and *Business@School*); furthermore the framework conditions for educational policy are changing quickly (Company's situation: *curious*).

The Strategist (*Prophet*) wishes to convince his fellow explorers that the situation calls for the exploration of new paths to increase the number of certified schools to at least 100 and to achieve a visible effect in the educational landscape.
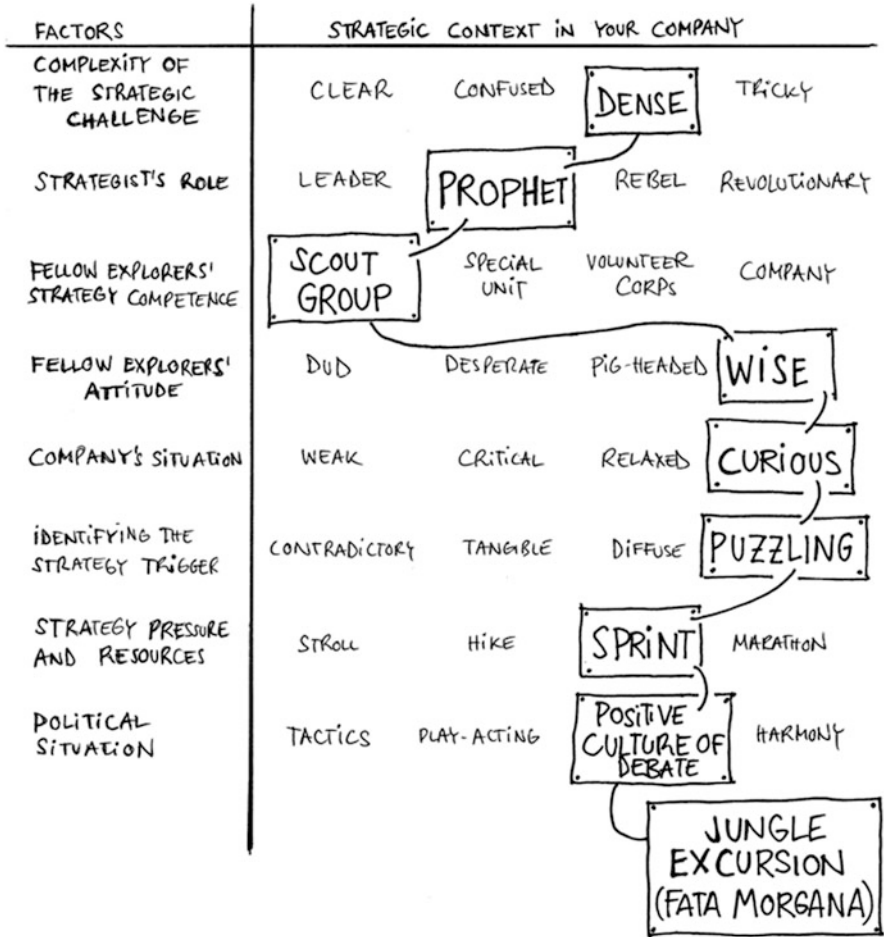
Fig. 7.1 Strategy profile for the Jungle Excursion (Fata Morgana)

To this end a strategy should be developed to persuade schools and pupils to help expand the schools project. The fellow explorers consist of unsalaried members of the *Club of Rome*, including two members of the executive committee and two education experts. All of them are excellent thinkers (*Wise*) who whole-heartedly endorse the goal but favour differing solutions (Political situation: *Positive culture of debate*). Since the fellow explorers lack experience in strategy work (*Scout group*) and there is thus a risk that they will overlook attractive options the Strategist supplements his team with an unsalaried external strategy consultant to accompany the process and compensate for strategic deficits (Fig. 7.1).

The strategy team is open to new solutions, at least agreeing that the strategic problem has to date not been correctly recognised. No-one knows why certification of schools has not yet developed as desired because the most important inter-relationships; key factors; perspectives and effects are unknown (Strategy trigger: *Puzzling*). The strategic problem has obviously been incorrectly identified in the past (Fata Morgana), also making the current strategy invalid. The Strategist's task will be to examine the problem from a diverse range of varying perspectives (teachers, pupils, parents, head masters/mistresses, the media, sponsors, politics, etc.) to arrive at a grounded evaluation and to also identify relevant, interrelated solutions (Complexity: *Dense*).

Due to the unsalaried nature of the work resources are scarce and the radical changes in the educational environment result in a high level of strategic pressure. This necessitates a *Sprint*, calling for the use of the correct strategic instruments to arrive quickly at sustainable results without "missing the mark" or later having to make time-consuming corrections.

7.2   The Trail: Characteristics of the Excursion

The Excursion trail is selected for the strategic context described above. It presupposes that interested, competent fellow explorers who are open to new perspectives and solutions are on board. In contrast to the Express in the case of the Excursion the strategic problem is unknown; in contrast to the Sand Castle there are no Swamps of Emotions and Viewpoints, and in contrast to Meta-morphosis the team does not know where the strategy development will lead. Since the strategic problem cannot be exactly defined there is no sense in working methodically with portfolios or a SWOT. The initial concern is rather to clarify unknown interrelationships; to question existing viewpoints and get to know new ones; to disperse existing pseudo problems or illusions and to identify genuine key factors. Based on this the team will then be able to turn to strategic options and, in the final instance, derive a strategy. The "Interlinked thinking" and "Core of things" methods (cf. P. 63 f., P. 68) are well-suited to this purpose, particularly since they can also be used by inexperienced strategists and when time is of the essence, as is the case here (Fig. 7.2).

7.3   Clarifying the Strategic Problem in the Thicket of Complexity

Together with the fellow explorers the Strategist penetrates the Thicket of Complexity to arrive at the core of the strategic problem and, based on this, to identify the strategic cornerstones. With the assistance of interlinked thinking in line with Gomes and Probst (2007) the team takes a look behind the scenes
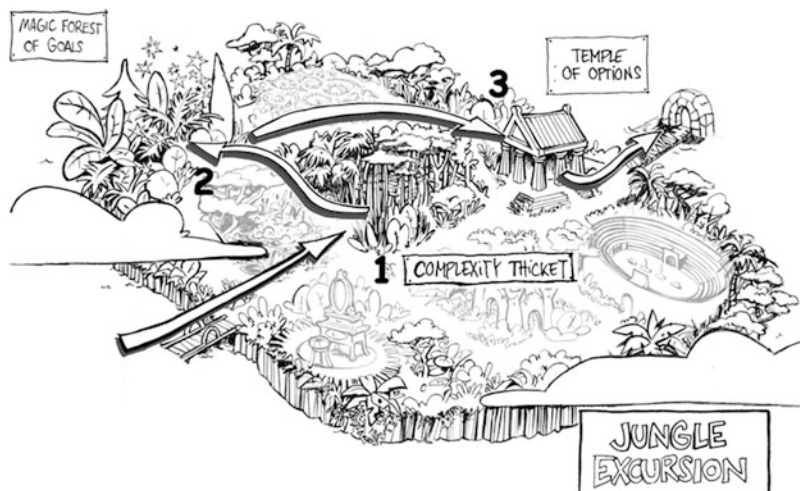
Fig. 7.2   The Jungle Excursion trail (Fata Morgana)

to locate the true "motor" of the problem and find out how it can be tackled. The
fellow explorers complete a nine-step process based on the following questions:

- What is the existing problem?
- Which stakeholders play a role with regard to the problem?
- How do the stakeholders define the "purpose" of CoR schools?
- What are the key factors for each stakeholder group?
- What is the central perspective, the "motor", at the core of the strategic solution?

The fellow explorers quickly agree on what makes up the "Fata Morgana".
The problem has previously been seen from the perspective of what has to be
offered to head masters/mistresses and pupils to achieve development of schools
and move closer to the *Club of Rome'*s vision.

In the course of brainstorming the strategy team identifies all the schools project
"players". Who influences the project or is influenced by it? These stakeholders are
listed and interlinked according to the nature of their relationships. In addition to
the groups "head masters/mistresses" and "pupils", which have to date been almost
the sole focus of attention, the team now also thinks about teachers; parents; politics
(global and local); non-profit and profit sponsors; associations (clubs, professional
associations, etc.); scientific institutions; universities; the *Club of Rome* umbrella
organisation and the media. After listing all groups the team has its first "feel"
for the interrelationships.

The fellow explorers now consider the image of the schools project as seen
from the perspective of each of the stakeholder groups identified. The schools'
"purpose" seen from the point of view of head masters/mistresses is, for example,
"I would like financial support to help my school move forward and build an
image making my school attractive to pupils. In addition to this I can gain more

freedom (autonomy) enabling me to get ahead myself (contacts and career)". The profit sponsors' viewpoint is "We would like access to (new) consumer groups to sell our own products or services; to position ourselves in the long term and to have clever market entry opportunities". This central step in interlinked thinking gives the fellow explorers a feel for the complexity of the interrelationships. As a result one-sided viewpoints and perspectives concerning the strategic issue are softened, creating the basis for comprehensive understanding.

The strategy team gathers and analyses the relevant key factors for each stakeholder group's perspective. The following factors, among others, are identified for the viewpoint of the profit sponsors: access to *Human Resources* (trainees, students, etc.); *Corporate Social Responsibility* image ("We care about education and sustainability"); development of a location (good schools to attract future skilled young workers); profile, marketing and sale of products and services; contact to politics; and profits. The factors seen from the point of view of head masters/mistresses are publicity profile; school concept; advice; networking; school capacity; competence of teachers; school's reputation; and advanced training, of which the first four are key factors which can be built on.

In order to move closer to the core of the strategic solution, i.e. the "motor", all the key factors for all the stakeholder groups and/or perspectives are linked together in a network diagram, revealing their influence. This results in a change of mind within the team: Whereas everyone had previously always agreed that "the school" was the motor the focus of attention has now moved to profit sponsors. The network diagram demonstrates that money is required to achieve the stated objectives and this can only be obtained from sponsors. Enabling schools and pupils to think in global, networked terms can only be facilitated by means of the funds provided by companies. It now becomes clear to everyone that the key factors as seen from the sponsor perspective are the central motor for the team's own strategic focus. The motor comprises the cycle of profit/capital/investment; resources (personnel); product manufacturing/provision of services; marketing/sales; image/profile and customers. These factors move into the centre of focus when considering how the remaining perspectives, put into a networked form, can be "dovetailed" to fit the motor. Which factors do the motor's key factors influence and which factors influence the key factors? The fellow explorers want to use the answers to these questions to identify the levers for their own radius of action which can be built on to exercise the greatest degree of influence on the "motor". The next step will be to build a strategy around these decisive levers (= factors).

The network diagram has shown that the question of how schools and pupils can help to move the schools project forward is not the real strategic challenge but rather merely an operational challenge (Fig. 7.3). The Fata Morgana has now disappeared; the Thicket of Complexity has been untangled and within the team the "penny has dropped" concerning what the real problem is, namely how does the *Club of Rome* use profit sponsors to manage project financing, thus achieving development of schools?
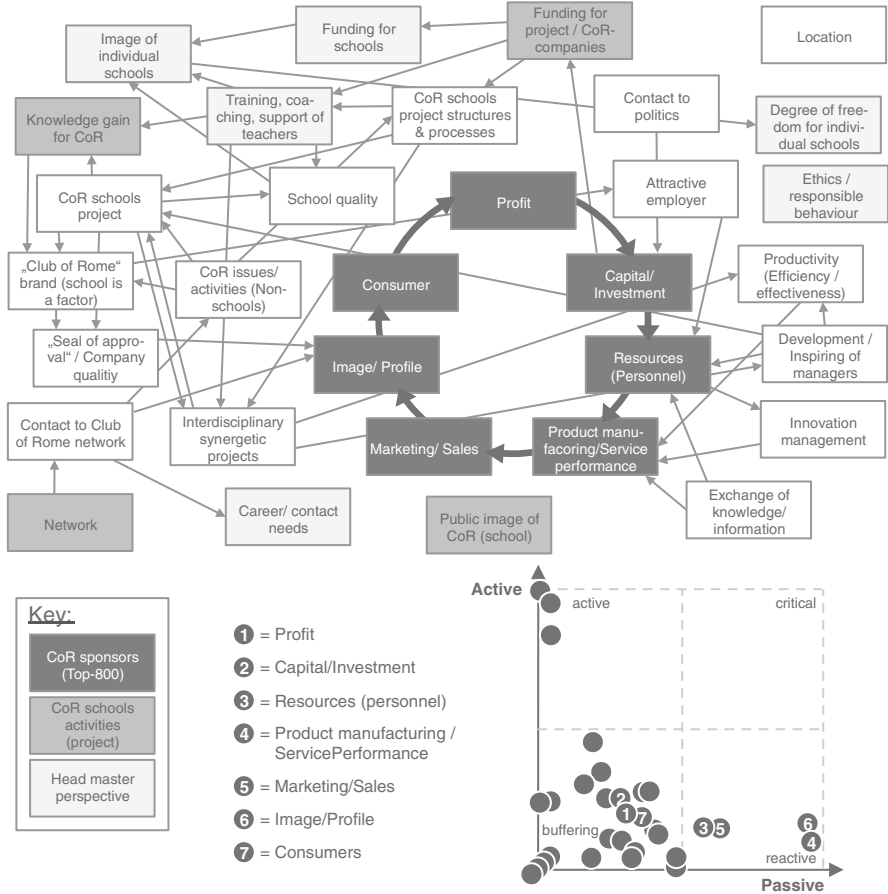
Fig. 7.3 The problem network diagram for the club of Rome schools project

Identification of the strategic problem and clear, unambiguous definition of the strategy are important to achieve the right results during the downstream process. As in the case of the Fata Morgana here, a mere group of objectives or even just operational activities are very often mistaken for strategy. Because how the *Club of Rome* can win schools over for its concept; what it has to offer to do so and how the certification could be organised are, without exception, *operational* issues, not strategic ones. In order to ensure that attention is not focused on the "wrong" problem it makes sense to first carry out a problem analysis, particularly if the strategy team is open to all possible solutions.
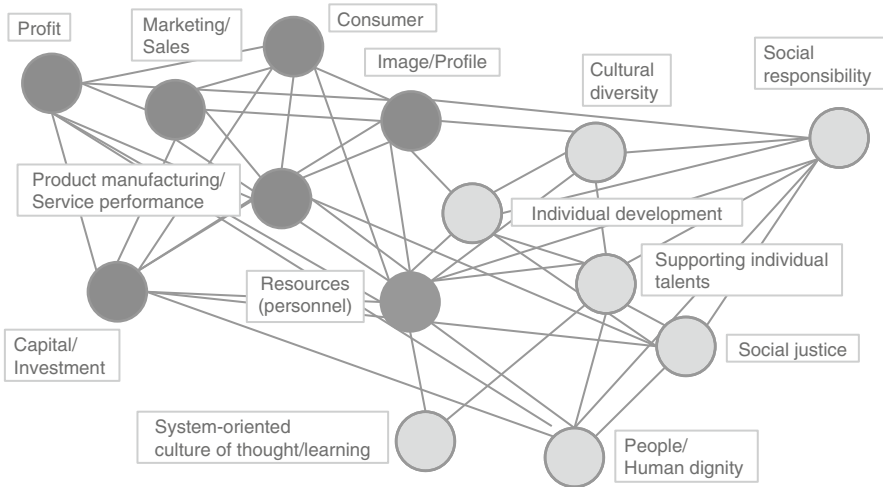
Fig. 7.4 Identification of the decisive parameters for fine tuning

7.4 Getting to the Bottom of Things in the Magic Forest of Goals

The strategy team now considers which elements of the "motor" it would make sense for the *Club of Rome* to build on. In keeping with its self-image and vision the organisation cannot "dock" everywhere. With the aid of the "Core of Things" tool (cf. P. 68) the team examines the relationships between the *Club of Rome*'s key factors and those of the "motor".

As Fig. 7.4 shows it is clear to the strategy team that it does not wish to link its own levers to aspects such as "Profit"; "Consumer"; "Capital/Investment" or "Marketing/Sales" but rather to "Resources (personnel)"; "Image/Profile" and "Product manufacturing/Service Performance". The team now looks for the key factors which the *Club of Rome* with can most reasonably offer input to the sponsor's cycles in terms of its own self-image. The question is: "What are the key factors in the strategic options space for which a course must be charted?" These factors represent the cornerstones of the strategy. A clear paradigm shift is now already recognisable since the option space focuses only on the company perspective, while pupils and schools no longer play a central role but rather are "only" an aspect of the strategy's objectives, thus needing to be achieved. The sponsor, however, is at the core of the strategy and thus the means to the end, namely achieving the goal.

7.5   Entering the Temple of Options with a Clear Picture

The strategy team identifies nine key factors for the option space, including the sponsor mix; sponsor loyalty and the added value which should be offered to sponsors. The fellow explorers develop corresponding options for each key factor. Following this the strategy team considers possible overall strategy variations— i.e. combinations of various strategy options transcending the individual factors. This results in three strategy variations which are assessed using evaluation criteria. The team refers back to the vision developed in the Magic Forest of Goals when doing so. It decides on the strategy variation offering the best match to its own vision. Since the strategy focuses on companies and/or profit sponsors the corresponding consequences and details must also be considered. This takes place in the Monastery of Reflection.

Finding the Way Out of a Dead End: The Jungle Metamorphosis

8.1 The Dead End: Characteristics of the Strategic Context

As the service provider of a European conglomerate with approx. 15,000 employees; a total of five business divisions (Energy Production, Plastics Manufacturing, Automotive, Solar Technology and Aviation) and some 90 subsidiaries *Information Management GmbH*—abbreviated to *IM* below—generates over two-thirds of its turnover within the conglomerate in accordance with management instructions. *IM* was founded 8 years ago with the objective of creating IT-related synergy effects. The company succeeded in doing this very well, also in the past. In the case of standard IT services, the so-called commodity segments such as operation of data centres; licence procurement and desktop service, IM has been able to achieve consolidation and fulfil its brief despite the fact that all the companies within the group have their own IT departments. With its 200 employees *IM* has become—to put it flippantly—the conglomerate's "central watchdog" telling the company IT departments what to do.

The situation is, however, becoming increasingly difficult. The IT departments of the subsidiaries are becoming less and less willing to accept and appreciate *IM*; its work is viewed as an invasion of the departments' own territory and the *IT commodities* are considered to be "replaceable"—the departments could also supply all the service themselves and more cheaply than *IM*. They believe that their flexibility and effectiveness is hampered by the service relationship, which they feel has been imposed on them. *Information Management GmbH* has obviously become stuck in a dead end since, with its previous service portfolio and problems of acceptance; its existence on the internal corporate market is increasingly threatened.

IM's managing director and strategist, a *Leader*, is aware of this situation. He knows that it only makes sense to bundle *commodity* services within a conglomerate; that the company cannot, however, develop any unique selling propositions with these services. As someone who is interested in genuine results and contributing to the welfare of the overall conglomerate—and not just in "political survival"—he asks himself what benefit his company can offer in the future and what services it can provide to which customers. What is thus required in comparison to the previous

trails is consistent customer-based strategy development whereby the goals specified by the conglomerate must, however, continue to be achieved.

The complexity of the strategic challenge can be described as *confused*. The number of factors, customers and their desires as well as the competitors is manageable; their factual and political interrelationships are, however, tightly intermeshed. The strategy team comprises six division heads who, although they have an excellent grasp of their operational business, are inexperienced in strategic thinking and work (*Scout group*). Their collaboration is thus correspondingly characterised by "divisional thinking". The fellow explorers feel confident and, as a matter of principle, believe that everything is going well and that results are good (Fellow explorers' attitude: *Pig-headed*). The fellow explorers are thus primarily interested in preserving the status quo whereby minimal consensus concerning goals is paired with minimal openness to new solutions due to the fact that everyone simply wants to "do their own thing" (Political situation: *Tactics*). Development of a common strategy can thus only succeed if the fellow explorers are not given the opportunity to take a stand until late in the strategy process. Prior to this the objective is to unite them in one common awareness.

It is advantageous for the Strategist that, thanks to the high degree of planning certainty coupled with a low degree of change in the business environment, the company's situation is *relaxed*. The strategy trigger can be categorised as *tangible* since the strategic problem's interdependencies are clear even if, at present, only to the Strategist (Fig. 8.1). The Strategist is conscious of the fact that he will have to create a "new world" in his fellow explorers' heads in the course of the strategy process which, on the one hand, is made more difficult by the lack of strategic pressure to act, however, on the other, is made possible by sufficient resources (*Hike*).

8.2   The Trail: Characteristics of the Metamorphosis

The dead end in which *IM* has become stuck is obvious. Further development of the existing service portfolio makes no sense for the company. Correspondingly on the Metamorphosis jungle trail it is not enough to improve the previous strategy and optimise what is already in existence. What is, rathermore, required is fundamental change; a completely new focus. The purpose of business itself must be altered dramatically since the objective is to structure the company in such a way that its long term survival is ensured. In contrast to the Express there is no hurry and, in contrast to the Excursion, the strategic problem is known, at least to the Strategist. One of the most important tasks for the Strategist is to initiate the process of recognition among his fellow explorers so that the metamorphosis can be carried out by the entire team together.

In methodological terms scenario instruments are suitable for this jungle trail since they facilitate joint formulation of a new future. Since, however, the fellow explorers are not genuinely open to new solutions and scenario management is extremely difficult where *Pig-headed* individuals are concerned, the Strategist wisely foregoes scenarios, concentrating instead on a market portfolio and a
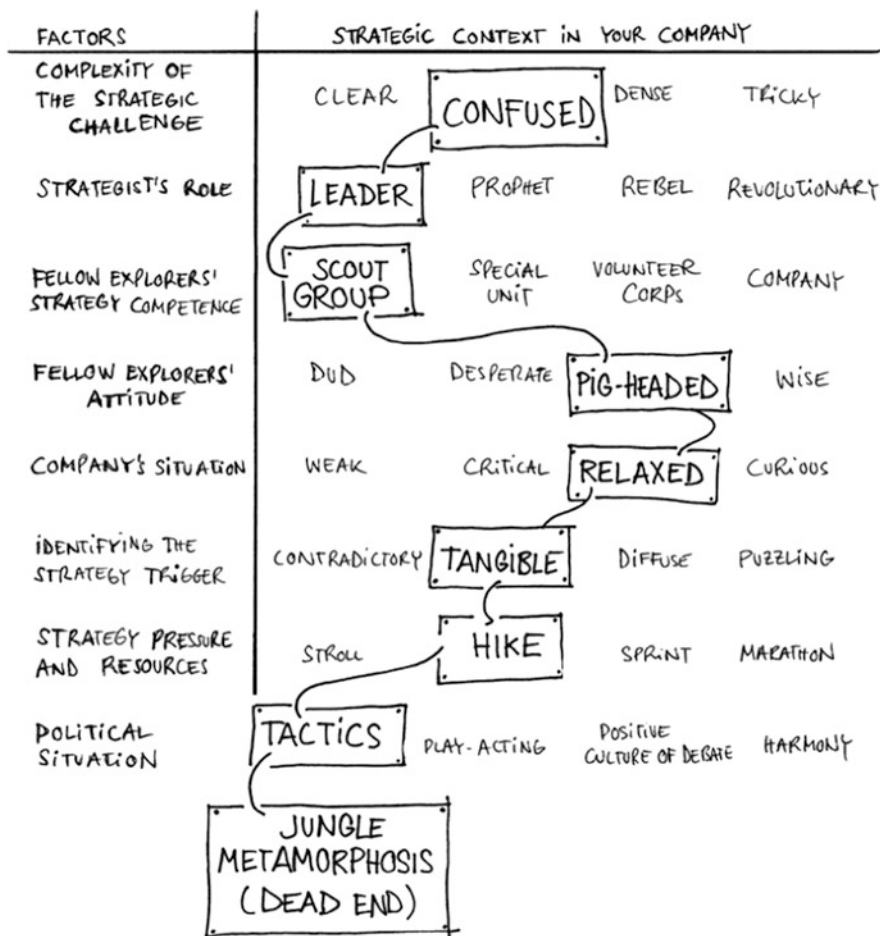
Fig. 8.1   Strategy profile for the Jungle Metamorphosis (dead end)

customer needs analysis to get the team to recognise the strategic crisis, which is still a good way off being a crisis of performance.

