

MAPPING A WINNING STRATEGY

This page intentionally left blank

MAPPING A WINNING STRATEGY

Developing and Executing
a Successful Strategy in
Turbulent Markets

By

Marc Baaij

with

Patrick Reinmoeller



United Kingdom – North America – Japan
India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2018

Copyright © 2018 Emerald Publishing Limited

Reprints and permissions service

Contact: permissions@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-78756-130-4 (Print)

ISBN: 978-1-78756-129-8 (Online)

ISBN: 978-1-78756-131-1 (Epub)



ISOQAR certified
Management System,
awarded to Emerald
for adherence to
Environmental
standard
ISO 14001:2004.

Certificate Number 1985
ISO 14001



INVESTOR IN PEOPLE

Ellen and Sophie (MB)
Kumiyo and Karna (PR)

This page intentionally left blank

ACKNOWLEDGEMENTS

Mapping a Winning Strategy builds on best practices in strategy. We owe a great deal to the work of leading strategic thinkers, such as D’Aveni, Christensen, Courtney, Eisenhardt, Kotter, Kim, Liedtka, Martin, Mauborgne, Mintzberg, O’Reilly, Porter, Rumelt, Sull, Takeuchi, Teece, Tushman, Van den Steen and Zenger. In particular, we build on the valuable ‘structured problem solving’ method as successfully introduced in management consultancy by McKinsey & Company, and as described in various publications by former employees of this firm, such as Minto, Rasiel and Friga.

This book is based on 16 years of work (2002–2017). Besides literature research, we have learned a great deal from strategy consulting to managers, as well as from training managers on strategy and coaching them on application to their own practice. We also benefited from teaching business students and supervising them on real-world field projects. Working with hundreds of managers and students over the years, enabled us to gain deep insights into the practical challenges of strategy. This work also inspired the development of the Mapping Method, and it challenged us to explain the method in the best way possible. Working with all of them has been a source of inspiration. We are indebted to our schools, Rotterdam School of Management at the Erasmus University Rotterdam and the School of Management of Cranfield University, which provided room to explore and test our thinking. We feel privileged to have worked with inspiring colleagues and guest lecturers, among whom we would like to mention James Parker, Jacomijn Klitsie, Paul Pietersma, Mark Jenkins and Cliff Bowman, in particular.

We are also indebted to many people with whom we discussed ideas and parts of the many, early versions. We especially owe thanks to the reviewers of the manuscript in the final stretch. Our publisher organized blind reviews of the manuscript. We would like to thank these anonymous reviewers for their very constructive feedback. The book title was one of their helpful suggestions. In addition to the blind reviews, we invited reviewers ourselves. We have been privileged to receive additional, valuable feedback from very knowledgeable executives and business school professors with extensive experience in strategic management and/or strategy consulting at top-tier firms. The valuable reviews of the named and anonymous reviewers helped us make the manuscript better, simpler and shorter. We are much indebted to Hugh Courtney, Eric Van den Steen, Jan-Hein Jesse, Arnaud Chevallier, Kirsten Timmermans, Sigrid De Wever, Albrecht Enders, Jeremy Bentham, Joe Peppard, Annet Aris, Phebo Wibbens, Yoko Ishikura, Kalin Anev Janse, Ansgar Dierkes, Bas Vijfwinkel and Paul van der Heijden. Needless to say, any remaining errors and shortcomings in the manuscript are our own.

We also owe gratitude to Pete Baker, Kerry Laundon and Eve Hawksworth of Emerald Publishing for their professional support. Additionally, we thank Steven Hardman, our publishing consultant, for his work, and Marno Verbeek for making this vital connection.

Finally, we like to thank our wives, Ellen and Kumiyo, and daughters, Sophie and Karna. Writing this book in our spare time meant substantially less time for them. Their support and patience were critical success factors.

CONTENTS

<i>List of Figures</i>	xii
<i>List of Abbreviations</i>	xiii
<i>About the Authors</i>	xv
<i>Preface: Why Read this Book?</i>	xvii
1. Overcoming the Challenges of Strategy with the Mapping Method	1
2. Engaging Critical Stakeholders to Support the Strategy Processes	41
3. Spotting the <i>Real</i> Strategic Issues and Developing Superior Insights	61
4. Developing Superior Strategic Options and Making Winning Choices	93
5. Making Your Strategy Work: Anticipating Execution Issues	139
6. Looking Ahead: Developing Strategies for Anticipating Your Future	173
7. Getting Started: The Mapping Method in Practice	205