Together with his team the Strategist must first ascertain the exact origins of the dead end and ways to overcome it. The team must find out why there is a lack of acceptance within the conglomerate and what a future cooperation model could look like. They must clarify where *IM* can deliver a long term contribution within the network of customers and competitors, thus leading the way out of the dead end. Following this, the task is to attempt to carry out meaningful repositioning of the company (Fig. 8.2).
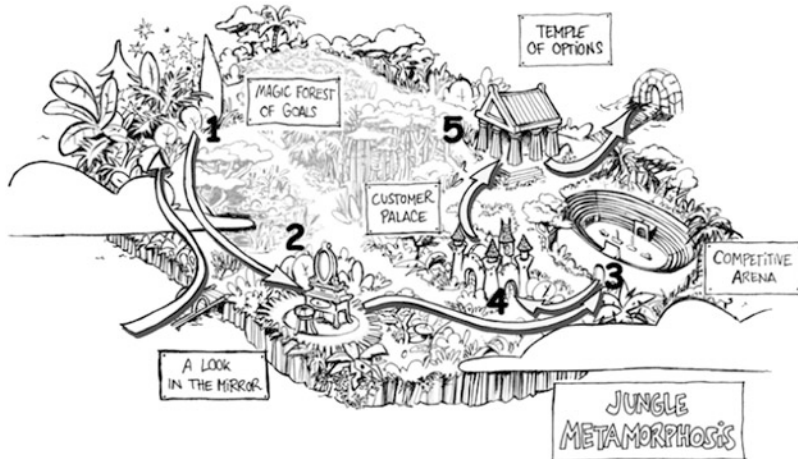
Fig. 8.2   The Jungle Metamorphosis trail (dead end)

8.3   Clarifying Current Goals in the Magic Forest of Goals

Having entered the Magic Forest the Strategist begins with a review of *IM*'s current goals. There is consensus regarding the three parameters specified by the conglomerate, which, parallel to this, also represent the cornerstones of the existing strategy:

- Achieve break-even,
- Identify and create IT synergy effects within the conglomerate and
- Generate max. 30 % of turnover outside the conglomerate in order to introduce external best practices.

    It goes without saying that these goals should remain in place, will not however in themselves require any strategic repositioning of *IM*. As a result, following some discussion, a fourth goal is added to the list: "Long-term acceptance". This relates, on the one hand, to the IT departments of the other subsidiaries and, on the other, to the conglomerate's five business divisions. Although the goals are very different and heterogeneous in terms of their degree of abstraction—the financial objective is very tangible; the acceptance goal however vague—they are left in place since they unite the team. This unity serves as the basis for the downstream strategy process.

8.4   Understanding the Dead End by Looking in the Mirror

After completing this task the Strategist works with his team to identify why *IM* has a problem of acceptance and how it got into this position. To this end a brainstorming session is held to compile a SWOT including all the corresponding strengths, weaknesses, opportunities and threats. The fellow explorers highlight application management plus system security and/or availability as particular strengths, while the developing situation whereby services can be replaced by the

Fig. 8.3 Information Management GmbH SWOT

IT departments and growing price pressure represent threats. There is little know-how outside of IT standard services (commodities). The IT cost pressure on the business divisions is, in contrast, an opportunity since *IM* only has to achieve break-even (Fig. 8.3).
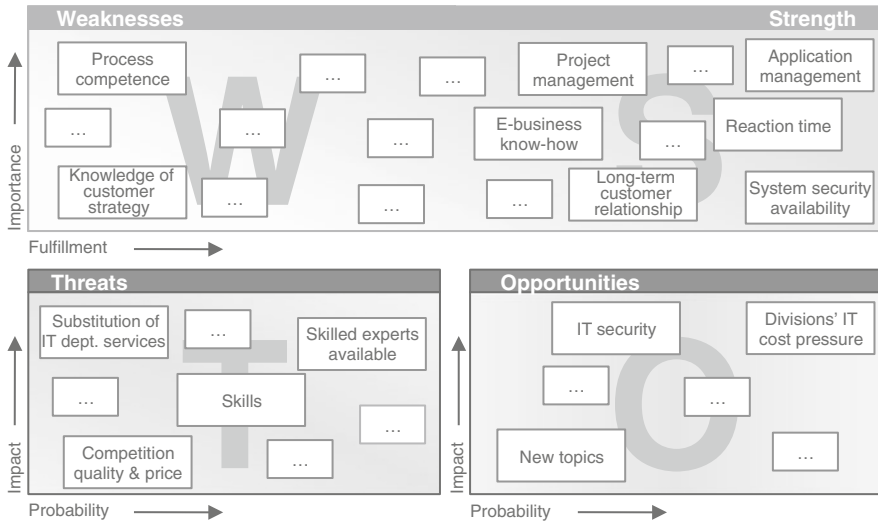
On the basis of this SWOT the Strategist poses the following questions to the team: "How do we imagine the future? Which opportunities do we want to exploit in future; which threats do we want to avoid? Which strengths must we develop; which weaknesses must we eradicate?" During a lively discussion the team considers possible changes and introduces new ideas. Looking in the mirror makes the fellow explorers recognise that the current focus is based on a single pivotal point: the conglomerate as the customer and/or employer. This means that *IM* would have to focus more strongly on the customer to achieve the goal of improved acceptance within the conglomerate. But who is the customer actually?

It becomes increasingly clear to the team that its current understanding of customers and competitors is essentially incompatible. In this context the question also arises whether the IT departments should be categorised as more of a threat or an opportunity in the SWOT. Independent of this the fellow explorers must ask themselves what competence is required to handle this issue in a strategic manner if they want to seize the opportunity or take the threat seriously. What lever would be added to the SWOT as either a strength or weakness? Are competences which are currently weaknesses or may not even exist significant in this context?

During the discussions it becomes clear to the fellow explorers that, on the basis of the conglomerate's guidelines, the company has acted more or less opportunistically. It has taken advantage of orders and opportunities as they have come up without following any clear strategy with regard to what the company would like to offer and what not. As a result the company has not made any effort to win external partners in

order, for example, to delegate specific services to them. The existing service portfolio is thus far too diversified and replaceable, which is reflected as a weakness in the SWOT. In the past flexibility with regard to customer wishes has been confused with dissipation of energies. This SWOT discussion has allowed the strategy team to clear the next hurdle: It has recognised the dead end in which *IM* finds itself.

8.5   Identifying the Assumed Competitors in the Competitive Arena

To date *IM* has viewed the IT departments as competitors which it has to outperform to win the specialist divisions of the five subsidiaries and/or business divisions as customers. Following the SWOT discussion it dawns on the team that this approach is wrong and one of the main reasons for the strategic dead end. The Strategist has already recognised this and knows that to find a way out of the dead end the IT departments must be viewed as partners. He thus leads his fellow explorers into the Competitive Arena in order to demonstrate to them how pointless the current strategy is. He wants them to recognise that neither a competition-based nor a resource-oriented strategy but only a purely customer-oriented strategy can safeguard *IM*'s future.

> It is not possible to choose whether the strategy development process is based on competition-, resource- or customer-oriented considerations. This is rathermore dictated by the strategic context developed at the Camp. The customer-oriented strategy can be expressed in the question "Do I have what I am selling?"; the resource-oriented in the question "Am I selling what I have?". The competition-oriented approach should, in both cases, serve to provide additional clarity concerning the performance, market or business segment assessment.

The team's task is now to position the conglomerate's five specialist divisions (=markets) and *IM* in comparison to the IT departments of the specialist divisions in a competition portfolio. Assessment is carried out on the x axis ("Customer acceptance") using the criteria 'customer satisfaction" and "industry knowledge" and on the y axis ("IT efficiency") using the criteria 'process efficiency' and 'profitability' (cf. Fig. 8.4). The performance volume—a statistic based on computing time; number and size of projects and standard service days—is expressed by the size of the relevant bubble. The strategy team arrives at the following conclusions:

- *IM* is characterised by a high degree of IT efficiency.
- Its performance with regard to customer acceptance is, however, ruinously bad in comparison to the competition.
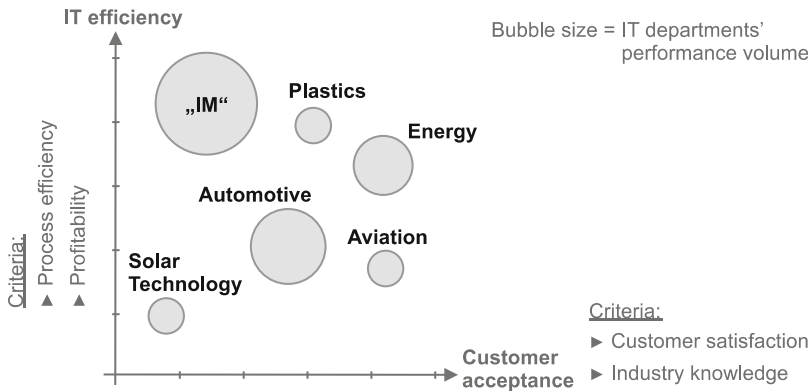
Fig. 8.4 Information Management GmbH market portfolio

- Only the Solar Technology division's IT department performs worse, which is due to its director, notorious throughout the conglomerate as a "know-it-all".
- While the other IT departments perform worse in IT efficiency they have better acceptance.

The market portfolio in combination with the Jungle stops the team has already visited leads to the realisation that its existing understanding of the competition is an obstacle to further development. *IM* will never succeed in eliminating the other IT departments as "competitors" and becoming more attractive than them, which, however, was to date the fellow explorers' belief and conviction. *IM* will always be further away from the actual customers, the five specialist divisions, than the IT departments. A paradigm change is required to be successful in the long term. *IM* must in future view the IT departments as *Partners* and develop its relationships accordingly. The IT departments must be offered support in carrying out their tasks and serving their customers, the specialist divisions.

To achieve this, attractive services must be identified to provide a common denominator which helps all the IT departments to move forward and simultaneously offers the subsidiaries a major benefit. In this context external IT service providers must be included in the sense of "coopetition" relationship (cooperation + competition). The strategy team comes to the conclusion that, as of this moment, *IM* no longer has competitors but only customers and partners!

The strategy team now develops a future SWOT which categorises the IT departments as partners and thus an opportunity. All the competences which are crucial to the success of partner management are included as strengths and weaknesses. It comes as no surprise that *IM* has developmental requirements in this context since most of the factors are located in the Weaknesses sector. What exactly has to be developed will be considered later in the Monastery of Reflection. In order to provide a basis for this the Strategist asks his team to compile a SWOT for each of the conglomerate divisional IT departments. The objective is to identify the central areas in which the company can in future offer its partners support. It would be no use if *IM* offered services in areas in which the partners are themselves strong or which are,

on the other hand, only of significance for one or two partners. The existing weaknesses of all the partners which *IM* can help to reduce must be found.

The analysis shows that all the IT departments need assistance with the development of their *supply chain*-related systems—an area in which *IM* has also previously contributed its software development and operation competence. Since the distinguishing features of each subsidiary are, however, very heterogeneous *IM* will continue to provide operational support as an "extended workbench"; will not, however, be able to reposition itself here. The business process management and process automation segments, factors in IT architecture management, are in contrast more promising. Comparison of the five SWOTs in this area shows a common denominator which provides opportunities for all the conglomerate's divisions. This is the area to which *IM* can strategically link itself, however the company does not have any competence whatsoever the segment. This is nevertheless the strategic course which *IM* must adopt to realise a customer-oriented strategy in accordance with the motto "I have what I am selling".

8.6   Laying the Foundations for the New Strategy in the Customer Palace

The team's new customer understanding is honed in the Customer Palace. The customers and services on which *IM* must concentrate in future need to be clearly defined. The objective is to clarify where exactly the IT departments currently stand in terms of their relationship to the specialist divisions and the direction in which they should develop in future, seen from the perspective of the specialist divisions. The fellow explorers compile a portfolio for each of the specialist divisions detailing their current and future positions. The x axis shows the relationship of the IT department to the relevant specialist division. Is the IT recipient of the order without a voice (=dominance of the specialist division); is there a cooperative relationship between the two or is the IT department the dominant partner thanks to its determination of the relationship? The y axis determines the strategic priority of IT. Does it serve as a supplier of basics for technology; does it provide the division with competitive advantages (*business enabler*) or does it drive the business (*business driver*)? Figure 8.5 shows the results. Among other things it becomes clear that the Energy, Aviation and Automotive IT departments have cooperative relationships with the specialist divisions, while the Solar Technology IT department tries to dominate its specialist division. In the Automotive and Solar Technology departments the IT departments are positioned as suppliers of basics; the future will, however, demand that they play the role of *Enabler*. Consideration of possible reasons and levers in turn lead to the areas of business process management (BPM) and IT architecture management, which have already been identified, as areas in which *IM* can assist its partners.

The future strategy must provide *IM* with a clear statement concerning which customers or partners within the conglomerate it must focus on and which services it should offer. To this end it is important to know the key requirements of the IT departments and the wishes of the specialist divisions in order to be able to satisfy
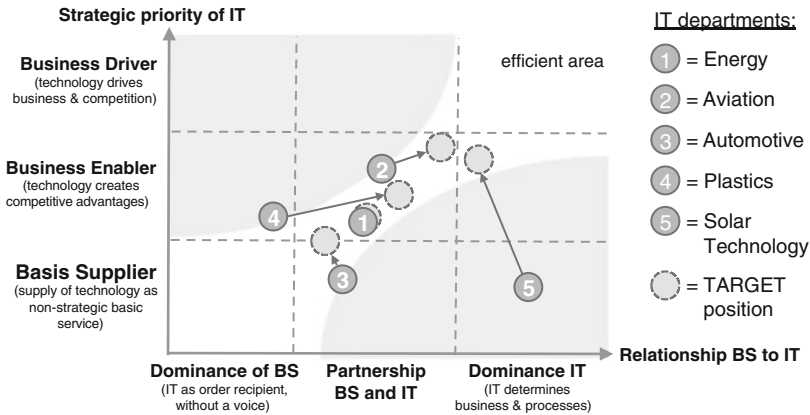
Fig. 8.5 The relationship between the IT departments and their corresponding specialist divisions (strategic IT positioning of *IM* customers)

them. The fellow explorers gather needs, also referring back to the SWOTs which they have compiled for each IT department when doing so, before linking the factors in a network diagram to better understand and illustrate the interrelationships and influence of the factors among one another.

"IT know-how"; "business enabling"; "cross-site business processes"; "IT security" and "central service bundling" are identified as active factors strongly influencing the remaining factors. The team is surprised to find that 24 h support is not as important to customers as it had previously assumed. They decide to concentrate on the areas "IT strategy"; "process management" and "IT security", thus giving up the existing "grab bag" strategy. The challenge is now to position these services with the specialist divisions while still working together with the IT departments when doing so. For *IM* it is important to be viewed as a professional partner who behaves in a politically "clean" manner by the IT departments since the company can only connect with the needs of its customers, i.e. the conglomerate's specialist divisions, in close collaboration with the IT departments.

What remains to be clarified is which of the specialist divisions *IM* wants to focus on. This depends, among other things, on the IT *enabling* potential, i.e. the significance of IT for the relevant division, and the strategic worth of the divisions for the conglomerate overall. To this end the strategy team compiles a customer portfolio (Fig. 8.6) which evaluates the five conglomerate divisions with regard to their customer attractiveness (using the criteria 'customer potential'; 'IT budget' and 'competitive intensity') and their customer position (using the criteria 'acceptance'; '*IM* share of IT budget' and 'turnover development').

The discussions establish that not all conglomerate divisions view IT as a business enabler and that resistance to cooperating with *IM* varies. The team comes to the conclusion that:

Fig. 8.6 IM customer portfolio

- *IM* will focus on the Aviation and Automotive divisions. The IT departments will be helped to meet the wishes of the specialist departments; to function more strongly as *business enablers*.
- *IM* will offer the IT departments of the Energy and Plastics divisions selective assistance.
- *IM* will serve the Solar Technology division on an opportunistic basis—i.e. it will take advantage of any attractive opportunities which present themselves, will, however, not specifically develop this area.

8.7   Selecting the Correct Levers in the Temple of Options

The cornerstones for the future strategy have now been defined. With the help of the information gathered to date the fellow explorers now develop the strategy options space in order to consider the critical strategy levers and possible options. They identify eight levers, including 'methods & tools'; 'personnel management' and 'Product portfolio'.

After compiling the options space the strategy team agrees on the three strategy options "Mission 2015"; "Opportunistic progress" and "Partnerships to achieve the goal". Of these three options the team believes that "Mission 2015" is best suited to lead the company out of its dead end. In order to crystallise the future strategy and focus more strongly on customers the following mission statement, which will serve as the guideline for action for all employees, is derived from the strategy:

"Our vision is as follows: 'Valued as a competent partner we actively support our customers' IT.' In order to move closer to this vision we view the IT departments of the conglomerate divisions as partners and base our product portfolio on our customers' IT value creation. Using a product-oriented personnel structure we focus our services on the topics of process management; IT strategy and IT security. To this end we develop the required knowledge by means of in-house knowledge management and close cooperation with corresponding partners. We develop the

tools required by means of cooperations and our own best practices. We accompany our customers both by active acquisition and also within the scope of projects. Partner and supplier management is the responsibility of the business lines."

The procedure described above is a purely customer-oriented strategy development process, with the consequence that the entire company will be "restructured" accordingly. This is quite unusual since strategy development normally always takes into consideration how well as strategy matches the company and its strengths and weaknesses. A purely resource-oriented strategy, as previously in place, would not, however, have lead *IM* out of its dead end. For this reason the company had to focus exclusively on its customers, even if the results are only marginally linked to its own strengths and a whole raft of new competences must first be acquired.

Based on the findings the six *IM* division heads now compile detailed SWOTs for themselves, using them to identify what the strategy means for their own division and what steps they must take in the context of the overall strategy. In the case of *IM* the complete turnaround necessitates skilful change management and a high degree of staying power to carry out the required total transformation.

Transcending the Witches' Cauldron: The Jungle Adventure

9.1 The Witches' Cauldron: Characteristics of the Strategic Context

Klingeling GmbH is a telecommunications company offering diverse services in the fields of the Internet; telephony; mobile networks; TV; system solutions for business customers and data centre services in the regional segment. With one million customers and over one billion euros turnover profitability has, after wonderful years, declined significantly in the last 18 months and recently even slid into the red. The forecast for the financial year which is coming to a close even goes so far as to assume a negative EBIT of 2 %.

In recent years many attempts have been made to fulfil the shareholders' expectations and meet operational result targets. *Klingeling* has thus repeatedly launched new products onto the market and also tried to adapt successful competitor products. Market share has been 'bought' by means of numerous price reductions, achieved via efficiency programmes or operational improvements. The market situation—characterised by increasing price deterioration; technology and innovation leaps; customers' high service demands and advancing market consolidation—is, however, becoming ever more difficult and the company's situation is increasingly *critical*.

The new Head of Corporate Development, who has recently joined the company and is an experienced strategist, sees that *Klingeling* must strategically reorient itself. She recognises that the erratic course from one basic strategic focus to the next—innovator versus me-too with a simultaneous *operational excellence* demand ('Factory'); a quantity focus while simultaneously strengthening the brand ('Revenue') by means of service leadership—has resulted in a dissipation of energy. The company requires only one single focus. As a 'Rebel' who is not a member of executive management her position in the company is not easy.

In the years during which *Klingeling* was doing well the company simply grew in step with the telecommunications market. The five central corporate divisions Technology, Marketing, Sales, Customer Service and IT worked hand in hand,

whereby little management competence was required since the company was able to concentrate successfully on the operational business. Since profitability has been on the decline uncertainty has begun to spread within the company and managers are displaying a tendency to act in a short-sighted manner solely in the interests of their own corporate divisions—a policy also followed by the five managing directors. When the Rebel cautiously approaches the company's management board it becomes clear to her that its members assume that they will be able to master the corporate crisis by using the previous 'strategy'. They believe that *operational excellence* is sufficient for the company to be able to hold its own in the price and destructive competition wars. The managing directors are too stuck in a rut to be able to consider other solutions or even to recognise the strategic problem at all ('Duds'). Since a direct confrontation would not have a successful outcome the Rebel adopts a tactically skilled approach, suggesting to the executive management that the existing strategy be examined to ascertain its robustness, thus identifying 'corrective measures' in the sense of improvements in the operational field, which can then be implemented. Her objective is, of course, to initiate a process which will tackle the most contentious issues and during which a sustainable strategy will be developed. The management board agrees to an 'examination of the strategy'.

The five managing directors are members of the strategy team, which also includes the heads of the Technology, IT and Controlling divisions. To ensure that the customer perspective is given sufficient consideration the Strategist also brings in the heads of division for business customers and private customers. The ten-strong team, no small number, represents a wide basis in order to ensure that, during the course of the strategy process, the necessity of a clear strategic focus is recognised and the weight which will be required for the strategy's subsequent resilience is generated. This does not make the strategy work any easier since all the fellow explorers are equally lacking in strategy competence ('Volunteer corps') and, in addition to this, in terms of group psychology the team's size complicates the decision-making processes (cf. P. 21). The Strategist furthermore knows that the divisional heads on the team have a tendency to simply agree with the management board's opinions in order to avoid controversial viewpoints. This is a good demonstration of the fact that the 'Harmony' political situation can always have an adverse effect on a strategy process.

The Strategist is certain: The solution to the strategic problem can consist only of initiating a change in thinking. *Klingeling* has to date 'ticked' exclusively from the technological side: Networks, stations and technical possibilities have defined which products and services have been launched onto the market. As a result the product portfolio has swelled to currently include some 7,000 products or product variations when all the services and tariffs are added up. The company has thus time and again been caught in price spirals in order to hold its own with the competition, which has specialised on specific products to a greater extent; markets them differently and, in some cases, also scales them better. It is clear to the Strategist that the company can only lose in the price war. It needs to be different to the others, not better. *Klingeling* must in future function more from the market and customer side and aim for clear positioning with genuine core competences. To this end external trends and impulses must be brought into harmony with internal actions

and thinking. This, in turn, means that numerous closely interlinked internal and external factors will have to be considered during the strategy process. The strategic problem with its diverse drivers and triggers is thus abstract and the complexity of the strategic challenge is *tricky*. The strategy trigger's high degree of abstraction, combined with the contradictory opinions concerning opportunities and threats within the strategy team, causes the strategy trigger to appear 'diffuse'.

To make matters worse time is working against, not for, the company. The company's situation, which is already critical, and the high level of competitive and market pressure mean that very little time is left to develop a new strategy. The team cannot afford any diversions or mistakes on the road to a sustainable strategy and further hesitation would mean that it was no longer possible to seize opportunities which still exist now. In this case study we are confronted with a true 'witches' cauldron', which combines a difficult company and market situation with a 'difficult' strategy team. The Strategist is doubtful whether, given the circumstances, it is even possible to get out of the critical situation. Will she be able to break down the short-sighted divisional thinking in the company and unite everyone behind a common strategy or is the present situation already in such a rut that it is futile to even begin with the strategy work? If the Strategist approaches the strategy process in the wrong way, her own job will also be in danger. She bravely decides to set the process in motion (Fig. 9.1). She at least has the advantage of having sufficient resources at her disposal ('*Marathon*').

9.2   The Trail: Characteristics of the Adventure

The Jungle Express Trail is, in theory, perfect for this situation, in which a completely new corporate strategy has to be developed in a short space of time. As in the case of the Jungle Express the task here is also to develop a distinct differentiation to the competition; to make clear decisions about which business segments will be approached in what way in the future and to develop a plan for the individual divisions which defines how the strategy will be implemented. A completely different context, however, speaks against choosing the Express as the strategy trail. While the Round Table team is strategically competent and certain and able to handle abstract models, the fellow explorers in the 'Witches' cauldron' are uncertain; completely rooted in the operational business and totally inexperienced in strategic thinking. The fellow explorers must first be convinced that a strategic *turnaround* is even necessary. This necessitates a different methodological procedure to that of the Express:

- In the Magic Forest of Goals the Strategist will ask the team to examine the existing strategy with the aim of demonstrating their disunity to them and illustrating the lack even of clear corporate goals.
- In the Competitive Arena she wants to demonstrate *Klingeling*'s unclear positioning to the team so that they recognise that the issue is the company's effectiveness as a whole, not efficiency in the operational area.
- Following a trip to the Scenario Park, which can be undertaken thanks to the fellow explorers' increasing openness for solutions, the consequences of the
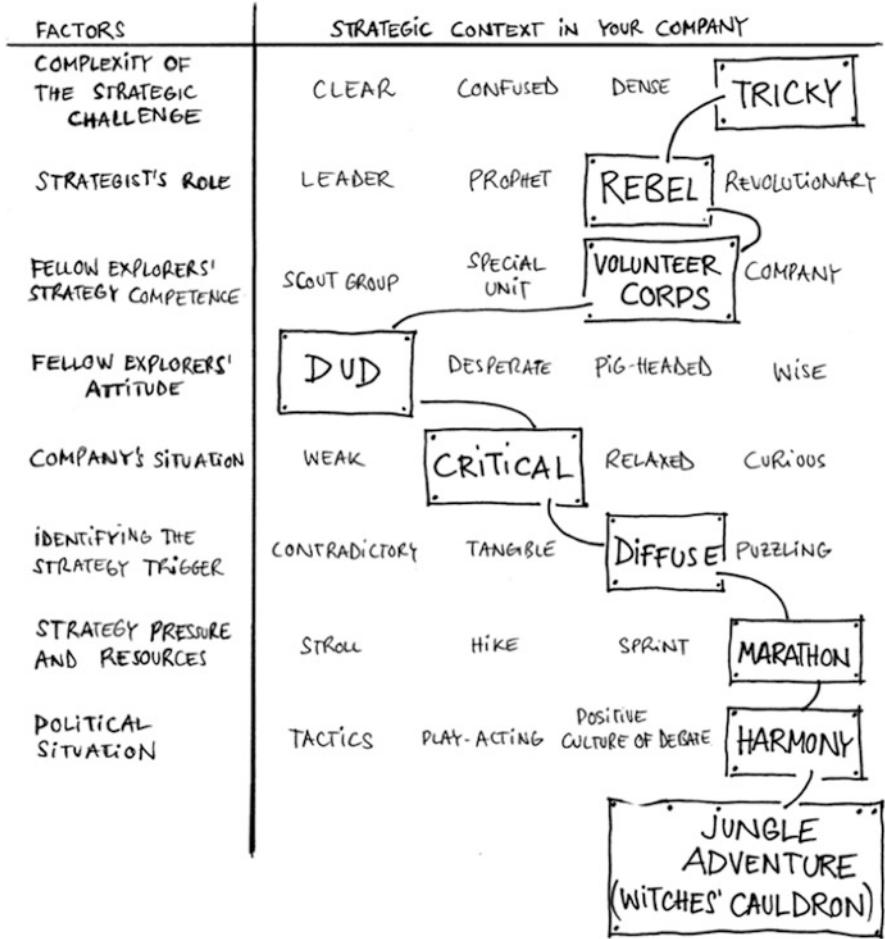
FACTORS	STRATEGIC CONTEXT IN YOUR COMPANY			
COMPLEXITY OF THE STRATEGIC CHALLENGE	CLEAR	CONFUSED	DENSE	TRICKY
STRATEGIST'S ROLE	LEADER	PROPHET	REBEL	REVOLUTIONARY
FELLOW EXPLORERS' STRATEGY COMPETENCE	SCOUT GROUP	SPECIAL UNIT	VOLUNTEER CORPS	COMPANY
FELLOW EXPLORERS' ATTITUDE	DUD	DESPERATE	PIG-HEADED	WISE
COMPANY'S SITUATION	WEAK	CRITICAL	RELAXED	CURIOUS
IDENTIFYING THE STRATEGY TRIGGER	CONTRADICTORY	TANGIBLE	DIFFUSE	PUZZLING
STRATEGY PRESSURE AND RESOURCES	STROLL	HIKE	SPRINT	MARATHON
POLITICAL SITUATION	TACTICS	PLAY-ACTING	POSITIVE CULTURE OF DEBATE	HARMONY
				JUNGLE ADVENTURE (WITCHES' CAULDRON)

Fig. 9.1 Strategy profile for the Jungle Adventure (witches' cauldron)

scenarios developed for the possible business segments will then be examined to first derive genuine strategy options in the Temple of Options and, following further stages, to arrive at a strategy.

The strategic process, however, continues to be an 'adventure' with an uncertain outcome. The 'witches' cauldron' context means that the strategy work is, in itself, a 'tightrope walk' during which failure cannot be excluded. The correct selection of methods and the Strategist's tactically skilful approach can be of assistance here, cannot, however, deliver any guarantee of success. The Strategist has a long, tough process including many stops ahead of her to divert the team from its gridlocked course and to work together with it to embark on a new path (Fig. 9.2).
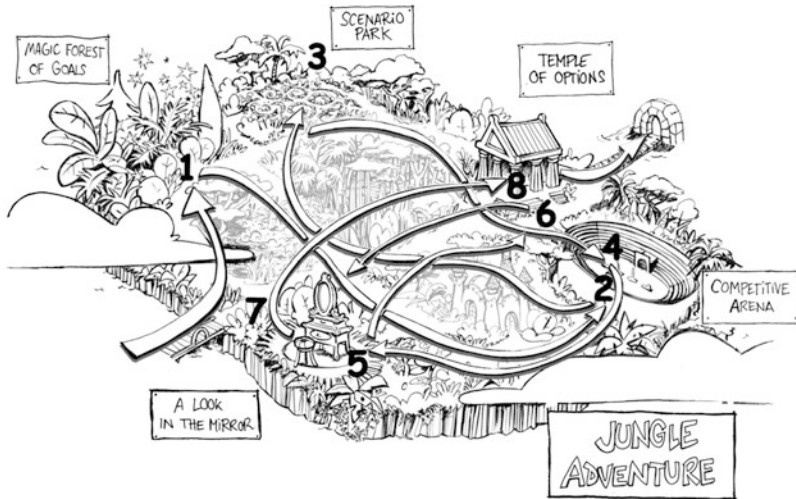
Fig. 9.2 The Jungle Adventure trail (witches' cauldron)

9.3   Making Unclear Goals Obvious in the Magic Forest

Together with the Strategist the fellow explorers enter the Magic Forest in order to hone the corporate goals. What they initially view as purely routine quickly develops into a heated discussion. The team has a heterogeneous view of the goals, which are given a different weighting and are, in some cases, contradictory. It more or less agrees that the goal of 'At least 11 % return on capital' has the highest priority for 2013, 2015 and 2017. Each one of the fellow explorers, however, weights and prioritises the goals which follow this, such as maximising market share; cost leadership, quality leadership and increased turnover, differently even though the goals should, however, be equally relevant to all of them as a 'compromise'. When the fellow explorers see the heterogeneous structure of the goals illustrated as a goal wheel they too notice the inherent contradictions. The team still has the Strategist's introductory sentences in their ears, namely that the sole purpose of a strategy is to facilitate achievement of corporate goals and that there can be no strategy if there are no clear goals.

Uncertainty gradually spreads among the company's top managers and increases when the Strategist gives them their next task. She asks the fellow explorers to enter the basic strategic approach used to achieve the goals which have just been identified into a simple four-quadrant matrix. 'We are innovation drivers' says the Chief Technical Officer; however the Chief Sales Officer is quick to contradict him: 'No, it's absolutely obvious that it's quantity and revenue'. A fierce debate once again breaks out among the team. The executive management becomes increasingly conscious of the company's unclear focus and it becomes apparent to the remaining fellow explorers that the previously prevailing search for operational optimisation cannot eliminate the

lack of strategic clarity. The Strategist is satisfied with this result since the team now has a feel for the company's lack of a focus for the future.

9.4   Reconsidering the Strategic Focus in the Competitive Arena

In preparation for the next meeting the Strategist gives an internal working group the task of gathering marketing data based on a portfolio specified by her. The group compiles a business structure matrix (cf. P. 55 f.) for *Klingeling* and uses it to derive the positioning in the performance, market and business segment portfolio.

The Strategist selects this analytical procedure of using external market data since, due to their high degree of market uncertainty and controversial opinions, the fellow explorers would not otherwise be able to arrive at grounded assessments. She would like the fellow explorers to recognise that the company has dissipated its energy; that it is doing 'everything' but 'nothing right'.

The Strategist presents the results to the team (Fig. 9.3). The portfolio shows six main business segments:

 I. Private Low (telephony)
 II. Private High (TV, music, etc.)
III. Small company/trader
IV. Medium-sized businesses
 V. Large businesses
VI. Network sales

'Private Low' customers want a simple DSL connection and land line telephony, while 'Private High' customers desire an experience comprising telephony; a fast Internet connection; TV and special service. Both groups together form the private customer segment. The bubble sizes represent the corresponding number of possible communications relationships in the individual business segments in order to illustrate the relevant market volumes; do not, however, show turnover (which is a typical and frequent error made in portfolios). They also show how much market potential (communications relationships) has already been achieved and what share *Klingeling* has. An additional separate pie chart shows the company's turnover in the main business segments including profitability.

It is apparent that, with the exception of the 'Private High' MBS on the one pole and the *Large Businesses* MBS on the other, *Klingeling* finds itself in the mediocre segment The company's position in most of the business segments is only 'average';
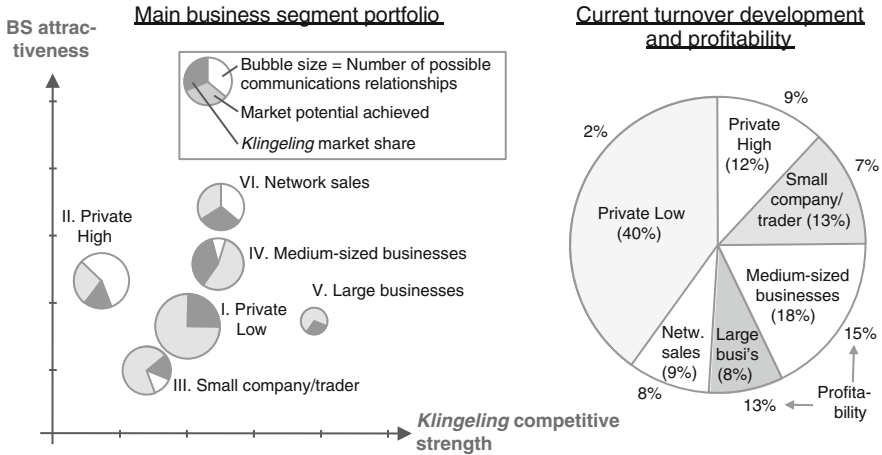
Fig. 9.3 The Klingeling MBS portfolio

clear decisions about how to proceed strategically in the future are thus required. The fellow explorers are highly indignant: *Klingeling* can't possibly be that bad! The team begins to call the portfolio into question and look for mistakes—typical for the constellation of an uncertain, divided team without strategic competence. The Strategist, however, already expected this reaction, has actually consciously provoked it, because she can now reveal the criteria which the portfolio assessment is based on. During the corresponding discussion the fellow explorers are forced to admit that the data put together by the working group are indisputable. Even if the weighting of the individual criteria is carried out differently it still does not change the company's basic positioning.

The Strategist's skilled tactic of having the data collected by a working group—instead of by the strategically inexperienced strategy team itself—results in the findings being accepted and the fellow explorers finally begin to concern themselves with the actual facts concerning the company.

They thus see that there is growth potential in the 'Network sales' and 'Private High' business segments, while the remaining business segments are unattractive. Most of the turnover is generated in the private customer segment; profitability is highest in the business segments 'Medium-sized businesses'—15 %—and 'Large Businesses'—13 %; in comparison to the competition however below average. This causes the head of the Private Customer division to make the statement that *Klingeling* is not in such a bad position. The company is active in all key business segments and

the strategy, in particular in the private customer segment, of focusing on *operational excellence* is the correct one. The 'Private high' market is, after all, the one with the most potential. If the current 2 % profitability in the 'Low' segment can be increased to 5 % and, in addition to this, the 'Private low' business segment products can also be sold on the 'Private high' market via cross-selling then *Klingeling* will be well on its way. The company must, furthermore, increase profitability on the 'Private high' market to the competitor level—i.e. to around 16 %. During the ensuing discussion the strategy team again reverts to its old ways, wanting to simply carry on doing what it has always done and mistaking 'cosmetic face lifting' in the operational field for strategic thinking. When doing so it overlooks the market attractiveness of the 'Private Low' and 'Private High' business segment, which is merely average, and the company's low competitive strength in these segments. The fellow explorers agree with the head of the Private Customer division, already considering all the 'chit chat' about a strategy to be superfluous. The executive managers now also feel validated in their current strategy and focus on operational improvements. This is a critical moment for the entire strategy process, which could fail at this point. If, despite the obvious evidence, the team does not recognise that action is required and that things cannot continue as before, then no strategy development will take place. In the worst case the company's survival could even be in question.

The Strategist now throws the following questions into the discussion: Assuming that

1. The attractiveness of both the markets 'Private high' and 'Private low' increased or at least remained stable, thus allowing the markets to be expanded, and
2. *Klingeling* succeeded in becoming significantly better, in order to achieve the desired profitability,

how much time and effort would the company need to devote to achieving the goal? The fellow explorers confidently respond that the time and effort can be handled, after all the company is well-positioned. The Strategist points out that the "Network sales" and 'Medium-sized businesses' in particular are very attractive. The Chief Sales, Marketing and Customer Service Officers indicate that this is not an issue for them since they would, of course, 'take advantage of' these markets. The Strategist asks which core competences the fellow explorers think would be required in the individual segments and whether *Klingeling* with its company size would be able to cover these segments at all. The fellow explorers assure her that it would be 'no sweat' to handle these segments.

Although the Strategist is aware of how important it is to create genuine core competences, which a company the size of *Klingeling* can only have two or three of, she allows the fellow explorers' statements to go unchallenged. After all, attractive business segments have now been spotlighted and the heads of the Technology and Business Customer divisions think it is worth considering developing the "Network sales" and 'Medium-sized businesses' segments. Yet another heated debate ensues within the team; everyone wants to defend their position and hold onto the status quo since the consequences of focusing on the two new segments appear unimaginable to the fellow explorers.

The Strategist does not attempt to establish a consensus among the fellow explorers at this stage of the process. Instead she focuses on moving the fellow explorers forward step by step using well-grounded models. To calm everyone down she makes a suggestion: 'Why don't we use a qualitative process to see how your differing opinions and assessments can be combined with the market trends? We can use it to derive scenarios which we can use to assess the attractiveness of the individual business segments. And then we can consider how our changes of being successful in these segments will change in future.' The fellow explorers agree and the Strategist has achieved an important interim goal: Reassessment of the company's basic strategic focus has been initiated.

9.5   Taking the Controversies Along for the Ride to the Scenario Park

The fierce debates about the market portfolio have troubled one or two of the fellow explorers in the extreme and the first worries about the future have emerged. Despite the persistence with which they vehemently defend the status quo it is becoming increasingly clear to them that *Klingeling* is not particularly well prepared for the future and has no clear picture of the direction in which the market will develop.

As a preparation for the scenario workshops the Strategist considers what the central question for the scenario management is. She formulates it as follows: 'What effect will the future developments in our market environment have on our competitive position in the individual business segments up to the year 2020?' In addition to this she determines the type and structure of scenario to be used. She considers which scenarios are can best serve the purpose of assessing the attractiveness of the individual segments and decides on a simple market environment scenario, which will provide sub-scenarios for the individual key factors. For her own personal use she compiles a list of the business segment key factors which should be included in the range of scenarios to facilitate the required width of content before beginning the scenario workshop with the team.

Based on the much-discussed MBS portfolio (Fig. 9.3, P. 137) she asks the team to gather the factors which allow conclusions to be drawn about changes in the attractiveness of the individual business segments in future. Only in this way can the team later arrive at statements which are based on the scenarios developed and included in the portfolio. In the course of an objective, constructive discussion numerous factors are assembled and, following this, linked in a network diagram. In this way the team identifies the key factors which must be taken into consideration in the range of scenarios; namely 'Private customer needs structure'; 'Business customer needs and structures -; 'Structuring of value creation'; 'Political development (regulation)'; 'Competition structure'; 'Network technology development' and 'Degree of innovation'.

In a second stage the fellow explorers identify possible future focuses for each key factor. For the 'Private customer needs structure' element, for example, the

focuses 'Return to the past—Technology is no longer as important'; 'Formation of camps' and 'Technology any time any place' are defined. The focuses for the key factors are of a multi-dimensional nature so that sub-scenarios, also known as 'multi-dimensional projections', have to be employed (cf. Fig. 9.4).

Visibly proud of their first scenario experience and the range of scenarios they have compiled the fellow explorers turn their attention to deriving four possible scenarios across all the key factors which could happen in future:

1st Scenario: 'Technology Is a Means to an End'   In the private customers' lives technology is not always the issue in the foreground. The technology hype is over and even if there are still innovations these are no longer the driving forces for the market. Business customers prefer cheap, practical standard solutions. Telecommunications companies are developing into 'all-round carefree package providers' with the result that platform providers are being pushed out of the market. This in turn has led to rapidly advancing market consolidation and *Klingeling*'s market is supplied by two major providers.

2nd Scenario: 'Google Tsunami'   Technology is becoming ever more dominant, penetrating all areas of life. The retail industry is, for example, in decline because 70 % of private goods are ordered via the Internet, no matter whether they be services or products. Platform providers such as Google, Yahoo or Amazon are the controlling market players, rolling over the telecommunication industry like a tsunami. They are taking over numerous companies, leading to significant changes in *Klingeling*'s competitive environment. Politics has not yet introduced regulative measures to counteract this trend because it currently only sees marked competitive behaviour in the telecommunications industry. Some telecommunications companies are winners; some are losers so that urgent intervention is not required. A veritable explosion of technical innovations is unfolding on the market, resulting, among other things, in a fusion of land lines, mobile networks and other technologies.

3rd Scenario: 'Technology with a Consciousness of the Local'   There are two groups of private customers: One is made up of enthusiastic technology freaks; the other is becoming more and more annoyed with technology, recalling a simpler standard. Business customers are also generally satisfied with cheap standard solutions. Even if there are innovations—in particular in the case of the fusion of land lines and mobile networks with the development of new customer segments and interest groups—true waves of innovations are a long time in coming. Politics is refraining from regulation and the formation of camps is resulting in customers primarily turning to local providers.

4th Scenario: 'Cable Offensive and No-one Notices'   There are a medium-sized number of technophile customers among the private users who demand an enormous range of technical options. This results in an explosion in the innovation environment. No major innovations are foreseeable in the business customer segment. Processes are being automated and workplaces are becoming increasingly virtualised—a consistent
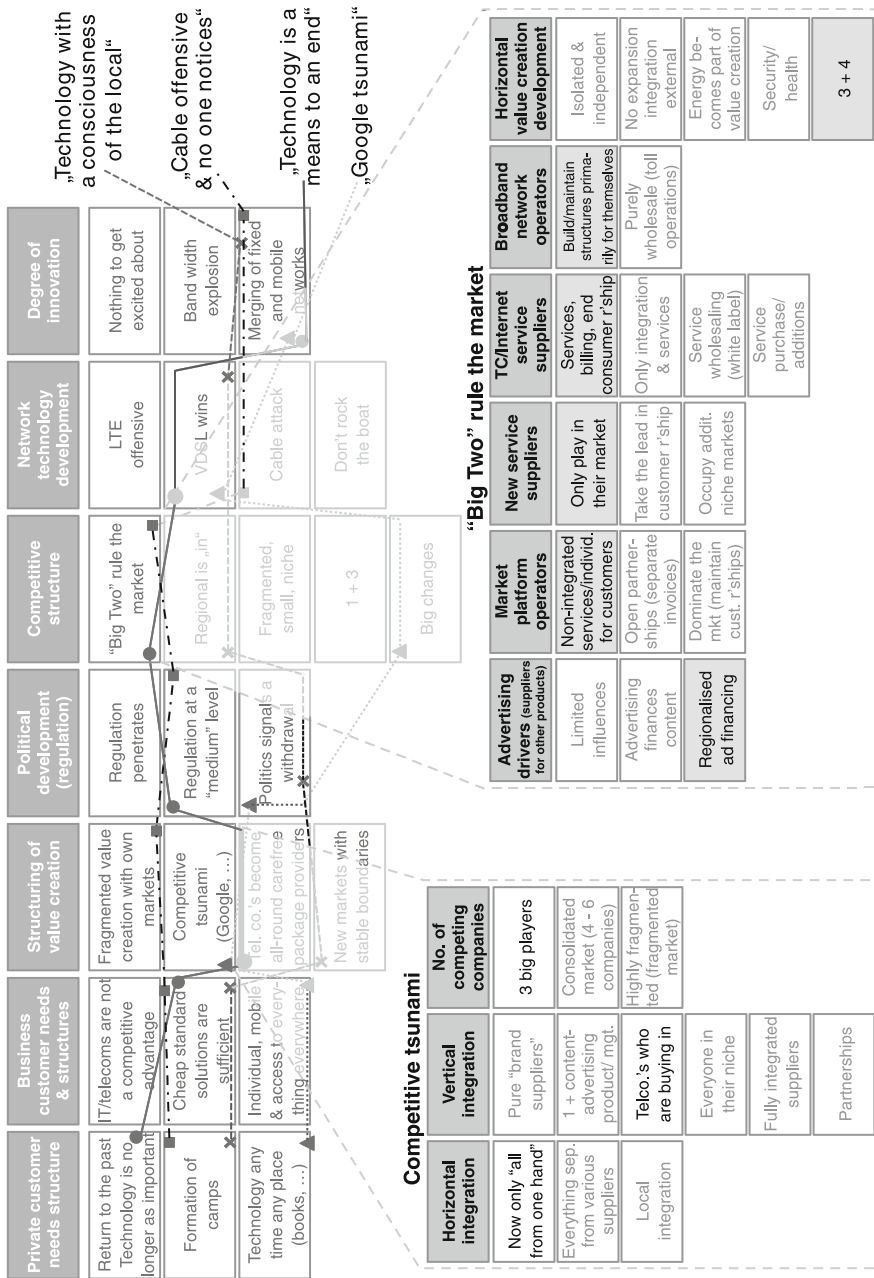
„Technology with a consciousness of the local"

„Cable offensive & no one notices"

„Technology is a means to an end"

„Google tsunami"

Private customer needs structure	Business customer needs & structures	Structuring of value creation	Political development (regulation)	Competitive structure	Network technology development	Degree of innovation
Return to the past. Technology is no longer as important	IT/telecoms are not a competitive advantage	Fragmented value creation with own markets	Regulation penetrates	"Big Two" rule the market	LTE offensive	Nothing to get excited about
Formation of camps	Cheap standard solutions are sufficient	Competitive tsunami (Google, ...)	Regulation at a "medium" level	Regional is „in"	VDSL wins	Band width explosion
Technology any time any place (books, ...)	Individual, mobile & access to everything everywhere	Tel. co.'s become all-round carefree package providers	Politics signals a withdrawal	Fragmented, small, niche	Cable attack	Merging of fixed and mobile networks
		New markets with stable boundaries		1 + 3	Don't rock the boat	
				Big changes		

Competitive tsunami

Horizontal integration	Vertical integration	No. of competing companies
Now only "all from one hand"	Pure "brand suppliers"	3 big players
Everything sep. from various suppliers	1 + content-advertising product/ mgt.	Consolidated market (4 – 6 companies)
Local integration	Telco.'s who are buying in	Highly fragmented (fragmented market)
	Everyone in their niche	
	Fully integrated suppliers	
	Partnerships	

"Big Two" rule the market

Advertising drivers (suppliers for other products)	Market platform operators	New service suppliers	TC/Internet service suppliers	Broadband network operators	Horizontal value creation development
Limited influences	Non-integrated services/individ. for customers	Only play in their market	Services, billing, end consumer r'ship	Build/maintain structures primarily for themselves	Isolated & independent
Advertising finances content	Open partnerships (separate invoices)	Take the lead in customer r'ship	Only integration & services	Purely wholesale (toll operations)	No expansion integration external
Regionalised ad financing	Dominate the mkt (maintain cust. r'ships)	Occupy addit. niche markets	Service wholesaling (white label)		Energy becomes part of value creation
			Service purchase/ additions		Security/ health
					3 + 4

Fig. 9.4 'Klingeling 2020 market/environment' scenario space

further development of the status quo. There are no major changes in terms of competition and regulation by politics remains at its current level. In addition to a few providers who are replacing networks with cable networks on a large scale and creating a large bandwidth via television only two telecommunications companies will continue to play a key role. All other competitors will be successively purchased by either the cable operators or major telecommunications companies.

In summing up the team establishes that they do not know how private customer needs will develop in any of the scenarios. The competitive environment and possible changes in value creation could accordingly thus turn out very differently. What is clear is that there will in future also be innovations which will significantly change value creation and that what is called for is to anticipate them. None of the scenarios sees the competitors of the future as being small, scattered and specialising in individual services.

9.6   Using the Information to Date to Explore Opportunities for the Future

The scenarios serve as the basis for the fellow explorers to identify the market attractiveness of the business segments (shift on the y axis and bubble size = market volume). The corresponding consequences on the business segments are presented as separate future portfolios for all four scenarios (Fig. 9.5).