Appendices

1. Quick-start Template Maps 221
2. Notes About Key Techniques 227

Bibliography 235

Index 243

LIST OF FIGURES

1.1. The Mapping Method for Developing and Executing a Successful Strategy in Turbulent Markets	10
1.2. Mapping Your Stakeholders	12
1.3. Mapping Your Problem Gap	17
1.4. Mapping the Potential Explanations of Your Problem Gap	23
1.5. Mapping Your Potential Strategies to Close Your Problem Gap	25
1.6. Mapping Your Strategy and Organization Configurations for Congruence	31
1.7. Mapping Your Strategy Execution	33
2.1. Mapping Your Stakeholders	49
3.1. Problem Gaps versus Opportunity Gaps	65
3.2. Mapping the Potential Explanations of Your Opportunity Gap	75
4.1. Mapping the Trade-offs of Your Potential Strategy Configurations	97
4.2. Mapping Your Potential Strategy Configurations	105
4.3. The Issue–Strategy–Organization Congruence Model	119
4.4. Mapping the Assumptions of Your Strategy Hypothesis	129

5.1. Mapping Your Strategy and Organization Configurations for Congruence	144
5.2. Mapping Your Strategy Execution	155
6.1. Mapping Your Potential Futures	188
6.2. Mapping Your Potential Postures Towards Your Arena	193
6.3. Mapping Your Potential Strategy Configurations with Postures	200
Appendix figures	
A.1. Map of Elements of Enterprise Value	221
A.2. Map of Segments of a Revenue Gap	222
A.3. Map of Potential Explanations of a Problem Gap	223
A.4. Map of Potential Strategy Configuration Components Options	224
A.5. Map of a Logical Structure	225
A.6. Three Forms of Reasoning	228

LIST OF ABBREVIATIONS

CSF	Critical Success Factors
EMEA	Europe, Middle East and Africa
HR	Human Resources
IP	Intellectual Property
ISO	Issue–Strategy–Organization
M&A	Mergers and Acquisition
NGO	Non-Governmental Organization
MECE	Mutually Exclusive and Collectively Exhaustive
PESTEL	Political, Economic, Sociological, Technological, Environmental and Legal (developments)
R&C	Resources & Capabilities
ROIC	Return On Invested Capital
SMART	Specific, Measurable, Achievable, Relevant and Time-bound
SO	Strategy-Organization
SPS	Structured Problem Solving
SWOT	Strengths, Weaknesses, Opportunities and Threats
VUCA	Volatility, Uncertainty, Complexity, Ambiguity
WACC	Weighted Average Cost of Capital

This page intentionally left blank

ABOUT THE AUTHORS

Marc G. Baaij, PhD, is Associate Professor of Strategy at the Erasmus University in The Netherlands. He focusses on strategy methods and is active in executive education, coaching of managers on real-world strategy projects, and on a personal title, he provides strategy advice. Baaij has previously been a Strategy Consultant and a Research Manager at the Boston Consulting Group. Marc has (co) authored many articles for scientific and professional journals, as well as professional titles and textbooks on strategy and problem-solving methods used by top-tier consultants. He has also worked for IBM and holds degrees in economics and strategy.

Patrick R. Reinmoeller, PhD, is Professor of Strategic Management and the Academic Head of ‘Directors as Strategic Leaders,’ one of the most successful open programmes at Cranfield School of Management (Cranfield University, UK). He was a Professor at the Japan Advanced Institute of Science and Technology and Erasmus University, where he retains a part-time position. His research on innovation, organizations and strategy has been published in *Academy of Management Journal*, *Asia-Pacific Management Journal*, *Organization Studies*, and *MIT Sloan Management Review* among others. He speaks and consults for companies worldwide.

This page intentionally left blank

PREFACE: WHY READ THIS BOOK?

THE CHALLENGES OF STRATEGY

Developing and executing a winning strategy is probably the biggest and most difficult responsibility of business leaders. A winning strategy is a leader's main lever to motivate and mobilize stakeholders to achieve the firm's overarching objectives, such as profit, and people- and planet-related objectives. A winning strategy guides the firm's employees and external partners to make winning (operational) choices, and execute them well.

As a business leader you probably have to deal with the digital revolution, other forms of disruptive innovation, as well as hypercompetition and globalization. You live in a world of increasingly high levels of volatility, uncertainty, complexity and ambiguity (abbreviated as VUCA).¹ VUCA makes strategy development and execution hard but it does not reduce the relevance of strategy. To the contrary, your firm keeps its need for a long-term perspective where it should go. Strategy is complex because there are so many interrelated and interdependent aspects to consider within your firm, in its industry and in the broader environment. How many strengths, weaknesses, opportunities and threats (or SWOTs) should you analyse? You have to deal with too many interdependent moving parts, and you do not yet know when, or how fast they will move in what direction.