In Scenario 1 the attractiveness of 'Medium-sized businesses'; 'Private Low' and 'Small company/trader' does not change at all or only slightly. The attractiveness of the 'Private High' segment, in contrast, decreases since the technology hype is over. Only the 'Network sales' and 'Large businesses' markets become more attractive as standard solutions and automation require networking and the consolidation of the telecommunications market determines the demand for network structures.

Scenario 2 describes a veritable technology and innovation boom. This results in the fusion of the 'Private High' and 'Private Low' markets with a concurrent increase in business segment attractiveness. The other markets also become more attractive. The market volume of 'Large businesses' and 'Network sales' grows significantly.

In Scenario 3 the 'Private High'; 'Network sales'; 'Large businesses' and 'Medium-sized businesses' markets gain in attractiveness, while the attractiveness of the 'Small company/trader' market remains static and 'Private Low' actually becomes less attractive and loses market volume due to the trend back to simple standards. In contrast to this the market volume for the 'Network sales' and 'Private High' increases.

In Scenario 4 the attractiveness of the 'Private High' segment increases while that of 'Private Low' sinks. 'Small company/trader' remains unchanged in terms of its attractiveness; the 'Network sales' business segment gains significantly.

Since the attractiveness of the 'Private High' segment increases in all scenarios and its market volume also increases in some cases, the fellow explorers belonging to the 'private customers faction' feel confirmed in their existing opinion that the company should continue to focus on this segment and on operational improvements. The fact
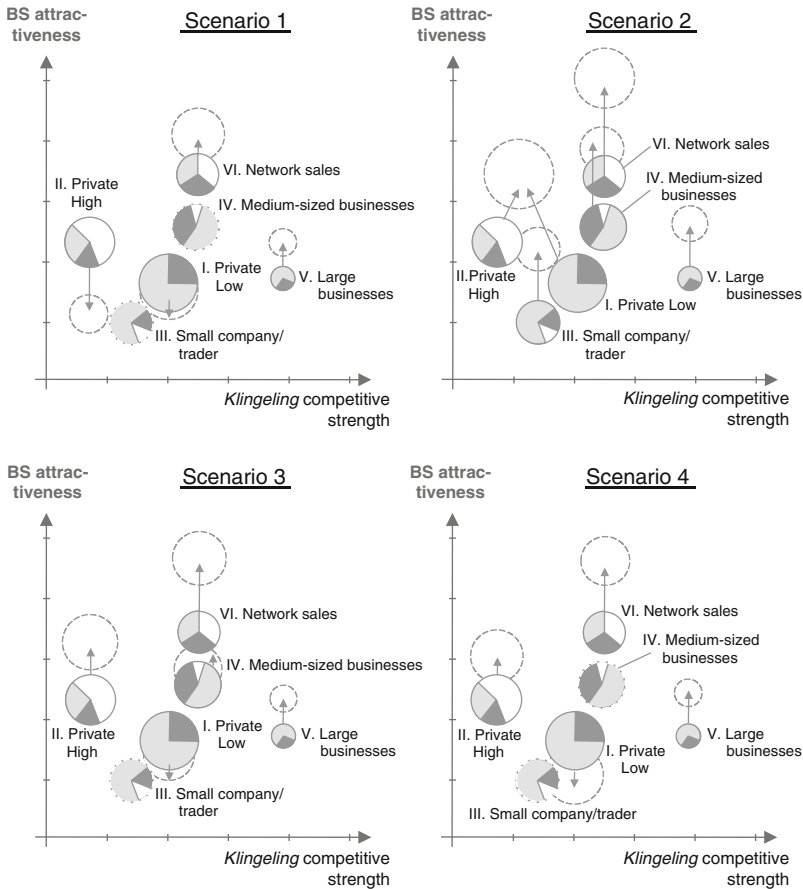
Fig. 9.5 Sketching the four scenarios in Klingeling's future MBS portfolio

that the 'Private Low' segment is becoming less attractive in Scenarios 3 and 4 is ignored; after all they will not necessarily become reality. The head of the Technology division interjects that 'Network sales' is becoming enormously more attractive in all scenarios without exception and the team should thus ask itself how it can develop business in this segment. The 'Large businesses' and 'Medium-sized businesses' business segments are becoming more attractive or at least remaining consistently attractive. Ignoring this would, in his opinion, be stupid, especially since *Klingeling* has a much better competitive position in this segment. Other members of the board agree with this. They also recognise that segments other than 'Private low' and 'high' will play an important role in future. The 'private customer faction' is now alarmed, particularly since the private customer business is the main turnover generator; the company has only recently invested a two-figure million euro sum in the *Private Excellence* efficiency programme and the new TV development programme has been underway for the last 4 months. In order to calm them the statement is clarified as

meaning that the team does not want to neglect business customers and network sales but rather to develop them too.

The Strategist is satisfied with the discussion because although agreement is still not in sight the fellow explorers have themselves for the first time contributed an option which turns the focus away from the private customer business towards new business segments. She herself has no preference for a specific option—the main thing is that a clear focus is developed.

> With the aid of the scenarios the strategy team has for the first time found the courage to question the status quo and concern itself with difficult issues. The fellow explorers have thus completed an important step in the learning curve. They are gaining increasing trust in the process as they recognise how well-grounded models can, step by step, help to achieve clarity and confidence in decision making.

Divisional thinking and persistence in defending the status quo nevertheless remain the dominant factors. It is thus no surprise that the 'private customer faction' continues to defend its position. The probability of the scenarios is totally unknown and no-one knows which scenario will actually happen. The Strategist answers "At the end of the day it is irrelevant if there is a 5 % or 90 % likelihood of a scenario happening. What is far more important is considering the futures which we have identified in order to focus our strategy options on them and then taking all our entrepreneurial courage in our hands to decide on one option. Scenarios only show the attractiveness of a strategy from a future perspective; what, however, also has to be identified is how the strategy is from the point of view of the company, of its profile. In the end we have to choose a strategy option which we believe is bested suited to our entrepreneurial courage and beliefs so that we are at least prepared for the future and won't be caught fully unawares by catastrophes". These arguments give the fellow explorers who are slowly starting to think differently and no longer see salvation in the private customer business the feeling that they are right. The 'private customer faction' has the wind taken out of its sails.

9.7   Taking a Brief Look in the Mirror

Referring back to her last comment regarding the attractiveness of strategies from the company's point of view the Strategist asks the team to enter the competences required to leverage the private customer business using *operational excellence* into a success factor portfolio. After various competences such as 'time-to-market', 'cross-selling' and 'marketing' have been mentioned during a brainstorming session

it soon becomes clear that *Klingeling*'s performance with regard to many skills is worse than the competition's. The fellow explorers thus now confirm the positioning of the company in the portfolio which they criticised at the beginning of the process. It appears almost illusive that the company can successfully bring its competences up to the level of the competition in the short time it has available. The picture is becoming ever clearer. A heated discussion once again breaks out among the team concerning the path it should take.

9.8   Examining All Strategy Options in the Temple

The Strategist warns the team against jumping to conclusions. The team follows the Strategist into the Temple of Options to systematically gather, discuss and assess all the strategic possibilities. Because, even if the attractiveness of one or other of the markets differs, none of the strategy options has even been considered yet, let alone assessed.

The fellow explorers develop a comprehensive strategy option space. They arrive at nine key factors or strategic areas of actions which are of significance for creation of the options space, including 'Private customer sales'; 'Business customer sales'; 'Service structures'; 'Network sales' and 'Network strategy'. The team defines possible focuses for each key factor; in other words identifies how *Klingeling* could strategically serve the corresponding area of action. The current focus for each key factor is also recorded in the options space. With the aid of a consistency matrix and its assessment (cf. P. 78) the fellow explorers arrive at three relevant strategy options.

Strategy Option A: 'Winning Private Customers by Keeping Watch' *Klingeling* will develop genuine market and competitive expertise which will enable it to foresee competitors' upcoming market successes and rapidly adapt them (m*e-too*). When doing so it will be supported by an excellent sales force which is able to respond quickly to adapted products across all channels such as the Internet; direct sales and the well-established partner and system network. The 'well-oiled sales machinery' is one of the company's core competences. The product portfolio is wide-ranging, serving private customers with many services, while the company withdraws from the business customer segment or transfers it to partners. In this regard *Klingeling* will provide efficient service structures, whereby the majority are outsourced. Network sales to large businesses are a side line ensuring the development of the company's own network infrastructure.

Strategy Option B: 'Shining with Service and Brand' In entrepreneurial terms the company focuses all its attention on a revenue strategy whereby investment and activities concentrate on the development of a regional brand. *Klingeling* becomes an excellent service provider which is with the customer quickly and takes care of everything to ensure that they are completely satisfied. Positive experiences with *Klingeling* brand should serve as word-of-mouth advertising. The company

concentrates solely on profitable private customers who want comprehensive service ('Private high') as well as on large businesses and medium-sized businesses. In view of the high implementation, operation and sales costs the number of services offered will be kept small. In contrast to Strategy Option A the company will not adapt to competitor services until late. In the service and sales structure the company will focus on its own employees, only involving partners and service providers when overloading is imminent. In order to do justice to the high level of service, also with regard to product reliability, massive investments will be made in the network infrastructure.

Strategy Option C: 'B-to-B Wins' This strategy option is innovation-oriented, not adaptation-oriented. Technological innovations ensure a highly developed infrastructure which can be integrated and managed within other providers' structures and processes. *Klingeling* will concentrate on business customers, namely on other network providers; large businesses and medium-sized businesses with a strong regional focus since all of them require technical infrastructures and 'managed services'. The private customers segment will remain small and is merely a side line, whereby the focus will be on Internet sales and self-service portals. Private customer service will be outsourced to external partners.

One strategy option must now be selected from these three options, all of which are logical and have a clear focus. In order to close in on a decision the Strategist suggests two perspectives for assessment:

1. The internal *Klingeling* perspective: 'What would be easiest for us?'
2. The external perspective drawing on the scenarios: 'Which option is most attractive in terms of the future scenarios?'

9.9   Identifying the Attractiveness of the Possible Strategies

The team uses portfolios to identify the critical success factors for Strategy Options A to C. Figure 9.6 on the next page shows the portfolios for Options A and C. It becomes clear that the success factors for the strategy options are of varying significance. The fellow explorers are thus surprised to establish that their own strengths—such as, for e.g., technology competence in the network field, which have to date been formative for the company—can be better integrated into Option C than into A or B.

The success factors can now be used to assess the attractiveness of the various options from the company's point of view. The lower the time and effort required for the company, the more attractive a possible strategy becomes and the higher the chances of successfully achieving the goal. The 'private customer faction' among the fellow explorers is now forced to admit that Option A—'Winning private customers by keeping watch' is much less attractive than Options B and C. Option A actually performs miserably.

With the knowledge that Option C—'B-to-B wins' is the best from the company's point of view the Strategist now asks the team to examine the attractiveness of the options taking the scenarios into consideration. It becomes clear that Options A and B,
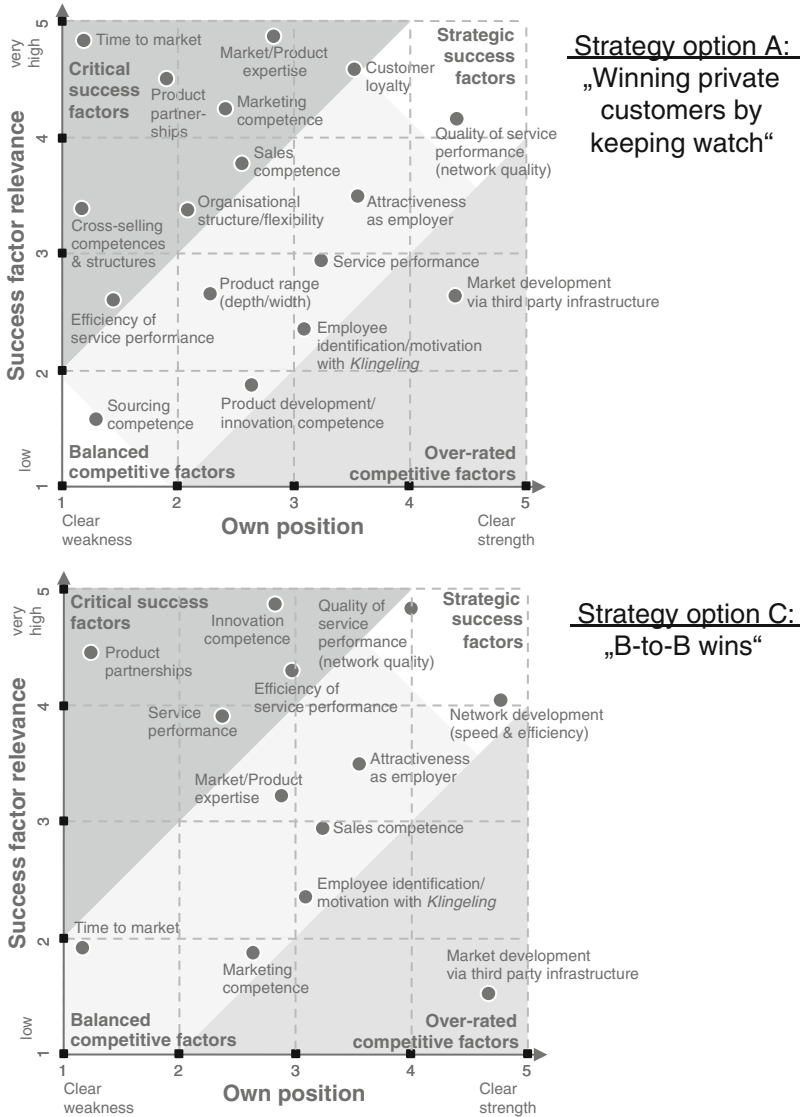
Fig. 9.6 The success factors for Klingeling's strategy options A and C

which focus more on private customers, are suitable for larger telecommunications companies but not for the smaller *Klingeling*. The team begins to look more and more favourably on Option C.

The mood among the fellow explorers is mixed. On the one hand they are enthusiastic about the clear findings of the results up to this point, which have been arrived at step by step thanks to precise methodical work. On the other a decision for Option C would not only mean major personal changes from many fellow explorers

but also a 'radical restructuring' of *Klingeling*. The Strategist knows that agreeing to the 'B-to-B wins' strategy entails a large, courageous leap of faith from the fellow explorers, even if it is only logical from a strategic point of view and there is no other choice seen from both the internal and the external perspective.

In order to avoid unnecessarily controversial discussions in the last phase of work she gives the fellow explorers the additional task of up-dating the MBS portfolio's target profiles to include the future positions from the company's point of view for Option C. The effects of the scenarios have already been identified. In the end the team decides on Option C, even though it frightens them. The company's situation means that it will certainly not be easy to implement, is, however, the best possible solution. The managers in the Marketing and Sales divisions in particular see that they will be faced with massive changes. It is thus even more imperative that the strategy is carefully broken down to the divisional level; that the consequences are identified and that the concepts for the individual divisions harmonise with each other. See Chaps. 11 (P. 167 ff.) and 12 (P. 191 ff.) to find out how *Klingeling* plans to implement its strategy in detail and how the strategy is launched.

Wandering Through the Pleasure Garden: The Jungle Expedition

10.1 The Pleasure Garden: Characteristics of the Strategic Context

The *Strom & Co.* conglomerate offers numerous electricity, gas and oil-related services. With over 10,000 employees and several billion euros' annual turnover the energy service provider is a medium-sized player on the European energy market. The success of green electricity companies, who are increasingly gaining a foothold on the market, has repeatedly prompted the conglomerate to consider including renewable energy sources in its own portfolio. The relevant investment capital is available as is the market knowledge. In recent years *Strom & Co.* has thus sponsored the research work of several institutes in the fields of photovoltaics, wind energy, bio-mass, solar heat and solar heat power plants and released a small number of large projects. Energy generation on a larger scale or involvement in other value chain stages, such as for example module manufacturing or raw materials production for r photovoltaics, have to date not been an issue. Possible acquisition objects have been considered, without however making any purchases. The company has invested considerable sums of money in its wide-ranging, rather uncoordinated activities and "experiments" in the field of renewable energies and can no longer justify the extent of these funds as merely "gathering experience".

The head of Corporate Development also takes this view and, as a *Prophet*, no longer believes that the degree of investment to date makes economic sense. The objective is to find a clear strategic focus for renewable energies, which could also consist of withdrawing completely from all activities in this segment. The Strategist decides to hone the view of developments in the alternative energy market; to identify possible potential and, based on this, to propose a sustainable strategy option to the Board of Directors in order to provoke a decision for or against market entry.

There is no pressure to arrive at rapid decisions since, taking into the consideration the low degree of change in the company's business environment and the extremely high degree of reliable results, the company's situation is *relaxed*. There is also currently no necessity for massive entry into the alternative energies segment
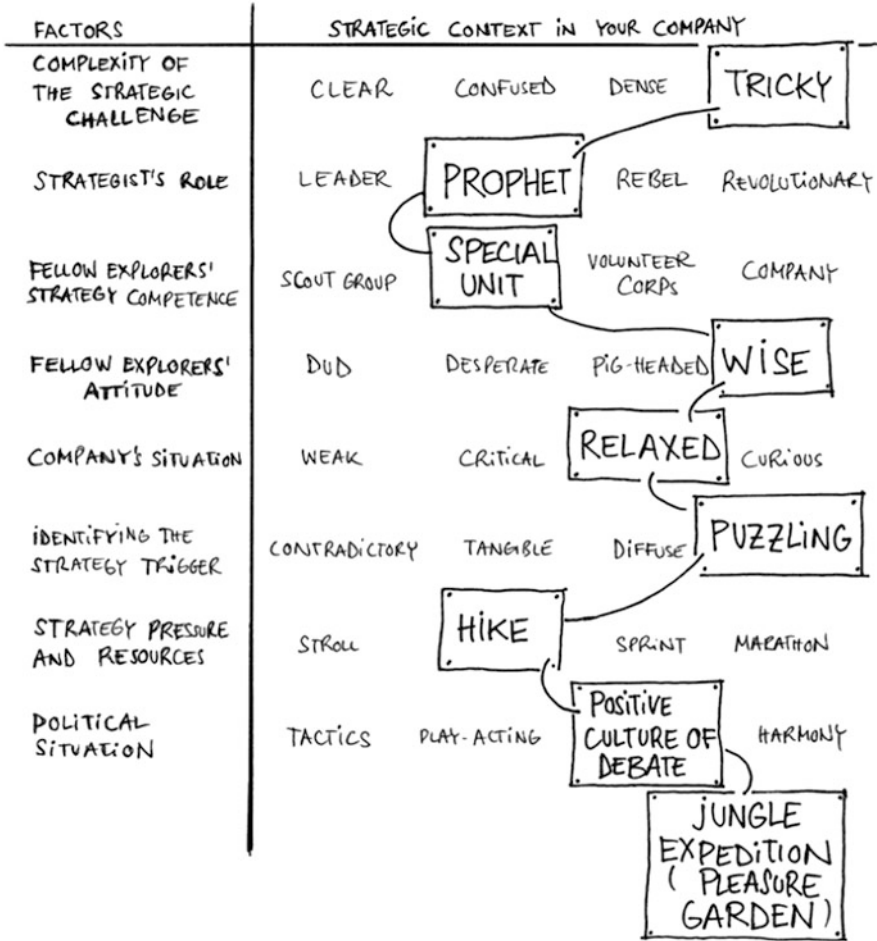
Fig. 10.1 Strategy profile for the Jungle Expedition (Pleasure garden)

so that *Strom & Co.* can chart a course for the future at its own pace. The future for alternative energies is, from the energy service provider's point of view, still completely open even if the influential factors—including political decisions; ecological trends and global energy consumption—are closely interlinked. The complexity of the strategic challenges is thus *tricky* (Fig. 10.1).

The Strategist can put together the team of his choice and thus selects fellow explorers who are able to handle uncertainty and lack of definition and have no desire to go into things down to the smallest detail. His chosen fellow explorers have sufficient strategic experience and methodological competence and are familiar with abstract considerations:

- An employee from the Corporate Development department,
- The head of the Board of Directors' Office,

- A project manager from the Major Projects division who has already completed many classical and several alternative energy plant projects and is familiar with both the technological and also the market/player side, and
- The Head of Sales from the primary energy sources segment ('primary energy sources' are defined as energy generated from extractable raw materials such as oil, gas and coal).

This small team of competent fellow explorers represents a *special unit*. While they may all have differing opinions and arguments concerning the attractiveness of renewable energies, they do not pig-headedly hang onto them (fellow explorers' attitude: *wise*). Despite their varying viewpoints they all look forward to a lively debate about energy sources in order to arrive at a joint strategic focus (*positive culture of debate*). The team's common perspective on the strategic problem—namely how the company should be structured in future—is combined with ignorance of the most important contexts; key factors and effects, so that transparency must be first be achieved (degree of abstraction of the strategy trigger: *puzzling*). There is ample manpower and resources for development of the strategy (*hike*).

10.2   The Trail: Characteristics of the Jungle Expedition

Of all the strategic contexts described here the "Pleasure Garden" is the most comfortable situation for a company wishing to develop a strategy. *Strom & Co.* must neither battle with major resistance and stubborn positions within the team, as in the case of the "Sand castle", nor is the conglomerate in a difficult situation, as in the case of the "Dead end". And there is most certainly no "witches' cauldron", where both situations occur simultaneously, as in the last case study. The team can thus embark on an exciting journey with the objective of making new discoveries.

Characteristic for the Expedition Trail is that the company wants to expand an existing, well-established business and penetrate new business segments. Scenarios are an excellent instrument to discover the future since they reveal perspectives and developments which have hitherto been unseen. In methodological terms the trail focuses clearly on the Scenario Park and can, to a large extent, save itself methodological diversions to support or confirm specific strategy options by means of additional models. There is a special focus on penetrating the Thicket of Complexity. In other words, the scenario architecture must be well-considered and the scenarios to be developed must be intelligently interlinked in order to arrive at strategic alternatives. Complex issues of detail—for example "Which factors influence the political currents affecting the attractiveness of the strategic options?"—must also be clarified. Taking the level of complexity and the scope of the work into account the use of scenario software is recommended here.

In general terms the Jungle Expedition, which concentrates intensively on the exploration of as yet unknown future options, is suitable for new business segments or very young industries, such as, for e.g., telecommunications; smart metering (electronic management of household devices) or, as here, alternative energies. On this trail competitive considerations are not explored since the boundaries of
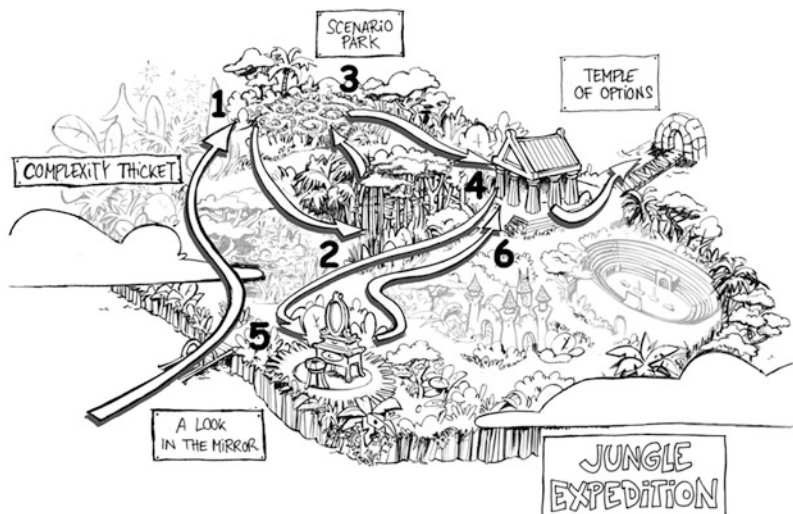
Fig. 10.2 The Jungle Expedition trail (Pleasure garden)

competition cannot be defined clearly and also because customer segmentation cannot yet be thought about.

Competition portfolios; customer needs analyses or other competition- or customer-based methods are thus also not employed. The focus is rathermore on interrelated, future-oriented thinking from various perspectives (Fig. 10.2). (For reasons of space in the following section I will limit myself to the photovoltaics segment (PV), even if *Strom & Co.* also looked into additional renewable energies such as wind energy; bio-mass and solar heat. The methodological process is the same for all types of energy.)

10.3   Developing the Strategy Design and Homing in on the Goal

The central question which interests the team—and later also *Strom & Co.*'s board of directors—is "Does the market offer sufficient room for the successful launch of renewable energies and/or does it make any sense at all to enter this market?" While it is true that everyone is talking about alternative energies, the discussions only ever become audible when current topics such as rising oil prices and problems with atomic power plants bring them to the surface. The influence of global energy market developments on renewable energies must thus first be clarified. It is without doubt a fact that alternative energies and also photovoltaics are in a state of further development. They are, however, still at a very early stage so that it could make economic sense not to enter the market. The objective of the first scenario is to clarify this issue. Should the team come to the conclusion that entry into the

renewable energies market is not currently worthwhile then its strategy work would be at an end. The Strategist would then be able to make a clear, well-grounded recommendation to the Board of Directors that all activities be terminated and that the company adopt a cautious, observant stance.

Should it, however, become clear that *Strom & Co.* has a realistic chance of succeeding in this new market, then the next step will be to consider the development of the photovoltaics market in a further scenario. Following this both scenarios and/or the developments on both markets will be interlinked. Should the PV market scenarios prove to be attractive, then they will form the basis for examining various strategic options in the Temple of Options. The "strategy onion" (cf. P. 74) is thus made up of three layers. The first outer skin is the global energy market; the second is the PV market and the third skin, comprising the company's strategic options, represents the onion's centre.

When developing scenarios it is easy to lose sight of the goal and become lost in the Jungle. This is due to the fact that during the course of the work we often recognise how little we know about the future and, in our uncertainty, try to gain ever more knowledge to give us the feeling that we have solid ground under our feet. Without a clear goal to focus on we cannot, however, ascertain whether the new knowledge actually contributes to achieving the goal or whether it misses the mark completely. Inexperienced scenario users in particular can fail to identify the central problem clearly enough at the outset and to set the geographical and time boundaries for consideration too close or too far. This is the reason why the "three-point bearing system" is recommended. It defines the entrepreneurial issues which should be clarified with the assistance of the scenarios from the outset.

Together with the team the Strategist defines the key question for the development of scenarios, which will accompany them on their entire journey through the Jungle, namely "What form should *Strom & Co.'s* involvement in the photovoltaics industry take and where should it be located in the value creation chain—or should the company refrain completely from any further involvement?" This is the first point of reference. The second comprises the definition of the horizon for considerations. The year 2030 is chosen based on the extremely long-term timescale for developments on the energy market. As a third point of reference limits are set for the geographical market. The team decides on Europe since the PV market is currently determined by the world's two largest funders—Germany and Spain.

The next step is to define the scenario architecture. Since the fellow explorers themselves have excellent knowledge of the energy market in general and have detailed research studies on the topic at their disposal they decide to develop the energy market scenarios themselves. The fellow explorers believe themselves to be

less competent with regard to the PV market in particular. They are unable to answer specific questions concerning which technologies will prevail on the PV market or how legislators will subsidise this form of energy in the future. They thus employ, among others, representatives of the photovoltaics industry and from politics as experts to obtain first hand assessments. Once the procedure has been defined the team can begin its actual scenario work.

10.4   Alternating Between the Scenario Park and the Thicket of Complexity

The fellow explorers use the studies they have selected to identify the topics which will influence the energy market's future. They establish that many topics are either neglected by the studies or that their significance is assessed very differently. The five key topics which appear in all the studies are identified using lists and reference to the studies. They are "Environmental politics"; "Global energy requirements/consumption"; "Dependency of key countries"; "Environmental protection/climate change" and "Development of energy sources". These topics serve as key factors for the further derivation of the scenarios.

Numerous institutions and organisations such as *Greenpeace*, *Shell* or the *German Advisory Council on Global Change (WBGU)* make the studies and scenarios they develop available to the public in order to provide decision-makers with information about the development of the energy market. Even if, or perhaps even because, the studies often arrive at contradictory findings they are of great importance for scenario work since they make it possible to process contradictory viewpoints in the form of different scenarios, thus providing a more ground base for the scenario work.

Each member of the team now investigates one of the topics on their own. The fellow explorer working on "Global energy requirements/consumption" discovers that opinions concerning the topic diverge widely. While *Greenpeace* sees reduced consumption in the future; *Shell* assumes development in the other direction. In addition to this there are varying projections concerning the drivers defining global energy requirements. This is due to the fact that the sub-factors influencing energy requirements can develop differently, causing the studies to arrive at varying conclusions. The question of how the energy consumption of the future will be can thus no longer be answered in one-dimensional terms (reduction to Figure X or increase to Figure Y). This means that a sub-scenario space investigating the

development of the sub-factors must be created and summarised in scenarios. These will then be included as projections of the "Global energy requirements/consumption" key factor in the "2030 energy market" scenario space.

All the studies are thereupon analysed by the fellow explorer to establish which factors influence future energy requirements or consumption. Exact documentation of the sources of information will later help to answer any queries which the Board of Directors may have. The fellow explorer identifies nine factors in the studies:

- Increased standard of living
- Information and communications technologies
- Electronics craze
- Mobility
- Increasing per capita consumption
- Decreasing size of households
- Increasing energy consumption
- Global economic growth
- Population growth

When transferring the factors into a network diagram using the system grid (cf. P. 68) he recognises that the last three factors listed above are key features for the creation of a sub-scenario space. The fellow explorer now identifies polarising (contradictory) projections for these three key elements by referring back to additional studies by *Goldman Sachs* and the *World Economic Forum*. There are no limits to the procurement of information for the analytical procedure selected here. The studies assume that population will be between 3.3 and 3.5 % annually if current developments continue unchanged. In addition to the "Trend 3.4 %" parameter the fellow explorer also arrives at a best case of 4.5 % and a worse case of 2 %, based on one of the studies.

An inexperienced strategy team will spend a lot of time and effort trying to explain "the world" during scenario work by gathering and quantifying the largest possible amount of information for inclusion in scenarios and to increase its own confidence. Such projects often stall when values cannot be expressed in figures. The team is frustrated and scenario development takes a comparatively long period of time; the incomplete findings often end up in a drawer. The motto for the Expedition is thus 'Where there are no concrete figures we will work with qualitative values'. If, for example, the fellow explorer had not had figures for the best and worst cases he could simply have noted "below trend" and "above trend".

Developments for the remaining two key factors "Increasing energy consumption" and "Population growth" are also identified in the same manner. When all the projections have been completed the scenario space which will be used to create "concrete" scenarios based on varying combinations of the projection will have been defined (for further information visit *http://www.strategie-scout.de*). The combination of the "Worst case 2 per cent"; "World population 7.6 billion" and "Energy consumption 734 exajoules annually globally" projections result in the "Consumption World" scenario, which is transferred to the "2030 energy market" scenario space as the projection of the "Global energy requirements/consumption" key factor.

The fellow explorer now employs a consistency matrix: He compares the individual forms and/or projections with each other as pairs to identify which key factor projections harmonise or repel each other. The objective is to arrive at consistent overall scenarios. All key factor projections are rated on a scale of -3 (totally inconsistent) to $+3$ (very consistent). Following this calculations using a cross impact analysis are carried out using computerised support to identify which scenarios are most consistent and/or harmonious.

The value of a consistency matrix to identify the scenario combinations (as also to identify strategy options) is as follows: It enables the identification of combinations which the team would not have spontaneously arrived at based on its experience. There is also a further psychological effect: It provides the feeling of having considered all variations and not having overlooked anything. As a result the team is emotionally stable and "firm" during presentations and discussions. It can respond unemotionally to criticism, comments and questions without moving in a rhetorically one-sided direction.

Consistency should, nevertheless, never be the absolute criterion for a scenario, since the viewpoint is always based on today's perspective and the subjective feelings of those concerned. "Negative" scenarios often display low consistency; are, however, still required for the strategy process because working with scenarios always means thinking in alternatives. This is not the case for solely positive scenarios.

The consistency matrix is used as the basis for compiling a solutions map (cf. the lower half of Fig. 10.3 as an example): The combinations or scenarios which are as homogeneous as possible are combined into "islands" (made up of bubbles). The larger the diameter of the corresponding bubble, the higher the consistency of the combination concerned. The degree of heterogeneity is measured by the distance of the individual islands from one another. The greater the distance, the more different the combinations on the corresponding islands are.
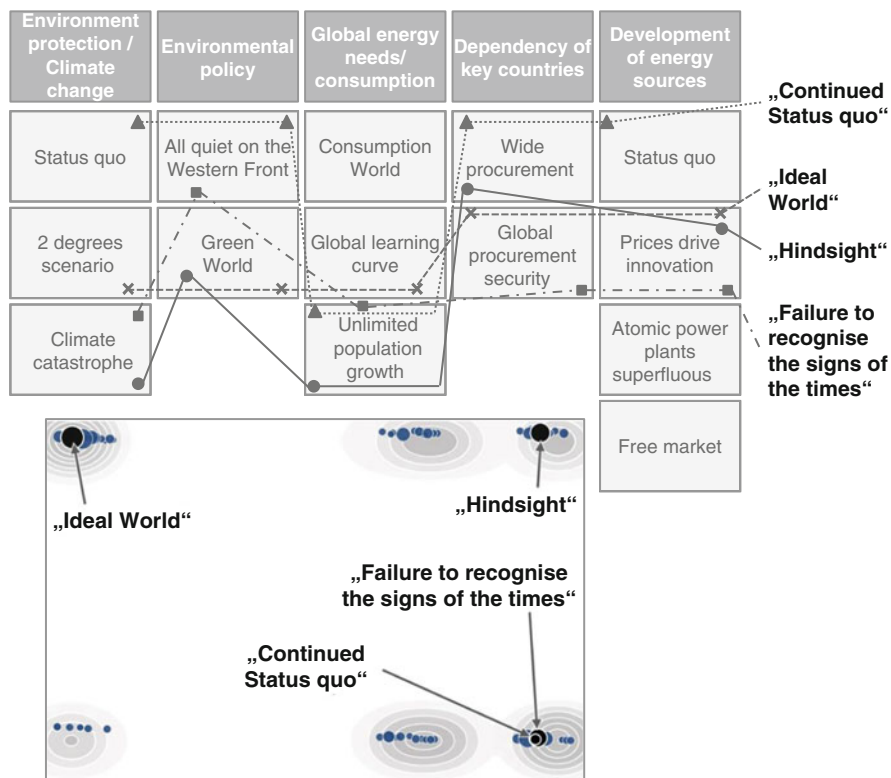
Fig. 10.3 Possible scenarios in the "2030 energy market" scenario space

The fellow explorers view three scenarios as being relevant for the development of the "2030 energy market" scenario space. In addition to Scenario 1—"Consumption World" described above they are

- Scenario 2—"Global learning curve": Humanity learns to use energy economically. Global economic growth is 4.5 %; the population increases to seven billion, annual energy consumption is, however, only 420 exajoules;
- and Scenario 3—"Unlimited population growth": The population increases to 8.7 billion people and, despite low global economic growth of 2 %, energy consumption increases to 734 exajoules annually.

These three scenarios are entered into the "2030 energy market" scenario space as possible forms of the "Global energy requirements/consumption" key factor.

10.5   Combining and Evaluating the Findings in the Scenario Park

The other fellow explorers have in the meantime identified the findings for the sub-scenarios for the four other topics "Environmental politics"; "Dependency of key countries"; "Environmental protection/climate change" and "Development of

energy sources", which are now also entered into the "2030 energy market" scenario space. In order to arrive at possible scenarios the strategy team together completes the consistency matrix for all the criteria during a joint discussion. When doing so it takes into consideration that the matrix only assesses the direct interrelationship between individual criteria while chains of events have not yet evolved. At the end of the discussion the team agrees on four relevant scenarios:

Scenario A: "Hindsight" Global environmental policy and economic goals are not achieved because of the climate catastrophe. The industrial nations safeguard their affluence which the newly industrialised and developing countries cannot benefit from. The average temperature increase of 5 °C results in major climate changes and weather catastrophes. Global population continues unabated in conjunction with uncontrolled wasting of energy. Key technologies for renewable energy sources are developed with the aid of the state; their deployment is, however, delayed due to the late start of global cooperation. Following the massive effects of environmental catastrophes the entire world is forced to recognise the situation and energy policy measures are agreed; their effects are, however, only felt in the long term.

Scenario B: "Failure to Recognise the Signs of the Times" This scenario is very similar to the previous one, the world, however, never feels compelled to act, not even when faced with the impact of climate catastrophes. No common global goals and measures are found, let alone implemented. All the nations concentrate to an even greater extent on safeguarding their own population's energy supply.

Scenario C: "Ideal World" As a result of massive, globally coordinated climate protection efforts climate change is slowed down and the temperature only increases by 2 °C. All current economic goals are achieved and do not result in aggravation of the climate change. The newly industrialised and developing countries benefit from the global increase in affluence; the world's population increases moderately and global energy consumption is sensible. Based on the assumption of a massive price development for primary energy the existing service capacities (atomic power plants) remain in place. The range of different sources of energy increases. Price pressure and dependency on primary energy sources result in new key technologies on the energy market, which are able to establish themselves.

Scenario D: "Continued Status Quo" Although there are no consistent agreements and goals with corresponding measures at global level only moderate climate changes continue to occur, resulting in a temperature increase of 0.5 °C. The nations may possibly act alone and without coordination. Highly efficient new technologies may also be developed and deployed making global climate protection programmes superfluous. It is also conceivable that all research into our climate was "wrong". Global economic growth is moderate in conjunction with a continued high increase in the world's population. All states obtain energy in a more efficient manner, using a range of energy sources. Overall this results in stable prices for primary energy.

The analytical compilation of the scenarios is thus completed. The fellow explorers can proudly and with conviction present their initial findings to the company. The recognition that the trends identified for the 2030 energy market certainly leave room for the development of renewable energies is important, as it means that the strategy work can be continued. The experts' knowledge is now required for the next onion skin, "Development of the 2030 PV market in Europe".

10.6   Experts Contribute Important Findings

A total of ten experts have been invited for compilation of the photovoltaics scenarios, some of whom work for the company, some of whom are externals from the fields of research and teaching; politics; the PV manufacturing segment and the PV service segment. The methodological procedure is exactly the same as for the first onion skin and the same instruments, such as network diagrams and consistency matrix, are used. The planned 2-day workshop however required different preparations. The team must develop a vision concerning what the results of the workshop should be in order to answer its own entrepreneurial question. This does not mean pre-empting the findings but rather defining a rough framework in order to obtain usable findings and not digress from the topic. For example, in order to develop a strategy information must be obtained concerning which PV technologies will be of significance in the future.

With 15 members the team is now noticeable larger, which is why particular attention must be paid to the psychological pitfalls of group work (cf. P. 21). The Strategist has thus decided to have an external consultant with experience in leading group discussions lead the workshop. Should controversial discussions, which can degenerate into nothing more than an exchange of opinions without any results, ensue then the consultant will be better able to intervene.

Together with his team the Strategist has, in preparation, identified six topics which are relevant to photovoltaics: "Customer"; "Technology"; "Technology network"; "Legislative"; "Competition among providers" and "Competition among manufacturers". All the participants confirm these topics at the beginning of the workshop. Following this they create sub-scenario spaces, examples of which are presented here in the form of the key factors "PV customers" and "PV technologies".

The question used during the brainstorming session to identify the most important factors for the development of the PV market with regard to customers is: "What role will photovoltaics play in the future energy mix and who will make an active choice for solar energy?". In order to encourage the experts to become less reticent the moderator provocatively asserts "The development of the PV market is solely dependent on government subsidies; otherwise the industry would have no chance of survival". The proponents of solar energy are indignant, immediately leaping out of their "trench" and going on the offensive. As a result numerous factors are gathered which are limited to nine relevant key factors during the subsequent discussion. A network diagram and system grid is used to identify the

five critical factors: "Prospective return on investment"; "Environmental consciousness"; "Financing options"; "Generation of own power supply" and "Isolated operation" (i.e. larger institutions, towns or parishes generate their own electricity).

Exploration of the PV technologies is particularly interesting since this is the market which *Strom & Co.* could participate in as a manufacturer of modules. The participants arrive at seven projections when deriving the sub-scenarios, some of which include highly experimental technologies. Although the fellow explorers immediately realise that such an in-depth, detailed treatment of this topic will not contribute to answering the key question, the technically-minded participants cannot be held back. They insist on including the projections. At this point the moderator decides to first carry on and then subsequently reduce the fellow explorers' projections down to two logical ones.

Projections are also derived for the other sub-scenario spaces. Following this the familiar procedures—completion of a consistency matrix; compilation of a solutions map and discussion of the relevant scenarios—are used to develop an overall "Development of the 2030 PV market in Europe" scenario space including the individual key factors. The participants are asked to combine the forms to compile a scenario representing the status quo, i.e. which would arise if current development continued without any trend reversals. Subsequent to this, contradictory. To conclude the participants derive four scenarios during the course of discussions, namely "PV stays on its successful course"; "PV also works without politics"; "PV as a big player" and "PV optimum". The strategy team and the invited experts agree: The workshop was a benefit and produced usable findings.

10.7 Combining the Team's Own Findings with the Experts' Findings

After developing four scenarios each for the 2030 energy market and the 2030 photovoltaics market the strategy team turns towards interlinking both of them—now without the external experts. In metaphorical terms the two onion's two skins must be related to each other, since the outer layers define the inner ones; in other words developments on the energy market also define the development of the PV sub-market. The team wants to use interlinking of the two markets to determine the consistency of the PV market scenarios it has developed. In methodological terms there are two ways to do this. The first is to carry out an evaluation which contrasts the individual PV scenarios with all the energy market scenarios and examines whether they match. The second is to use a consistency matrix, whereby the PV scenarios are simulated in the energy market scenarios by comparing all the forms with each other and assessing them. The team decides on the second method, employing computerised support via scenario software. The results surprise the team: Photovoltaics continues to develop, even in the completely unfavourable energy market scenarios and with weak impulses from politics!

The team compiles a SWOT for the PV market, which is useful for further evaluation of the market. Following this a future SWOT is developed for each PV

scenario in conjunction with the scenarios. The team is amazed to discover the opportunities within the PV industry for future energy generation. The Strategist now has a well-grounded basis for his opinion that focused activities on the PV market are absolutely necessary for *Strom & Co*. The team now moves on the centre of the onion, the development of the strategy options.

10.8   Creating the Strategy Options Space

The strategy team considers how *Strom & Co*. can and wants to participate in the PV market and at which stage of value creation chain (e.g. raw materials supplier; PV module manufacturer; PV plant operator; power producer; power seller; service provider). To begin with as many options as possible are listed without any assessment to gain an initial feel for relevant strategy options. A look at the competition, the market entry barriers and the investment requirements is sufficient to weed out the first round of unusable options. The company can be eliminated as a raw materials supplier for the mining of silicium, required to manufacture PV modules, because the commercial risk is too high. The discussion identifies five promising strategic options:

- "*Module manufacturing with power generation*": *Strom & Co*. acquires an interest in a company manufacturing PV modules. This creates potential for PV wholesaling and direct sales, as well as also for development into a producer.
- "*PV plant operator*": The company concludes skeleton agreements to acquire large quantities of cheap PV modules and builds the most efficient, cost-effective large plants possible on open spaces and large roofs, thus creating producer portfolio.
- "*PV contracting*": *Strom & Co*. employs photovoltaics as a customer product and links this to other services such as power supply contracts or energy services.
- "*On stand-by*": Existing activities are continued and PV is only used as an image product with the corresponding marketing. The conglomerate uses its contacts to monitor market and research developments.
- "*No photovoltaics*": The company withdraws from the PV business and also foregoes image projects.

During the course of further discussions the fellow explorers apply this input, using the necessary instruments to develop the strategy options space. The strategy options space has six areas of action:

1. The "PV motivation" area describes the strategic reasons in favour of entering the PV market from the company's point of view and the opportunities and threats the strategy entails.
2. Since photovoltaics is not yet a mature market and further technological advances are possible (= finding of the scenario analysis), an involvement in "PV research" could be considered to gain strategic advantages.
3. "Procurement" answers the issue of how PV modules should be procured.
4. "Production structure" describes how the modules should be used to produce power. Large solar farms (centralised) could, for e.g., be constructed or PV modules could be mounted on the roofs of residential homes (decentralised).

5. The "Sales structures" demonstrate how the modules should be sold.
6. An energy service provider has various options for selling the power produced. "Power sales" illustrates these options.

The fellow explorers once again turn to the consistency matrix to identify consistent options and arrive at four strategy options. In-house manufacturing of PV modules with production of its own power ("Module manufacturing with power generation") displays the greatest degree of consistency. "PV contracting" and straightforward power production without manufacturing or selling of PV modules ("PV plant operator") also make sense. The "On stand-by" option, which represents current activities, displays the lowest degree of consistency, once again confirming the necessity of a new strategic focus.

Layer after layer of the strategy onion has now been "peeled away". The team has completed a hard task and the results have been worthwhile. The long and sometimes arduous process of gaining facts was necessary to be able to handle the uncertainties of the energy and PV market better. The development of the photovoltaics industry which, prior to crossing the Jungle, was obscure is now transparent and clear. It has been established that the PV market will develop well and offers interesting entry options for *Strom & Co.* A statement regarding the robustness of the strategy options developed in the relevant PV scenarios remains to be made. This gives rise to the question "How well does each strategy option match the company?" The fellow explorers leave the Temple of Options to answer this question and proceed through the Jungle to take "A Look in the Mirror".

10.9   A Look in the Mirror to Prepare the Strategy Decision

Final assessment of the strategy options requires evaluation from two different perspectives:
- From an external or market-related perspective (scenario attractiveness): How robust and attractive are the strategy options in terms of possible PV market developments?
- From an internal or company-related perspective (attractiveness for the company): How well-suited are the strategy options to *Strom & Co.*?

The five strategy options are contrasted with the four PV market scenarios and discussed by the team to evaluate the attractiveness of the scenarios. How well does each strategy option harmonise with the relevant PV scenario, both from the point of view of today and of the future? Since an option could possibly only become more or less attractive over time the evaluation is carried out over three periods of time: today, until 2020 and until 2030. The results provide the team with an unambiguous picture: The PV industry has so much potential that the company must pay attention to it if it does not wish to lose opportunities for the future. Even negative development of the market would still hold attractive possibilities for *Strom & Co.* The two options "Module manufacturing with power generation" and "PV contracting" are the leaders in all PV scenarios and time periods. The lower risk makes "PV contracting" the more promising strategy option.

The PV industry is, however, only attractive enough if the company is also able to implement the chosen strategy. Corporate goals thus, for example, result in restrictions limiting a strategy or making it impossible, e.g. return on investment guidelines or the company's general willingness to take risks. The next step is thus about examining attractiveness for the company.

Before deciding on a specific strategy it is advisable to organise a workshop for this final evaluation, which should also be attended by the decision makers. The workshop's objective is to derive general criteria facilitating an evaluation of the strategy plan objectively from the participants' point of view and subjectively from the company's point of view.

In the course of a brainstorming session the fellow explorers gather the criteria which are relevant from the company's point of view and interlink them in a network analysis (cf. P. 65 f.):

1. "Technology project management competence" describes which competences must be developed or already exist to implement the strategy.
2. "Marketing/sales competence": Existing or required competences from the marketing and sales point of view.
3. The business segment's growth potential.
4. Capital and investment requirements for the relevant strategy.
5. Partnerships: The need for partnerships with other companies is clarified and existing partnerships are evaluated.
6. USP potential: The issue at hand is not the product USP (unique selling proposition) but rather the strategy USP—can the company differentiate itself from the competition with the strategy?
7. Strategic fit for the conglomerate: How well does the option match the overall conglomerate's strategy and to what extent can the goals specified by the conglomerate be achieved using the strategy?

Positioning is defined in three steps, based on these criteria and by means of a spread sheet analysis. In the first step the strategy options' target profiles as regards the criteria. The criterion "Technology project management competence" for example plays a very important role for the "Module manufacturing with power generation" strategy option and is rated correspondingly highly. In the second step the fulfilment of the criteria from *Strom & Co.*'s perspective is assessed. The company cannot, to date, demonstrate any "Technology project management competence" whatsoever, meaning that this criterion has to be rated very low. In the final step the target profiles are superimposed on the fulfilment of criteria in a similar manner to a blueprint. The lower the general demands of the strategy option are and the better *Strom & Co.* meets these criteria, the more attractive the option is.
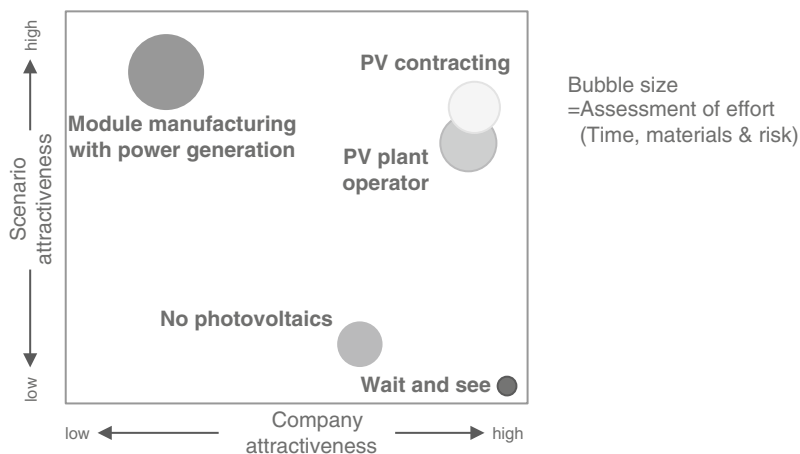
Fig. 10.4 The *Strom & Co.* options portfolio

10.10 Preparing the Strategy Recommendation in the Temple of Options

The findings for the assessments from the market and company perspectives are now summarised in an options portfolio. This is carried out by means of discussions and calculations. The portfolio's x axis shows the company attractiveness and the y axis the scenario attractiveness. The size of the corresponding bubbles in the portfolio illustrates how much time and effort is required for realisation and how high the risk is. The assessment comprises both the present perspective as well as the point of view from the future.