¹ Acronym of volatility, uncertainty, complexity and ambiguity of a situation. The term was introduced by the U.S. Army War College. (Source: Stiehm, 2002)

How do you conduct strategic analysis under such challenging conditions? How do you timely discover, verify and quantify the *real* strategic issues that keep you awake at night? How do you synthesize a comprehensive SWOT-analysis into strategic options? You know the frameworks for generic strategies but how do you design strategies that are customized for your firm and its unique and specific issues? In the strategic planning literature, strategy development resembles a black box. Is strategy development an art? Is a good strategy a stroke of genius? Or is it plain luck? How do you actually develop the strategic options that will create, strengthen and/or renew your firm's competitive advantages?

Finally, you may ask: How do I get my chosen strategy implemented, or executed? There is an extensive literature about implementation and change management. But study after study shows high rates of failure for strategy implementation. An important cause of failure is not, or insufficiently, taking into account the stakeholders inside and outside the firm. Therefore, the question arises: How should you deal with inactivity, resistance, friction and politics of stakeholders? How can you convince and mobilize relevant stakeholders to make your strategy work?

With an increasingly volatile, uncertain, complex and ambiguous (VUCA hereafter) world, the challenges of strategy development and execution are larger than ever before. Because many firms struggle with these challenges, you see a lot of bad strategy around you. We all know that conventional strategic planning cannot deal with present high levels of VUCA. Strategy has, therefore, lost some of its appeal. An increasing number of business leaders has reverted to a range of management tools, big data analytics, and learning through experimenting. These approaches can have an important role in strategy but they cannot substitute for strategy. Conventional strategic planning as well as the aforementioned approaches struggle with the challenges of VUCA.

The question therefore arises: How can you better handle these challenges of strategy?

WHO SHOULD READ THIS BOOK?

If you are responsible for, or otherwise involved in, strategy development and execution for your firm or a business unit within a firm, then this is a book for you. But you may also benefit from reading this book if you aspire for such positions. From experience you know what strategy development and execution are about and you recognize the above-mentioned challenges. Therefore, you are interested in a better ‘how to.’ This book provides it.

WHAT IS THIS BOOK ABOUT? A BETTER METHOD FOR STRATEGY DEVELOPMENT AND EXECUTION UNDER VUCA

Leadership Perspective

This book takes the perspective of business leaders; a chief executive officer, a managing director, a senior vice-president or a chief strategy officer. We focus on the roles and responsibilities of leaders. Leaders have support staff and/or external management consultants working with them. We assume leaders engage other stakeholders, such as employees, business partners and customers, as well in the process because a top-down approach from the board room will probably not be effective under VUCA. The strategy process will benefit from the insights, ideas and other support of a broad set of stakeholders. The subordinates and consultants may do the strategy analyses, develop recommendations for strategies and support the strategy execution process. But the firm’s leaders need to evaluate their analyses and recommendations. It is the leaders

who need to make the tough choices between strategic options and their trade-offs. Moreover, leaders have to persuade stakeholders inside and outside the firm to accept the new strategy and support the execution. This book provides a method for supporting leaders of firms in these tasks.

Advantages of the Method

This book provides a better method to create and execute a winning strategy under VUCA conditions. We name it the ‘Mapping Method’ for strategy development and execution. Mapping refers to the use of visual maps in the four intertwined processes of the method:

- Engaging employees and other stakeholders within and outside your firm in the processes of strategy development and execution. The purpose is to mobilize these stakeholders in order to get their commitment and support, and to avoid the weaknesses of a top-down approach and the problems of stakeholder politics.
- Exploring strategic issues. Before you can develop a new strategy, you need to thoroughly understand the big issues that substantially and structurally affect your firm’s overarching performance. This process allows you to develop with your stakeholders superior insights in the real strategic issues, while avoiding ‘boiling the ocean’ with exhaustive and irrelevant analyses.
- Developing strategic options and choosing your strategy. Your purpose here is to create winning strategies and avoid the black box of strategy development by outlining clear routes to strategic options. Again you will engage stakeholders, including the most critical ones.

- Executing your chosen strategy. With this process you want to anticipate and prevent the (typical) roadblocks to strategy execution. We outline how to deconstruct your strategic choices in a set of concrete actions to successfully execute your new strategy, and also how to learn from execution to improve the strategy when needed.

The Mapping Method entails engaging stakeholders, developing and testing hypotheses (about issues and about strategies) and using visual maps to make complicated things simpler. The method will outperform conventional strategic planning, among others, because of the method's focus on stakeholder engagement.