The portfolio shows that "Module manufacturing with power generation" is not advantageous to the company even if the scenario attractiveness is very high. The time, effort and risk would simply be too high. The prospects for "PV contracting" are significantly better since the time, effort and risk are minimised through out-sourcing to third parties (module manufacturers). The modules could be sold under the company's own brand without any additional investment in manufacturing facilities; know-how; etc. The "PV plant operator" option is also a safe one which can be pursued at any time (Fig. 10.4).

The strategy team is satisfied when it leaves the Jungle. Thanks to the scenario work and development of several well-ground models it has been possible to dispel the uncertainties with regard to possible market entry into the PV industry. The Strategist can now make a recommendation for a solid strategy to the Board of Directors and champion it with confidence. The option selected is "PV contracting", which involves the least risks of all options. The Strategist will now strike while the iron is hot, pushing for a decision by the Board of Directors in order to speedily develop implementation concepts and commence with implementation.

Part III

Setting a Course for Strategy Implementation

Thinking Strategy Consistently Through to the End: The Monastery of Reflection

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11

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11.1 The Purpose Behind a Strategy Concept

Imagine your company is a city which has been built, and has grown in, its present location in a specific way. The city is divided into districts; the buildings are arranged in a specific way and house various functions; the residents live and work according to set rules and laws. Your carefully developed strategy—in other words, your future strategic position—represents exact GPS coordinates, that is to say the place you want to relocate your city to. You have discovered the new location during your trip through the Jungle and identified it as attractive.

What are missing are ideas about what your city should look like in its new location and how it should function, or to be more precise, "must function". Because the new location will have different characteristics to your present one. The climate is different; the circumstances are different; there are new neighbours; new enemies; etc. Your city must be perfectly focused and designed in line with these circumstances in order to be truly successful in its new location. This metaphor includes the main reason why strategies fail—they are not thought through properly and too little thought is given to the how things must be structured at the new location in order to achieve success in the sense of the strategy. It is precisely this aspect which you will focus on in the Monastery of Reflection, carefully developing your city and its future location on the drawing board to turn the strategy into reality before, in the next chapter, planning the relocation itself.

Companies unfortunately often handle this differently. As soon as the strategy has been defined work begins on planning measures to achieve the goal. This is like planning the relocation without having any idea what the city which should be created in the new location looks like. The result is then often that the measures are not related closely enough to the strategy implementation meaning that they very quickly turn into a "loose" bundle of isolated individual projects which are not interlinked and not consistently focused on the strategy implementation. Uncertainty spreads and the strategy begins to "peter out".
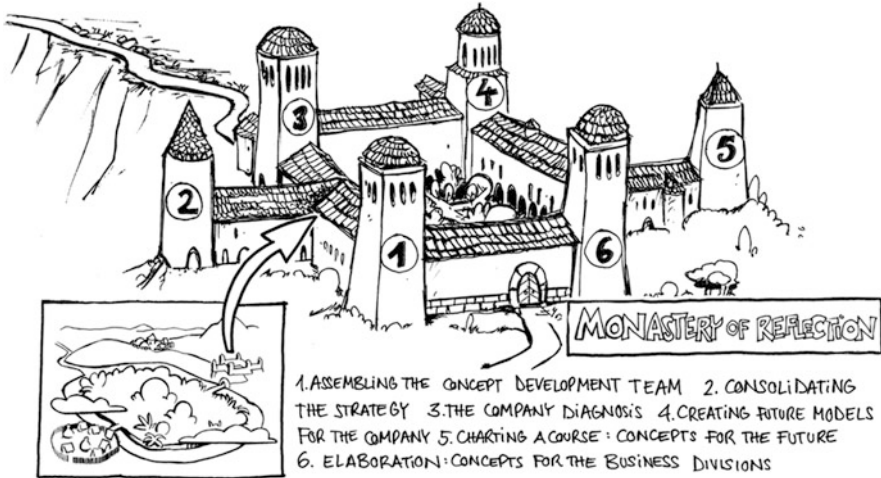
Fig. 11.1 The monastery of reflection

The *strategy concept* is a compact method of describing what the company should be like in the future; the models according to which value creation will function and what the "together" will be like. In other words, the consequences of the strategy are modelled in detail in the Monastery of Reflection, ensuring that all the managers at the top and subsequent tiers of the hierarchy have a clear, uniform picture of the target status which should be achieved within the scope of the strategy (Fig. 11.1).

Every new strategy provides room for differing interpretations and understandings, i.e. includes the possibility of understandings and resistance. The objective of the strategy concept is to recognise them and, following this, to clear them out of the path. The process of developing the concept ensures that all critical issues are brought to light; discussed and thought through in conceptual terms as well as that decisions are made. The more the new strategic position deviates from the status quo—to stay with the metaphor, the further away the new location is from the present one—the more detailed the concept must be. The art of this is to keep the concept as thorough as necessary and as simple as possible. Recognising which aspects have to be decided and specified in accordance with the strategy and which ones will "automatically" occur during implementation requires considerable skill. The objective is to concentrate on the fundamentals in order to avoid unnecessary effort.

Independent of the size and complexity of the "strategy object", i.e. of the company or functional segment, a strategy can be systematically thought through and described by a strategy concept covering six to eight pages (around one page per model). As a general rule there will be one additional page per corporate or sub-division, so that a good concept—also termed the "Strategy Bible" in the implementation—comprises a booklet 20–30 pages long. If properly prepared and well-structured the compilation of a strategy concept should take 4–6 weeks.

Six stages must be completed to arrive at a sustainable strategy concept:
1. The concept development team: Who do you need to plan the city?
2. Consolidating the strategy: What is the essence of the strategy?
3. The company diagnosis: What are the levels, amplifiers and obstacles which have to be taken into consideration during "city planning"?
4. Developing the corporate concept: The new city will be shaped using four to eight models.
5. Concepts for the future: Each division will be "centrally" planned and thought through once.
6. Concepts for the business divisions: The divisions take over the concepts for the future and elaborate them.

The result is a strategy concept which describes how the company will "tick" in future. It is understood by the entire operational management, which is responsible for implementation, and signed with their proverbial "blood".

11.2 Putting Together the Concept Development Team

The strategy team was made up of fellow explorers who were, ideally, characterised by market and competitive expertise; an entrepreneurial mind set and creativity plus strategic methodological competence. Other qualities are required for the concept development team. Its task is to use operational know-how to "break down" the strategy; to leave existing structures behind it and to develop new structures reflecting the strategy. This requires people who can imagine how everything must function and interlink in accordance with the new strategy. The "how" is at the centre of attention, no longer the "where", as was the case during strategy development. This requires people who have the courage to question the status quo—in other words, true agents of change who not only know what the others need to change but are also prepared to initiate the first changes in their own division and with regard to themselves. This attitude and orientation must be communicated to the concept development team even if it is very rare as the ideal situation.

The worst enemy of good strategy concepts is often the existing management. As creatures of habit we humans have a tendency to protect our vested rights; to imprison in ourselves in our previous experience and to give in to protective instincts. None of these are ideal prerequisites for calling into question existing structures; entrenched processes and habitual behavioural patterns which have been "burned into" an organisation over the course of many years. Creativity and fresh, unbiased ideas are what is called for here! Any strategist who is unwilling to be satisfied merely with a good strategy but rather wants to achieve its implementation should select the personnel for the concept development team carefully. Clever selection can also mean that only some of the operational managers who will later be responsible for implementation (!) will become members of the concept development team.

There are two ways to select personnel for the concept development team in order to bring enough "design expertise" for the *how* of the strategy implementation on board:

- Get high performers onto the team who are known in the company as the drivers of change. These individuals will in all certainty not only be members of the company's operational management under the top tier (management board/ board of directors) but also members of the second to fourth management tiers.
- If there are no, or not enough, individuals at these levels of management to form a good team, then include members of the top tier of management and also external consultants. The consultants should have corresponding knowledge and experience in the relevant field and approach future structures in an unemotional, unbiased manner. If possible "spice up" the whole thing with an internal or external agitator who leads discussion and poses "annoying" questions about the why and what for, so that supposed matters of course are challenged over and over again, preventing complacency from occurring.

In my experience the concept development team does not necessarily have to include members who will subsequently be responsible for implementation and the operational business. Such individuals are only required at the last monastery stage, concepts for the business divisions, because this is where operational management is called upon. The business division concepts represent the transition to implementation planning, the fourth phase of the strategy model described in this book, before embarking on the final phase—strategy implementation.

The concept development team should be made up of members who know the overall company—its procedures and structures—well; understand the future strategy and can accept it as given. Make sure that you provide a space which is as free as possible of swamps such as the protection of vested rights; old boys' networks and a reluctance to relinquish entrenched structures and thought processes, but which is, however, characterised by friction and controversy, which can also be consciously provoked. Take the participants out of their current functions; this usually works better in the case of members on the lower tiers of management than those at higher levels.

After finding herself in the 'witches' kitchen' (Case study: P. 131 ff.) the head of corporate development has developed a "B-to-B wins" strategy for Klingeling *and is now working with the Board of Directors to restructure the strategy team into a concept development team. Of the top tier of management only the heads of the Controlling and Technology divisions remain on the new team. Second and third tier managers are appointed to represent the IT, Marketing, Sales, Network Operation and Service divisions and, in agreement with the relevant head of division, released indefinitely from their current positions by the Board of Directors to work on the strategy project. Two external consultants are brought onto the team to provide inspiration for the IT and Sales segments. The concept development team is thus made up of 12 members.*

The concept development team is usually larger than the strategy team, should not, however, exceed twelve members. In larger companies or more complex structures requiring more team members a working group architecture should, if necessary, be installed below the concept development team.

The company's executive management, which has specified the strategy, should no longer play an active role in the concept development team. It should not view itself as either a concept developer or moderator, but rather as a decision maker. The executive management thus defines the course and specifies parameters; is informed about the progress of concept development and assumes a corresponding management function. It should, however, neither contribute to the direct concept nor feel itself called upon to lead the team.

11.3   Shaping the Essence of the Strategy

The strategy developed is now consolidated down to its essence, i.e. to a small number of absolutely crucial cornerstones and core messages. The purpose behind this is to identify the elements which should now gradually become "part and parcel" of the organisation. The objective is to turn the abstract strategy into something which everyone in the company can envisage with regard to the present business and thus understand where the strategy will take them. This represents the foundation for the entire downstream process and can subsequently only be adjusted or changed with difficulty.

To create the essence the small number of critical factors which embody the character of the strategy will be singled out and expressed as short sentences or catchy "slogans". The basis for this are the options identified in the strategy options space, whereby the options which are not selected serve as a differentiation from the strategy evaluated ("What we don't want to do in future"). The number of cornerstones forming the distilled essence should not exceed seven plus/minus two. According to the well-known theory proposed by George A. Miller this is the number of arguments which can be remembered best, and the memory is the place where the new strategy should be embedded. In addition to this, the Strategist should make sure that contentious issues which are debated particularly fiercely by the concept development team or could be interpreted in different ways are included in the distilled essence to avoid misunderstandings or differing interpretations and that all the organisation's employees understand the elements of the new strategy.

At Klingeling *the "witches' kitchen" can be felt throughout the entire company. The poor operating results in particular have generated fear and worry among the employees and there are doubts whether the management has any clear plans to master the current situation. The new concept development team is also aware of this mood. Its task is to use the consolidated strategy to present a clear, motivational perspective which shows how the company can successfully handle the crisis. The objective is to answer questions such as "What are we going to do on which markets and which products and services will this include?". The team considers and discusses the nine strategic areas of activity (cf. P. 145) of the "B-to-B wins" strategy from this perspective. The team divides up into groups, each of which formulates a slogan for each cornerstone which uses striking words to express the direction the strategy is moving in. With regard to the open questions posed by the company's employees the concept development team derives seven strategic cornerstones which are most suitable to communicate the strategy (Fig. 11.2).*

11.4   The Company Diagnosis

The goals of the Company Diagnosis are as follows:
1. It helps the concept development team—the "city planners"—to better understand the company's current situation and express it more clearly.
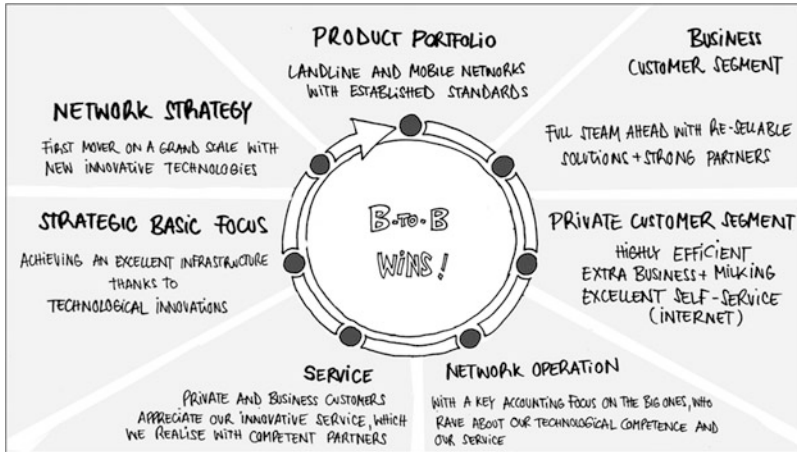
Fig. 11.2   The outcome of the consolidated strategy based on the example of *Klingeling*

2. It gives the company's employees, who are not included in the strategy or the concept development team, an opportunity to have some influence on the concept for the future and thus provide important input about what the "city" should look like in its new location and how it should function.
3. It serves as a preparation to later develop sustainable concepts for the individual corporate divisions (cf. P. 186 f.).

In order to compile a Company Diagnosis the concept development team, and also the company's management, must shake off its subjective assessments and prejudices concerning the operational interrelationships and the causes and control levers which are of significance for the strategy concept and its implementation. This cannot, admittedly, be achieved to 100 % in practice. It is, however, important that the concept development team distances itself from the egocentric perspective functioning according to the motto "I know how things work here", to avoid the entire strategy concept being built on this limited corporate perspective. This can, in the worst case, cause implementation of the strategy to fail should it become apparent that the team's reality does not correspond to that of the company's other employees.

During the Company Diagnosis phase the concept development team consciously considers the assessments of *all* the company's employees in order to become familiar with the company's status quo and its unwritten laws and operational interrelationships outside of its own opinions and the "official" structures. In this manner the team is thus able to find the correct levers which must be used for the strategy concept and implementation planning.

The diagnosis is carried out by surveying 5–15 % of employees, depending on the company's size. These employees should work in all areas of the company, whereby they are selected either by the concept development team or on the basis of suggestions made by the employees themselves. Employees are asked for their assessments and opinions within the scope of moderate round tables consisting of five to 15 individuals each. Prepared questionnaires and moderation guidelines ensure that within 45–60 min each group identifies what is going well or badly in its division; which interrelationships have been identified and what the causes and levers for changing specific items are. The round tables are moderated by members of the concept development team; the moderators should, however, never lead groups from their *own* corporate divisions but instead from another division. Employees and managers from each corporate division are surveyed separately in order to ascertain the opinions of both groups.

In this way many individual pieces of the jigsaw can be combined to obtain one big picture which is far more "objective" than if it only took the viewpoints of the members of the concept development team into consideration. It often becomes clear that the employees' perspective differs significantly from that of the managers, particularly if the company is already in difficulties. Inexperienced strategist and change managers are often surprised that the employees demand far more changes and restructuring than the managers. The three perspectives—of the managers, the employees and the concept development team—can be combined to create a "balanced" overall picture providing valuable input concerning what should be changed in which corporate division and at which organisational interfaces—please note: *exclusively in terms of the strategy*—and which means should be selected to this end.

The Klingeling *concept development team calculates that with a total of 2000 employees in the 22 divisions under board level 230 participants will be required to carry out the Company Diagnosis. This considerable figure is the result of the company's poorly developed 'span of control'. All second and third tier managers are invited to attend the management round tables. Employees are given the possibility of naming representatives anonymously by email for the employee workshops. The number of participants per divisions is specified by the concept development team.*

The individual round tables are led and documented by trained external moderators, whereby two or three members of the concept development team attend each round table as observers/listeners. The meetings are organised in such a way that diagnosis is completed over the course of three days in four strands taking place parallel to one another. Each round table follows exactly the same procedure, as follows:

1. *Clarify the context and promise confidentiality*
2. *Each participant completes a pre-prepared questionnaire with closed questions and evaluations (different questionnaires for managers and employees)*

The customer takes centre stage	Lean and flexible	Leadership	Transparency and clarity
▪ Simplify your processes! ▪ Examine your organisational structures. ▪ Has a consistent focus on the customer been ensured? ▪ The focus is on "resellable solutions" – i.e. the product business ▪ Customer service instead of just claims settlement	▪ Trim your management structures to provide your employees with space to manage. ▪ Act pro-actively to allow smooth work at the relevant interfaces. ▪ Strive for harmony with the technology.	▪ Lead according to a clear divisional/goal concept. ▪ Demand performance not goals. ▪ Leadership means being there. ▪ Delegate responsibility to your employees. ▪ Executives have detailed knowledge of the market and customers – as do your employees.	▪ Economic performance is always visible to everyone. ▪ A small number of relevant KPIs have been established to assess an manage performance. ▪ Make things transparent for everyone (!). ▪ Responsibility and competences are clear.

Fig. 11.3 Consolidated core messages for the "Business customers" division

3. *Discussion, provocation and observation—all participants complete a questionnaire corresponding to the moderation guidelines together*
4. *Consolidation: The participating concept development team members and the moderator record their assessment immediately after each round table*
   The questionnaires and the notes and assessments of the members of the concept development team are evaluated and combined to create an overall picture. Figure 11.3 shows the consolidated core messages across the three groups (employees, managers and concept development team) for the Klingeling *"Business Customers" division as an example. These core messages are the result of a system structure analysis of the findings for*
1. *The division's strengths relating to processes/systems, attitudes/positions and employees*
2. *The division's weakness in these three dimensions*
3. *The leadership culture with regard to performance management and the leadership situation and*
4. *Approaches for improvements on the factual and mind levels.*
   Examples and templates for the questionnaire and evaluation forms can be found at http://www.strategiescout.de.

11.5   Casting the Strategy into Models: The Business Concepts

11.5.1 The Central Models

Development of the corporate concept is the core of the strategy concept. To begin with four to eight central models are developed whose objective is to clarify in a consistent, compact manner how the organisation as a whole should function in

future. These models are, in a manner of speaking, the new "city centre" around whose periphery the corporate divisions and their concepts should later be grouped and with which they should be interlinked. The relevant models are:

- *The business model*: What is the basic business understanding, the "corporate mechanics" or logic, which will the basis for future work to achieve the desired strategic position?
- *The value creation wheel*: What are the future core and supporting processes and the interfaces between them?
- *The organisational model*: How will the company be organised according to the new corporate logic and the redesigned value creation?
- *The management and leadership model*: How will the organisational units, i.e. the future corporate divisions, be orchestrated and managed to ensure that everything interlinks and that the business model and the value creation wheel become reality?
- *The sourcing model*: How must the vertical range of manufacturing strategically alter, based on the core and supporting processes of the value creation wheel?
- *The competence model*: Which competences are required; what are the competence profiles and how many roles are required, based on the value creation wheel?
- *The cooperation and values model*: Do cooperation and interrelationships have to change?

The first four models listed above are indispensable for a concept; whether you require the other models or, possibly, additional models (e.g. a *location* and a *partner model*), depends on your strategy.

The objective is not to turn model development into "deep sea oil drilling" but rather to keep the models as lean as possible. Keep an overview and always remember what the models are being developed for and why this sequence has been chosen. Each of the models must fit onto one DIN-A4 or DIN-A3 page; this also applies to the divisional concepts which will be developed later. The result is a strategy booklet consisting of 20–30 pages—the "Strategy Bible" which succinctly describes the key issues clearly and consistently and also interlinks them. (For a complete example visit http://*www.strategiescout.de*.) The rule of thumb is: A 10- to 12-strong team must be able to complete the entire modelling process in eight to 12 workshop days. An additional working group can handle the preparation, processing and post-processing of the team's work.

11.5.2 The Business Model

The business model has nothing to do with the organisational units and with the concept for value creation but rather describes the internal logic according to which the company is interlinked to its market and customers. The team examines to what

extent the existing corporate logic has to be revised to achieve the strategic goals. The concept development team should look for *operationally simple* answers—i.e. answers which are not necessarily simple in terms of the degree of change or time and effort but rather conform best to the strategic position. In this context the concept development team is well-advised to think through various models and to consider their advantages and disadvantages with regard to the desired strategic position. Questions such as the following are central to this process:

- Where does the company's heart lie: in technology; product management; sales; service or somewhere else?
- Should the organisational structure be more centralised or decentralised?
- Where should responsibility for the business and profits lie to correspond to the strategy?
- How far does it make sense to break down the levels and what are the interrelationships in this context?
- What are the cost bearers and who is responsible for what in this context?

In order to implement the "B-to-B wins" strategy the Klingeling *concept development team has to change the business model. The existing model places the investment funds at the disposal of the Technology division, which specifies strategically and operationally how and when which territories are supplied with which infrastructure. Organisation of the Sales division is based on a regional structure and the division is responsible for ensuring that this structure is used to full capacity. To achieve this the Sales division forwards requirements to the Product Management division, which channels them and pass them on to the IT division. The latter systematically maps out the corresponding products and tariffs.*

The corporate logic is now restructured as follows to correspond to the strategy: A central key account management handles the requirements of the major network operators and large customers. Product Management as the central hub receives them and, in consultation with the Technology and Service divisions, specifies the form Klingeling'*s investments in the technical infrastructure will take. To facilitate this Product Management centrally manages the business cases. Within the scope of compilation of the business cases additional internal extra services are mapped out in order to be able to provide the customer products, in particular the required IT systems. To do this Product Management also obtains competitor quotations from the market on a regular basis.*

It is important to develop this model, as also all other models, in such a way that it is easy to understand and clear, for example in the form of illustrations and diagrams. A diagram for this example can be found at *http://www.strategie-scout.de*.

11.5.3 The Value Creation Wheel

The next step is to focus the performance of services within the company on the strategy. Two levers can be used to ensure that the strategy becomes reality within the company:

1. Things must change "noticeably" for employees, namely by means of orienting the organisation's structure to value creation and later specifying roles including competences and responsibilities in the divisional concepts which can be directly related to the individual stages of value creation. In this manner every organisational unit and every employee can "pigeon-hole" themselves in the right place in the value creation process; define their contribution and clarify it within the overall context.
2. The management focus must be on the management parameters which are relevant for strategy implementation, not (only) on the parameters for results. A well-developed value creation wheel is suitable for this purpose as is an organisational model based on wheel and providing the basis for an effective management and leadership model.

In many cases value creation *chains* are still the norm rather than *wheels*. In my experience wheels have, however, proven more successful in terms of implementation-oriented aspects. On the one hand companies are increasingly having to think in circular flows and to consciously manage these flows. On the other the use of wheels achieves a higher quality, also within the scope of cross-company collaboration when the matter at hand is the inclusion of suppliers and large customers in the B-to-B environment. Wheels are a wonderful instrument for also identifying their value creation and it is possible to show where and how the individual cogs intermesh. A further advantage lies in the fact that value creation wheels are attractive in cognitive terms and present the key facts in a visually simple manner. To conclude, wheels have no "top and bottom" so that no-one feels that they are bringing up the rear "at the bottom of the chain".