By adopting a stakeholder-inclusive approach, allowing for 'bottom-up' and 'outside-in' ideas and insights, throughout the whole process, from issue exploration to strategy execution, you develop better strategies and achieve better execution results.

Another advantage of the Mapping Method is the focus on the real strategic issues. Such focus avoids 'boiling the ocean' and enhances the odds of generating valuable and exclusive insights as a sound basis for strategy development.

A third advantage of the method is the clarification of three alternative routes for developing strategic options: creative thinking as well as inductive and deductive reasoning.

Fourth, in this method, attention to execution does not start after strategy development but already begins with issue exploration.

We acknowledge the value of agility, simple rules and learning through probing and experimenting under high levels of VUCA. The Mapping Method offers a smart way to experiment and learn through the use of issue hypotheses and strategy hypotheses. The method treats strategies as hypotheses and tests them before execution, thereby reducing the odds of errors and costly failure. We acknowledge that strategy execution is the real test of a strategy hypothesis, and we acknowledge that strategies may not survive the confrontation with a VUCA reality. Therefore we incorporate

learning from strategy execution to adapt strategies, or even develop new ones, if unforeseen circumstances require it. The Mapping Method is an integrated approach to strategy development and execution because we recognize that strategy development and execution are intertwined processes.

Building on Proven Successful Best Practices

The Mapping Method builds on best practices in strategy. We owe a great deal to the work of leading strategic thinkers such as D’Aveni, Christensen, Courtney, Eisenhardt, Kotter, Kim, Liedtka, Martin, Mauborgne, Mintzberg, O’Reilly, Porter, Rumelt, Sull, Takeuchi, Teece, Tushman, Van den Steen and Zenger. In particular, we build on the valuable ‘structured problem solving’ method as successfully introduced in management consultancy by McKinsey & Company,² and which in its turn builds on the scientific method (among others, hypothesis development and testing). But we extend this structured problem-solving method in several ways:

- We make the problem-solving method easier to use for strategists outside top-tier consultancy firms who lack access to such firms’ huge knowledge bases (resulting from research and client work).
- We translate the problem-solving method from business problems in general to *strategic* problems as well as *strategic opportunities*.

² We solely rely on publicly accessible sources of information about the ‘McKinsey’-structured problem-solving method. Among others, this method has been extensively described in valuable publications by several former employees of McKinsey & Company, such as Minto, Rasiel, Friga, Cheng and Hattori.

- We extend the problem-solving method from solving present problems to anticipating future ones.
- We codify and clarify three routes for problem solving.

We would like to emphasize that business leaders who have the Mapping Method at their disposal may have good reasons to work with strategy consultants. We acknowledge the knowledge and skills of these consultants. Moreover, the Mapping Method does not exclude working with consultants.

WHAT DOES THE BOOK LOOK LIKE?

The book follows a logical structure:

- (1) Chapter 1 gives you an idea of what the Mapping Method is. We briefly talk you through the method and illustrate it with a case story about a producer of smartphones facing increasingly tough competition.
- (2) Chapters 2–5 lay out the Mapping Method for (relatively) simple situations. We show how to use the method to effectively and efficiently address present and pressing strategic issues. We outline step by step the four processes of the Mapping Method: engaging stakeholders; exploring strategic issues; developing strategic options; and executing new strategies. Again, we illustrate the method with a case story, this time about an Internet firm developing ‘smartglasses’ to disrupt the smartphone industry.
- (3) Chapter 6 considers complex situations. We show how to use the method to effectively and efficiently anticipate future strategic issues. Again we talk you through the process and provide a case story, now about a premium car maker anticipating the disruptive future of the car industry.

- (4) Chapter 7 discusses the implications of the Mapping Method for the strategy process of your firm, and we also suggest practical ways to ‘get started.’

The appendix offers templates that may give you a jump start. We also provide some background information about the main techniques used in the method.

Each chapter is structured into three parts. We start with an introduction, which states the objectives of the chapter and provides a brief overview of the content. Second, we provide the content of the Mapping Method and illustrate it with a case story. Third, we wrap it up with a conclusion that comprises a summary and the key takeaways of the chapter.

To manage your expectations, we may have to warn you. Our book is probably not as much fun to read as some of the popular ‘airport books.’ It is not a feel-good book filled with anecdotal stories about the world’s most admired corporations or other ‘usual suspects.’ Our book will not present a deceptively simple success formula that may give you a good feeling while reading but which causes frustration when you try to apply it in your practice. This book may require quite an investment of your time and effort but we are convinced that the return on your investment will make it more than worthwhile.