When identifying value creation companies often simply copy widespread industry standards. As a result they, admittedly unconsciously but nevertheless unavoidably, work against their own strategy and its implementation because the wrong course is charted and the focus is wrong. Anyone who wants to be successful must, however, not be better than but rather different from the others! If too little attention is paid to the special characteristics of the own desired strategic position, the result is that genuine, long term competitive advantages in the performance of services and collaboration can develop only with difficulty. When shaping value creation you should thus abstain from simple "cribbing" from the others or from "standards" or "best practices".

The following procedure has proven its worth when developing a value creation wheel, allowing results to be achieved within two to three workshop days, even in more complex situations:

1. Consideration of the strategic cornerstones; the chosen strategy option and the derivation of possible core process stages from them
2. Consideration of the SWOTs or success factor portfolios compiled in order to also derive possible core processes from them
3. An inspirational look at *value creation models* in the industry in order to generate a few ideas from them
4. The discarding of elements which can be characterised more as supporting processes or which will subsequently assigned to such processes
5. Compilation and analysis of an operational network for the remaining, in general, 15 to 30 value creation stages which have been gathered
6. Selection of the relevant (active and passive) elements; arrangement in a logical, idealised sequence and presentation in a value creation wheel. This "inner value creation wheel" should include six to ten core value creation stages.
7. Stages 1–6 must be completed by the entire concept development team together. Following this the objective is to specify three to maximum seven sub-stages for each core value creation stage in working groups made up of two to three individuals. These sub-stages will later form the outer detailed value creation wheel. Each group briefly presents its findings, which are discussed and decided upon. Reverse feedback to the inner wheel often occurs, making readjustments necessary. This detailing stage ensures the "hardness" and resilience of the inner circular flow and makes it possible to operationalize the value creation wheel.
8. The basis is laid for the management and leadership system which will later be implemented in order to provide the value creation wheel with its proverbial "teeth". Every value creation stage in the inner and outer circle must be assigned to the "peak", the output, in the form of two to maximum five figures by which the stage's performance, and thus supply performance for the next stage, will be measured. This can be quantitatively or qualitatively measureable, whereby accuracy is not key at this stage.

Visit *http://www.strategie-scout.de* for an example of how to compile a value creation wheel.

Once the value creation wheel including its core processes has been developed the concept development team's task is to also describe all the relevant supporting processes. They are subdivided into five to seven sub-stages and corresponding figures (KPI) are defined for the assessment of process performance. The subsequent objective of the divisional concepts is to define which division is responsible for which stage of the process, or functions as a supplier or merely assists with performance of the process. Following this the relationship and interlinking of the supporting processes and of the core value creation processes to one another are defined (Fig. 11.4).

11.5.4 The Organisational Model

The development of the organisational model is tricky insofar as old established vested interests and attempts to stand out from the crowd can be particular
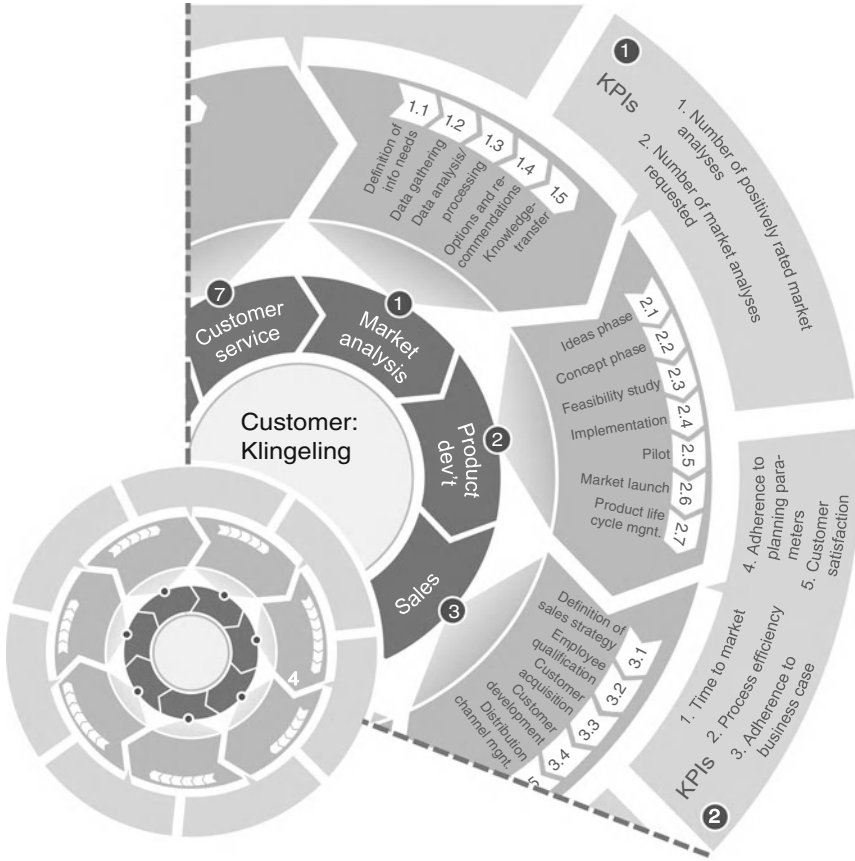
Fig. 11.4 Detail of a value creation wheel with inner and outer circular flows plus figures (KPI) for the inner circular flow

obstructive here and should thus be kept in check. Should the structuring of the manufacturing tier be of strategic significance, then the concept development team should without fail develop a *sourcing model*, oriented to the value creation wheel, in advance since it will have a long term influence on the organisational model.

What is the best way for a company to organise itself? The search for the perfect organisation is "never ending" and there is a risk of spending an extremely long time attempting to find it. Devote as little time as possible to this, since you are never going to find the "perfect" organisation. As a matter of principle every

form of value creation can be achieved with every organisational structure—with more or less managerial time and effort and loss of productivity. No matter how well an organisation is structured, organisational interfaces are unavoidable and require time and effort for coordination, planning and controlling. These are the "productivity killers" or "resource gobblers" which contribute nothing to value creation and should thus be avoided.

The concept development team's objective must be to develop an organisational structure which is as interface-free and thus smooth as possible with regard to the value creation wheel. In practical terms this means a minimum of hierarchy tiers and the widest span of control which is humanly possible. In a few very modern organisations together with the management I have succeeded in establishing largely "leaderless", self-organising network structures, which resulted in massive increases in productivity. Trust became an important "lever" in this context—used correctly it is one of the most powerful instruments for the reduction and mastering of complexity. There is no optimum procedure for developing an organisational design; however the final result should be one which provides better support to achieve the strategic position than the existing organisational structure. The status quo will very seldom be a good fit with a new strategic position. In order to make certain, credible progress in implementation planning and the implementation itself it is crucial to have an organisational model which can be used to explain to every employee why and how things will change for him or her. If you want the organisation to change then this must be communicated to the employees—otherwise nothing will change. A carefully thought out organisational design which relates to the strategy will, in addition to this; reduce the degree of uncertainty among the management. The following items are practical tips, borne out by experience, about how an organisational design can be successfully developed. This approach will have only limited success in companies whose business complexity *has to* be above average high because its business segment structure—in terms of the customer/industry structure; the product/service types; the sales channels and possibly the regions—dictates that the company has to be organised specifically. Discussing this in detail would go too far.

Assigning Business Responsibility The concept development team decides where responsibility for results must lie in accordance with the new strategy and how this responsibility is spread across several divisions in accordance with the business segment structure. The business model; any market-structure matrix which may have been developed for the (main) business segments and the strategic cornerstones are of assistance in this regard.

The Klingeling *concept development team quickly arrives at the conclusion that, seen from this perspective, turnover is generated in the "Network Operation"; "Large Customers" and "Private Customers" divisions. Thanks to the discussions within the scope of the strategic optimum business model the role of product*

management has already been defined, which must also be accommodated in its organisational unit.

Core Value Creation Matrix   Insofar as possible one or more core value creation stages on the inner value creation wheel are placed completely within the responsibility of an organisational unit on the first tier of management—in other words: the organisational unit is derived from the relevant core value creation stage. Should more than one core value creation stage be assigned to an organisational unit, which undoubtedly makes sense in smaller organisations, then responsibility for the individual stages will be assigned later within the scope of the management and leadership model. The concept development team must be courageous and try to aggregate to the maximum. Depending on the Strategist's options, position and task the objective may even be to merge executive management and board spheres, of which there are, for historical reasons, often too many within an organisation.

Sometimes an entire value creation stage cannot be assigned to one organisational unit, which is usually—and then not always with reason—politically or tactically motivated; if, for example, organisations have to be built "around people". The objective is then to form corresponding clusters from the detail processes of this core value creation process (outer ring of the value creation wheel) and to still logically orient the organisational units in accordance with this.

The Klingeling *concept development team's approach is very consistent:*

- *The "Market Analysis" core value creation stage is assigned to Product Management.*
- *In accordance with the business model "Product Development" in the sense of overall responsibility is assigned to Product Management. Sub-processes such as "Feasibility Examination" of the outer wheel must be assigned to Technology divisions.*
- *As logic dictates, "Sales" is divided into the three organisational units "Network Operations"; "Large Customers" and "Private Customers".*
- *Matters are somewhat more difficult with regard to "Order Processing" and "Manufacturing". In accordance with the outer wheel of sub-processes the latter is "cut". The first two sub-processes ("Definition of operating concept" and "Technology selection") can be successfully assigned to Product Management. The remaining five sub-processes ("Monitoring" to "Optimising operations") are placed under the responsibility of the "Technical Operations" division, which will be newly created.*
- *The Accounting department is selected as the responsible instance for the invoicing core process. And Service remains, even if the interfaces and processes change, under the responsibility of the "Customer Care" unit.*

The procedure for the supporting processes identified, which it often makes sense to assign 1:1 to the corresponding organisational units, should be similar to the procedure described for the value creation stages.

The basic organisational design for Klingeling *has thus now been defined. The concept development team now turns its attention to considering the third and fourth management tiers within the scope of the framework which has been defined in order*

to increase the model's resilience in accordance with value creation. Since Klingeling *is in a precarious situation both in terms of the company and of profits, the concept development team naturally also develops the quantity structure behind the required roles in the individual organisational units based on the key time and effort drivers—a step which is actually quite unusual at this stage but which the team considers necessary in order to be able to provide the operational management with corresponding tasks and "bench marks" for the subsequent development of the divisional concepts.*

11.5.5 The Management and Leadership Model

The management and leadership model equips the organisation with a clear orientation: Who will turn their attention to what? How are things interrelated and how will it be ensured that this interplay later also genuinely functions? The model has two aspects, a management and a leadership aspect.

The Management Aspect The management aspect determines which mechanism and which tools will be used to manage the business logic; how it is described via the structure of the main business segments and the logic of the business model. The concept development team is called upon to answer the question simply and clearly without getting lost in the details. Specific questions such as what role Controlling would play in this context are matters of strategy implementation and its planning (Phases IV and V of strategy scouting). What is far more important in this context is the mechanism which should later be chosen to put the logic of the business model and responsibility for the business into practice.

The cornerstones of the Klingeling *management model are as follows:*
- *The Technology division defines the mid-term framework (3 years) for what is "doable" in the form of a technology strategy. In collaboration with Product Management the basic technological framework parameters, the innovation and development strategy are developed and expressed in the form of a "Technology Roadmap".* Klingeling *must still develop all the required formats and results types within the scope of strategy implementation since they are not yet available at present. Responsibility for the formats and tools is borne by Controlling.*
- *Product Management derives the basic product strategy from this framework which allows it to gauge the range and vertical integration of the product and service portfolio in particular. The product strategy is agreed with the IT division. The outcome of this process will be an IT strategy for the next 3 years.*
- *This strategic standard process will be carried out annually on a rolling basis. The strategic investments for the year will be decided within its framework.*
- *This external strategic management process serves to decide the core, the operational management process, that Product Management is responsible for the realisation of the individual products on a business case basis. Market potential and turnover planning as well as also sales management will be assigned to Product Management. The costs for the Technology, IT, Sales and Service divisions*

will be investigated and jointly decided in a business case. Pre- and post-calculations will be assisted by Controlling on a monthly basis.

Visit http://www.strategie-scout.de *to see a visual illustration of the* Klingeling *management model.*

The Leadership Aspect   The leadership aspect defines which organisational unit is responsible for what; what it has to make a contribution to and what its contribution will be measured against. (This does not need to be translated into a simple, clear leadership system until Phase IV, implementation planning, and Phase V, strategy implementation. Each manager will receive a one-page agreement on objectives specifying targets and expectations by means of three to six parameters. I must, at this point, contradict the objection that this can be achieved in a less complicated manner: the correct cogs must intermesh with each other and be set into motion.)

The whole process is similar to what is understood under the term 'process management'. The management and leadership model does not, however, highlight the process but is rather concerned with achieving clarity with regard to the organisational interfaces. Who is responsible for what; what can each organisational unit expect from the others and what can the others expect from it? Organisational What is required is value creation management, not process management!

In order to arrive at a practicable leadership model the concept development team must systematically assign the sub-processes of the core value creation stages (outer value creation wheel) and the supporting processes to the organisational units on the first tier of management. This will be defined more precisely by the managers within the scope of the concept for the divisions and will, following this, be implemented within the scope of strategy implementation.

Stage 1: The value creation structure—To be specified by the concept development team here and now

- The concept development team goes through all core value creation sub-stages, initially defining which division below the executive management level will be responsible for which sub-stage of the outer value creation wheel.
- The question is then posed which organisational units must "help" other units at which stage—i.e. must "supply" them—in order for the other units to carry out their tasks.
- This is also specified for the supporting processes which have been defined.
- When interlinked this provides a clear picture per organisational unit concerning the sub-processes (of the core and supporting processes) which it is responsible for; who supplies it and the others it supplies.
- The cogs have now been punched. They have not, however, yet been intermeshed and are not turning.

Stage 2: Value creation clarity—To be defined by operational management in the concept for the divisions

- The cogs will be intermeshed when operational management develops its divisional concepts. This means that the supply services between the value creation segments will be defined, not the processes themselves, and will be assessed and defined at every interface in the form of figures (KPIs). The basic KPIs must be defined within

the scope of bi- or multilateral consultation. These basic KPIs must subsequently be established in order to later define the network of mutual relationships in accordance with value creation.

- At this stage it is of no importance whether these items are already established, exist and are measurable or should ever be, or become, measurable. The task is rathermore to define the basic intermeshing of the cogs and the understanding of this, which then serves as the project objective for a leadership system to be implemented during strategy implementation.

Stage 3: The binding nature of value creation—To be generated by means of a leadership system or a target agreement project during strategy implementation

- This project objective is then the basis and task for a project within the scope of strategy implementation (Phase V).
- The project culminates in proposals for agreements concerning targets for executive management, which must then introduce these targets in collaboration with the first tier of management.
- In a second stage the monitoring and management of this system will be transferred to a standard process which will be the responsibility of one of the supporting divisions Controlling, Process Management or Human Relations and must be carried out annually.

Visit *http://www.strategie-scout.de* to view the assignment of value creation stages to organisational units developed by the *Klingeling* concept development team.

11.5.6   Additional Models

The four models discussed above are a 'must' for a well-thought through, resilient—i.e. realisable and smoothly implementable—strategy concept which will be planned and subsequently implemented in the next phase. Depending on the desired strategic position it can be necessary to draw on additional models. The following models can, among others, be expedient:

- *The sourcing model*: How is vertical integration of manufacturing strategically defined? Which elements of value creation will the company perform itself and to what degree? What will be bought in? This model should be developed immediately following the value creation wheel because it influences both the organisational and also the management and leadership model.
- *The competence model*: Strategic or tactical-operational circumstances can make it necessary for the concept development team to already roughly distribute all the roles in the individual organisational units together with their competences and in conjunction with a calculation of the corresponding time and effort and quantities during this phase. The divisional concepts must then confirm this. This model should be developed after the management and leadership model.
- *The cooperation and values model* takes up the "unwritten laws" identified in the Company Diagnosis and specifies where in the organisation strategic considerations make it necessary to change these laws. This model is developed

parallel to the management and leadership model, which is itself a means to an end to implement the cooperation and values model.

11.6   Breaking the Strategy Down: Concepts for the Divisions

When the strategy concept for the entire company has been completed the time has come for the concept development team to gradually lay down the reins and to pass responsibility for the subsequent processes, implementation planning (Phase IV) and strategy implementation (Phase V), over to operational management. The compilation of the divisional concepts is the task of the operationally responsible head of division—i.e. the management tier below the executive management.

This stage is the first in accordance with change management and the introduction of the so-called "refreeze". The entire organisation will, for the first time—even if still only within a small framework—be included in the process. Space constraints mean that is not possible to describe in detail how this stage must be woven into strategy implementation and how, in this regard, "change" and "refreeze" must be managed in detail using which models. Visit *http://www.strategie-scout.de* for a detailed description.

The development of the divisional concepts is carried out in six stages.

Stage 1: Future Roles and Responsibilities   Based on the organisational model the company's executive management (management board/board of directors) decides who will in future hold which management position at divisional management level and clarifies this in one-on-one meetings. This stage is, for the most varied reasons, often delayed for too long or not clearly put into effect. The management team must be in place before the process can be continued! This also means that the individuals who will, in future, no longer be part of the first tier of management must be informed accordingly.

Stage 2: Conceptual Specifications (Setting a Course for Future Concepts) The concept development team decides on a standard results format which the future divisional heads will use to carry out development of the concept for their divisions. This should take place in presentations which are not more than 15–20 pages long. The required degree of detail will, in this context, depend on the strategy; the present situation of the company and management's—i.e. the future heads of division—competence. The divisional concepts must describe how the relevant division can comply with strategic specifications while meeting the objectives for the operational business.

Due to its "witches' cauldron" Klingeling *defines an extremely limited scope of action within which all heads of division must develop their concept. The operational earnings expectations are based on business planning. In addition to this the models provide the basis for the following:*

- *The basic organisational design for the division,*
- *Roles and quantity assumptions to accomplish organisational tasks,*
- *The intermeshing with other divisions which must be achieved to facilitate value creation.*

In addition to the divisional mission statement the concept development team is called upon to provide a clear description of what the organisation will look like in future; how sourcing will be structured; what will change in each division; a 7 x 7 model describing in detail what the division's value creation will look like; and the basic earnings and management figures which will be used to assess and manage the division. Visit http://www.strategie-scout.de *to download the complete* Klingeling *template for the business division concept specifications.*

Stage 3: Concept Development Team Mentoring for the Heads of Division In order to communicate the strategy; the strategy concept and the divisional specifications to the entire implementation team two members of the concept development team act as mentors to one of the future heads of division. All strategic and conceptual specifications are communicated in their entirety to all future heads of division within the scope of workshops. The mentors accompany the divisional heads' business division concept process.

Stage 4: Concept Development (Elaboration of the Business Division Concepts) Once the future heads of division have understood the strategy they put together an internal team comprising two to five confidants from the future division. This team now develops the divisional concept which usually takes 1–2 weeks. The "mentors" from the concept development team are available to assist with any questions the divisional heads may have concerning understanding of the strategy and methodology, do not, however, themselves contribute to development of the concept. Following this the heads of division coordinate their divisional concepts so that they fit together (Fig. 11.5).

11.7   The Finished Strategy Bible

Together with the strategy models and/or the strategy concept the consolidated divisional concepts achieved in this manner make up the "Strategy Bible". In my experience it is advantageous if this document comprises 20–30 DIN-A3 pages; it is printed and bound and will, from now on, be present everywhere in the company. The managers on all tiers are aware of how the company will be structured in future; what the interrelationships will be like and what the key activities are to bring about the strategic target status.
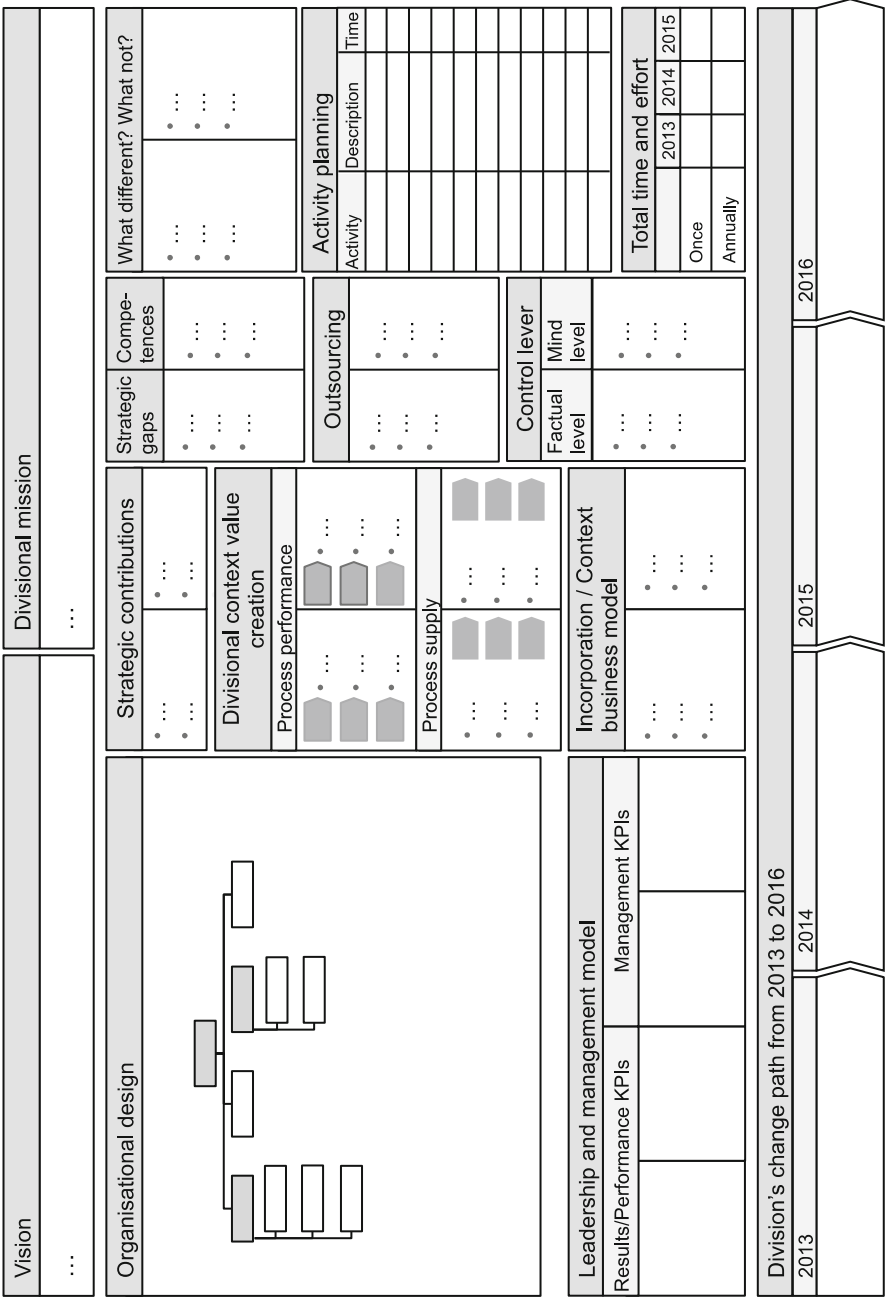
Fig. 11.5 An overview of the essence of the concepts for *Klingeling*'s business divisions

In this way it is possible to achieve what, in my experience, is missing in most strategy plans which fail: a completely thought-through strategy. Numerous models are used to describe what the "new city" will look like in its new location and how it will function. The divisional concepts help to ensure that the individual "districts and buildings" fit together and standardised "city planning" means that the entire management has the city it will create before it in its mind's eye. Before attention can be turned to the factual implementation of the strategy, climbing the mountain, the implementation team must first plan the implementation (Phase IV) in the Base Camp.

Routes and Levers for Strategy Implementation: Base Camp and Route Planning

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12

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Up until now we have analysed the strategic context and charted a "smart" path through the strategy jungle (Phase I or Part I of this book). Following this we embarked on our chosen trail to cross the Jungle, developing the strategy while doing so (Phase II or Part II of this book), so that we are familiar with the company's new strategic position. Finally, in the Monastery of Reflection we compiled a strategy concept (Phase III or Part III of this book) which succinctly describes what the company will look like and how it will function based on the new strategic position and going down to the level of the individual divisions.

The decisive step has, however, not yet been taken; nothing has, of yet, been implemented. And that is actually the whole purpose of the exercise! It would go beyond the scope of this book to go into the implementation of the strategy in as much detail as into the "preparatory" Phases I to III, which must always precede smooth, skilful implementation. I hope to be able to describe implementation in just as much detail in a further book and would, in this concluding chapter, merely like to provide you with an overview. You will be introduced to the basic methodology of implementation and will find out which models of thought, concepts and methods can be used to develop an intelligent implementation concept.

One thing should have become clear up until now: strategies (*change* plans) fail because they are not sensibly, consistently thought through to the end and because the course was often incorrectly set at the very outset. You have found out how to avoid these cardinal sins in the previous chapters of this book. It is now time for the "strategy scout" to hand over the relay baton to the "implementation scout". For more detailed information visit *http://www.strategie-scout.de*.

12.1 The Base Camp Stops

After leaving the Monastery of Reflection we now move on to Base Camp, where we define how and using what means we will subsequently conquer the "Mountain of Implementation", in other words how the strategy concept developed

Fig. 12.1 Base Camp with its central elements

in the Monastery of Reflection can be turned into reality. Base Camp comprises five stops (Fig. 12.1):

- The Strategic Gap
- The Implementation Climate
- Change Know-how
- The Implementation Route
- Politics

12.1.1 The Strategic Gap

The Strategic Gap is the gap or "stretch of the route" between the company's current "actual" status and the status as described using the models in the Monastery and which is necessary to achieve the desired strategic position. The larger the gap, the further the "target" status is from the actual status, the greater are the demands made on the implementation concept and the implementation itself. In order to define the strategic gap it is now for the first time (!) necessary to take a look at the company's actual circumstances from the *operational and tactical point of view*—a step which, in many companies, often takes place too early, namely when the strategy has not yet been fully completed and thought through. Worse even: sometimes the entire strategy is "sacrificed" to tactics by defining only issues which can be tactically realised as per existing circumstances as strategy. The result is that the company takes a leap which "falls far too short", since a strategy based on tactical principles does not, in the main, earn the name

"strategy"—it is often no more than a "rotten" compromise which is only a minimal distance from the current "actual" status.

If a company focuses its strategy on the tactics of "operational feasibility" from the outset, then the result can only be inadequate. While implementation may then appear easy, convenient and effortless the company does not undergo any real change earning the name of "strategy". In this case what is lacking is a farsighted focus on the future which makes a difference and results in genuine competitive advantages.

The definition of the strategic gap is one of the central steps at Base Camp. The individuals responsible for the strategy should ask themselves questions such as "What kind of route must be completed on the road to the new strategic position and how long is it?" and "What course must set in what sequence and what individual steps have to be completed to turn the strategy concept into reality?"

12.1.2 The Implementation Climate

What is the climate in the company, the "mood", when it comes to strategy implementation? Do employees react open-mindedly to the required changes or are they more reticent? In many cases companies pay no attention to the climate, which can easily result in the strategy plan stalling because it has been approached in a politically inept way.

The climate can be made clear with the aid of a simple matrix. The external pressure for change resulting from the competitive situation is entered onto the x axis; the internal corporate pressure and/or pressure to succeed onto the y axis. The climate is "ideal" if the company is not experiencing any internal pressure, i.e. is in good economic shape, and a corresponding pressure to change is being exerted from the outside. To all intents and purposes all that is required is to "establish order" when things get "hot", i.e. the external pressure to change is not great but things merely have to be "tidied up" internally. If the pressure from the outside and from the inside is great, then the climate is "stormy". If pressure from both sides is low, then the climate is not favourable since the employees do not recognise the necessity for change. In such cases pressure for change must be created "artificially"—by means of politics (Fig. 12.2).
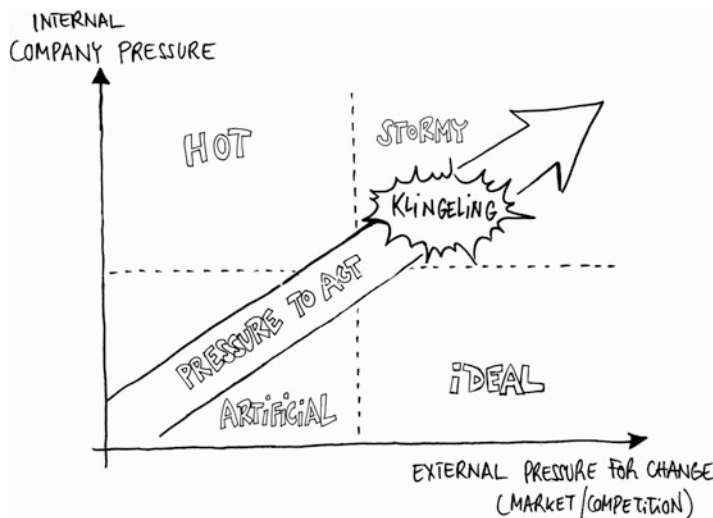
Fig. 12.2 Schematic diagram for thinking through the implementation climate including Klingeling as an example

12.1.3 Change Know-How

It makes an enormous difference whether the organisation concerned is proficient in reorienting itself strategically; changing and undergoing transformations—or is gaining experience in the field of strategic implementation for the first time. Change know-how will become increasingly important in the future, representing a genuine competitive advantage in itself. Whoever is able to adapt to new circumstances on the market first gains advantages—e.g. in the form of new skills, products, innovations and the way internal cooperation and value creation are structured.

12.1.4 The Implementation Route

Once the Strategic Gap; the Implementation Climate and Change Know-how have been identified the objective is to define the implementation route. Which route should be selected to climb the Mountain of Implementation or how should the transformation, the change, be carried out? The following questions are central to this and a good implementation concept must provide cast iron answers to them:
1. How, as a matter of principle, are we going to approach the strategy implementation?
2. What does it make most sense to tackle first and in what order?
3. What are the technical, tactical and socio-emotional "levers"?
4. What can be carried out in parallel, what should take place consecutively?
5. How much time can be allocated to each individual implementation aspect?
6. What is the appropriate structure or organisational form for implementation?

7. Which methods and instruments should we employ?
8. What external support is required?
9. How can we recognise if we are making progress with the strategy
   implementation?

12.1.5 Politics

"Politics" plays the key role among the five stops at Base Camps. "Politics" in
general is defined as "any form of exertion of influence and organisation as
well as the assertion of demands and goals, be it in private or public arenas"
(Schubert and Klein; "Das Politiklexikon", 2003). With regard to the strategic
project I understand "Politics" as being:

- The assertion of the projected goal despite resistance. If no resistance exists,
  then the matter at hand is not achieving a new, desired strategic position but
  rather "cosmetics" and thus only a minimal modification to the status quo.
  In the case of a "true" strategy resistance is inevitable; is inherent in the nature
  of the situation and can be managed.
- The tactical precipitation of the desired strategic goal or the realisation of the
  strategy concept.
- The penetration and traversal of the Swamps of Emotions and Viewpoints by
  employing the right levers.

You may want to admit it or not: both the implementation of strategies and
also the successful management of a company are based to 90–95 % on politics.
Tom Peters also argues this in his new publication "The Little BIG Things",
when he describes politics as the most crucial factor for organisations' success.

12.2 The Politics Organisation Management Model (POM Model)

Having left the Monastery of Reflection with a clear strategy concept the task at
Base Camp is now to think through the politics which should subsequently be
pushed through in the course of strategy implementation. Even if it may go
beyond the scope of this book to describe how implementation concepts can
be planned, drawn up and implemented smoothly, I would, nevertheless, like to
briefly outline the POM model which I have developed to give you some food
for thought (visit *http://www.strategiescout.de* for details). The three axes Politics,
Organisation and Management are central to the POM model (Fig. 12.3).

The logic behind the way in which politics are thought, tactically planned
and structured in this model is as follows:

- Politics is *the* linchpin for the structuring of organisations and also for the
  structuring and development of their productivity and performance.
- The organisation can and must be characterised by politics in order to
  implement the strategy.
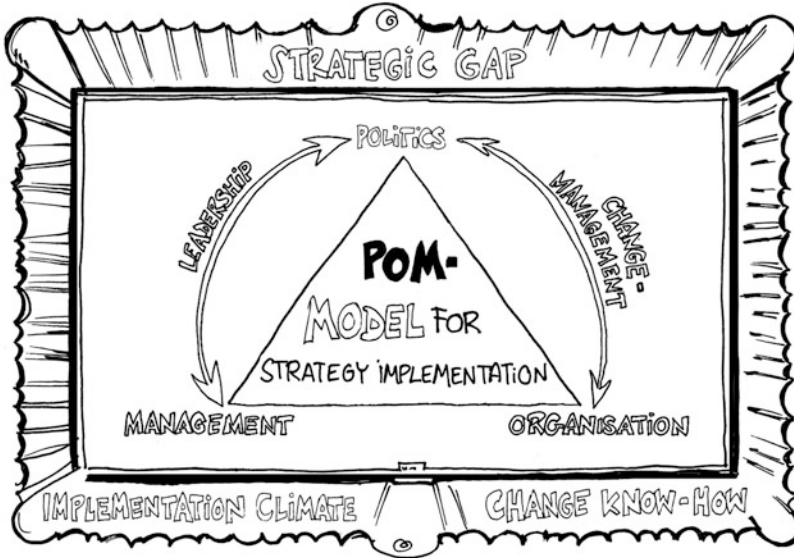
Fig. 12.3 The POM model for strategy implementation

- This is the only way for management to push through its goals in accordance with strategy and strategy concepts. If management has no command of politics but is instead "only" excellent in the operational area then the strategy cannot be implemented successfully.
- Politics provides a channel for reverse feedback which should not be underestimated, allowing organisations to put their political stamp on management; its goals and behaviour patterns and to influence them.

The structuring of politics and the choice of political means are defined within the framework of the POM model, which is made up of three factors:

1. The strategic gap, which must be closed,
2. The prevailing implementation climate, which also includes the time available, and
3. The characteristics of the organisation's change know-how.

Management (the company's management board) can only close the strategic gap—with its characteristics in the fields of market, product and value creation—by means of skilful politics, by changing or developing the organisation and, when doing so, by taking into consideration its structure, personnel and competence as well as the interrelationships of the people in the company.

There are some wide-spread misapprehensions in this regard. It is thus generally assumed that change in organisations is initiated exclusively by management. In reality, however, organisations have a high degree of internal momentum and the organisation, as a social system, has a significant influence on the management level (feedback). This must be considered and anticipated within the scope of Politics. It is also a mistake to assume that organisations have an overall political character or one which depends on the situation; in reality all organisations are political, independent of how many individuals or employees they consist of.

The POM model shows that the organisation's politics must be made transparent to facilitate strategy implementation. The compilation of a "politics map" is a suitable tool to achieve this. In addition to knowledge of the organisation this requires common sense and processing of the findings identified by the Company Diagnosis. Within the scope of the politics map a network should be planned and created to describe how the individual details of the strategy can be asserted and implemented politically. Aspects of change management can, but must not, be included in this context. In order to implement the strategy concept five levers must be correctly employed, namely

- Factual
- Decision-making related psychological
- Tactical
- Organisational and
- Socio-emotional levers.

These five levers (known as SETOS levers based on the German abbreviation) are embedded in three dimensions

- Purpose ("Change makes sense because I can see the point")
- Fear ("Change is necessary otherwise something will happen to me or to the company") and
- Power ("Change must be facilitated by providing the "power" required to implement or initiate it").

No change can be initiated by working in only one of the three dimensions. The entire spectrum must be employed. Strategy can neither be decreed ("Fear") nor implemented by means of explanation ("Purpose") nor by simply instructing the workforce to carry it out ("Power"). People, and thus also organisations, only change if they understand why ("Purpose"); experience the consequences at first hand ("Fear") and have the possibility to shape the process ("Power").
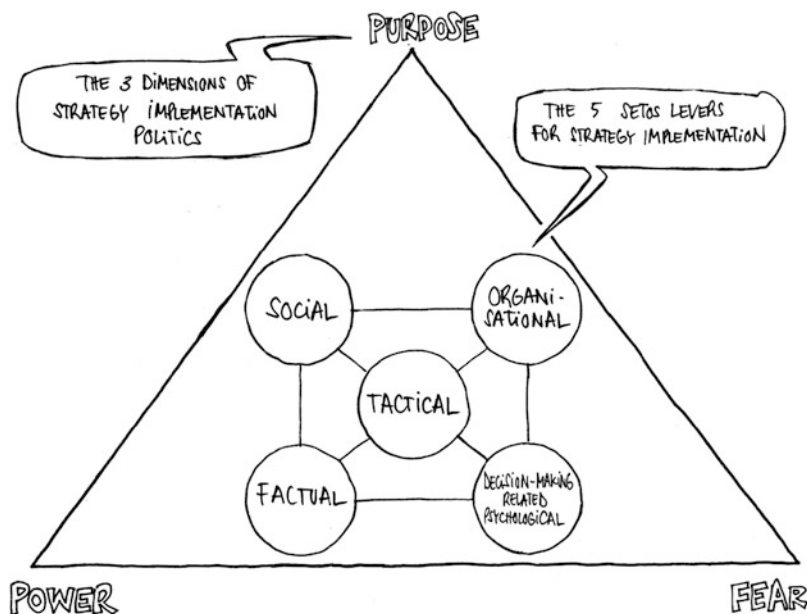
Fig. 12.4 The 3-dimensional model for strategy implementation

The timing; character and the weight placed on the Purpose, Power and Fear aspects vary according to the organisation and situation (Fig. 12.4).

12.3   A Case Study

This section will present an abridged version of the POM model based on the example of *Klingeling*, who we have already been introduced to on the "Jungle Adventure" and in the Monastery of Reflection. *Klingeling* decides to first analyses the Implementation Climate before turning its attention to the Strategic Gap and finally considering Change Know-how.

12.3.1 The Implementation Framework

Within the scope of the Implementation Climate analysis *Klingeling* classifies itself as being on the dividing line between "Stormy" and "Ideal" (cf. Fig. 12.2, P. 194). Under these circumstances—a high degree of both internal and also external pressure—management cannot "relax" and concentrate solely on the implementation of the strategy. Depending on the amount of change know-how it would, depending on the climate, be possible to create the required structures in the course of a "battering ram operation" or to handle things gradually after defining the operational issues; both at the same time is impossible.
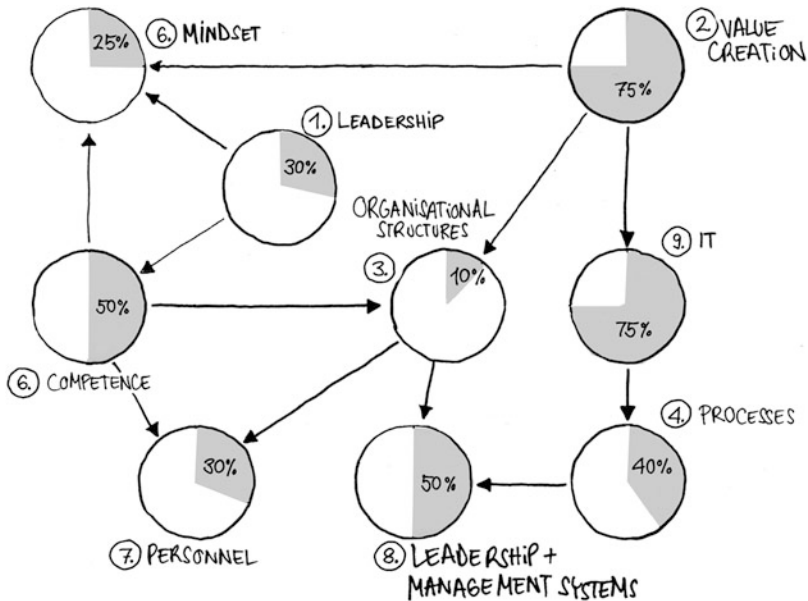
Fig. 12.5   The strategic gap model for *Klingeling*'s "strategic crater"

The above overall picture which comprises nine central aspects, emerges when analysing the strategic gap for the individual corporate divisions (Fig. 12.5): leadership; value creation; organisational structure; processes; competence; mind-set; personnel; leadership and management systems and IT. Each aspect includes a percentage showing the size of the gap between the actual situation and the situation as described in the strategy concept. Figure 12.5 shows that the gaps for almost all aspects are so large that we can speak of a "strategic crater" here—hardly ideal circumstances for the implementation of a strategy.

To summarise, the strategic gap at *Klingeling* can be described as follows:

- The leadership problem, which at first glance seems to be on the small side (30 %), proves on closer inspection to be a critical lever to close the gaps in other areas such as value creation (75 %); strategic competence (50 %) and personnel (30 %).

- The gap in the operational area is conspicuously large: value creation (75 %); IT (75 %); processes (40 %) and leadership and management systems (50 %) are far removed from the desired strategic target position. This is the area in which *Klingeling* faces the largest adjustments.

- It is thus all the better that the strategic concepts for value creation and processes have already been clearly described in the Monastery of Reflection, since the organisation would not be in a position to successfully close these gaps by means of leadership excellence.

- The required, significant changes in value creation are demonstrated by a major gap in strategic competence (50 %), which is reflected above all in the reduction and replacement of personnel (30 %), less in the organisational structure (10 %).

The strategically required competences can only be created by the further development of existing potential to a limited extent—a central insight for the structuring of implementation politics!

- Value creation, which must be totally restructured and is, in the final analysis, also reflected in the process structures, which must also be significantly restructured, also demands major change in the leadership and management systems (50 %).
- The mind-set gap (25 %) arises primarily from the required changes in the business model and the corresponding thought and work processes. It must be counteracted using the relevant change measures.

Taking into consideration the strategic "crater" it is legitimate to weigh up the opportunities and threats within this process in order to possibly re-adjust the strategy. Management can, however, only make a decision after considering the implementation framework in detail.

Klingeling rates its Change Know-how as follows: Only 10 % of management executives, whose degree of responsibility means that they would have to contribute most to closing the strategic gap, are "change experts" and thus experienced drivers of change; 30 % are willing but inexperienced "change shapers" and 60 % are "change resistant". The situation on the second tier of management is, luckily, somewhat better: the percentage of change shapers here is 60 %. With regard to the remaining employees, the "foundations", there is not only willingness to change but rather it is demanded.

It is important for management and/or the implementation team to condense the findings of the implementation framework analysis into an "essence" in order to derive the key issues from it:

"Klingeling *is under commercial pressure and has serious problems in the operational area. The leadership gap, rated at 30 per cent, weighs heavily, particularly in view of executive management's low degree of change know-how. This aspect must be given full consideration within the scope of implementation politics. The gap in value creation, with its consequences for processes, IT and competence, is massive. All of this not only means a large amount of internal work, not only in terms of quantity, but rather must also be assessed in terms of the external pressure being exerted by the market. For this reason implementation politics and planning of the route must thus be carried out very carefully. How much change can the organisation bear over what period of time and how can it learn the structures required by the new strategic position as quickly as possible?"*

12.3.2 The Implementation Policy

The implementation policy must now answer the nine central issues concerning the Implementation Route (cf. P. 194) and also clarify how the five levers (SETOS, P. 195 f.) for the pushing through of the desired changes can be employed in political terms. With the aid of a politics map, illustrating the political currents; opportunities and threats at *Klingeling*, management develops detailed

implementation policies and the procedure for closing the strategic gap (in this context see also the implementation parameters and additional models at *http:// www.strategie-scout.de*).

Klingeling decides on the following implementation policies (here extracts concerning some of the nine questions listed on P. 194, which must be answered clearly by good implementation policies and planning):

How Are We Going to Structure Strategy Implementation as a Matter of Principle?

"Based on the implementation framework and our low level of change know-how we are not going to pursue an evolutionary or an iterative or a step-by-step policy but rather a *revolutionary* implementation policy. The strategy concepts developed in the Monastery will be discussed with the Workers' Council and pushed through within the scope of a "battering ram operation" employing the five implementation levers (SETOS) which will be just bearable for the organisation. The network of confederates developed within the scope of the Politics map and spanning all tiers of the hierarchy will be formed, cultivated and managed in terms of its basic focuses via a corresponding platform."

What Does It Make Most Sense to Tackle First and in What Order?

"The leadership deficit will be compensated for by strengthening the strategy concepts in the value creation, processes and IT areas in particular. Corresponding control mechanisms and structures (committees) will be established to this end. The deficits in product management and IT areas, which are weak in leadership and change, will be immediately offset and bridged by external consultants."

How Much Time Can Be Allocated to Each Individual Implementation Aspect?

"We have 8–9 months to implement the strategy. The sequence of implementation; the deployment of consultants and the parallel sequence of specific processes will be oriented to this time horizon."

What Is the Appropriate Structure or Organisational Form for Implementation?

"Responsibility for strategy implementation will lie with the divisional managers. This will be the case despite the high operational and time pressure. Alternatives, such as for e.g. the pushing through of measures by external consultants, are not envisaged. No parallel organisation will be developed to facilitate realisation of the strategy. The introduction of a COO division with a central programme management function will not only ensure central management but also the prioritisation and establishment of cross-company capacity management, in order to promote strategy implementation in a focused manner and to solve planning and resources conflicts."

Having defined the guidelines for strategy implementation *Klingeling* turns its attention to planning the procedure for closing the strategic gap in detail (planning the route). The company still faces numerous problems with regard to implementation. The Workers' Council thus refuses its consent for a number of measures and key personnel leave the company. It is advantageous that the price spiral develops more slowly than feared so that there is less external pressure than initially expected.

In the final instance after 12 months *Klingeling* is able to implement the business models and divisional concepts which, although they have to be refined in the course of the process, are strategically successful. *Klingeling*'s managers view the "Strategy Bible", in which they considered, and decided on, the essence of all issues from A-Z relating to their company in the Monastery of Reflection as a key success factor. It provided them with continuous clear orientation concerning who had to implement what, how and why, which significantly simplified the entire change process in the context of the "Purpose" dimension. The managers had difficulty with consistency and thus "playing the fear card". They initially believed that this was unnecessary, however, were proven wrong in the course of the process and were ultimately able to master it.

Strategy implementation and thus change projects can only be won politically! This has a lot to do with endurance and perseverance.

If things sometimes "feel" unstructured and uncoordinated please stay calm. This is due on the one hand to the complexity which such phases bring with them and which cannot be reduced and, on the other, to the fact that change processes have a high degree of momentum which can only be foreseen to a limited extent. With considered concepts and a planned implementation policy you will, however, be prepared for the truly relevant matters and protected against unpleasant surprises—even if things turn out differently from how you had expected.

12.4   The Outlook: Focusing on the Strategy

With the aid of this book you have recognised how you can develop and implement a resilient strategy—even in difficult circumstances. You have seen how methodological tools can be used efficiently and how to find the best trail through the Jungle. Even after you have successfully implemented your new strategy in the company the journey will still not be over. As you will have noticed while reading this book, strategy is an on-going process. After strategy implementation is before strategy implementation! Which is why you should soon be focusing new goals and finding the right strategy for them. In this spirit I wish you and your company all the best and much success!

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Even though I have to confess that I usually skip over acknowledgements in books, I still feel the need to express my sincere thanks to a number of people who were involved with this book, which I could not have completed alone and most certainly not from scratch.

I am very happy and deeply grateful that I am able to devote my energies to pursuing my profession as a management consultant, which I view more in terms of a vocation. The most important thing in this regard are my clients, whom I thank for allowing me to gather much valuable experience, some of which was anything but pleasant and easy but all the more instructive and valuable for it. This book would never have been written without them.

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About the Author

Matthias Kolbusa, who has a degree in Information Technology and is managing partner of Business Administration (MBA), operates an international network of selected top management consultants under the umbrella of Hamburg-based EXECUTIVE Consulting GmbH, which he founded in 2001 and I managing partner of. For over 10 years he has been providing consulting advice to international conglomerates; medium-sized companies and non-profit organisations in matters relating to strategic focus and the mastering of reorganisation and restructuring. His clients include, among others, AXA, Axel Springer, Bosch, Daimler, DAK, Deutsche Telekom, EnBW, E-Plus, EWE, MAN, (o2) Telefonica, Provinzial, Signal Iduna and Volkswagen.

Characteristic for him and for his work is a "merciless" focus on results. Methods, be they of a strategic, political or dialectic nature, are always only the means to an end and should be kept as lean as possible. In the final instance only one thing counts: entrepreneurial success which has been achieved in a humanly and globally responsible manner.

Clients value Matthias Kolbusa for the genuine benefits he provides: strategic clarity; the creation of management structures; unifying individuals behind strategies and being a valuable, actively supportive helper when implementing these strategies. He uses the right politics to efficiently create and establish structures leading to entrepreneurial success.

As a member of the *Club of Rome* he combines his passion for networked thinking and strategic management with social responsibility, displaying a personal commitment to the *Club*'s projects, currently in the field of education.

He has for several years also been drawing on his own success and understanding of consulting to coach consultants in order to make them and their clients more successful.

The book's Web site: *http://www.strategie-scout.de*
User log-in: smartstrategizing
The author's Web site: *http://www.executive.de*

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