

# **Strategic** **Managing in** **a Turbulent** **World**

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Learning how  
to make your  
organization  
future-proof

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The idea for this book was created on Thursday evening, May 25, 2017. After an intensive squash competition between the two of us, we were chatting at the bar. Roland said that two days earlier he had been talking with several fellow strategic management teachers from Business School Netherlands. While discussing the study program of strategic management, they concluded that it needed an up-to-date textbook for this subject. The available management books on strategic management mainly contain strategy models and theories, which were developed in the last century. This all before or at the very beginning of the digital revolution. While Roland was still explaining the problem, Norbert came up with a solution: Why don't we write that book?

At that time, Norbert had already been busy for some time with a new management book. Ever since studying business administration and management science at the university, he has been intrigued by the complexity of organizations and has been looking for ways to understand and reduce it. He wants to better understand "what" the success of organizations is based on in general. Whether traditional thinking about success is in line with current developments, but he also wonders what role leaders play in this to realize future success. He had already written a few Dutch management books about these topics, but his search did not end there. His explorations and increasing understanding of, for example the digital revolution, have since resulted in innovative insights into this matter. At the time when Roland came up with his story, Norbert was busy writing a new book.

Soon the idea was born to make these insights part of a new textbook on strategic management. However, the implementation of that idea was not that simple. The basic idea behind a textbook is to describe existing theories and not to introduce new theories. We decided to do the latter anyway, by showing how existing theories fit within the basic theory described in this book. In this sense, this book has not become a traditional textbook. It is written as a textbook for (future) leaders in organizations, but also as a manual for leaders who want to make their organization future-proof and reflect on that process.

This book could not have been made possible without years of interaction with many people, such as (former) colleagues, clients and the numerous MBA/DBA students whom we have taught over the years. Thank you very much for that! We would like to address a special word of thanks to our partners, Ms. Trea de Jong and Ms. Jacqueline Vleeshouwers, for their enthusiastic support and for the time they have given us to write this book. In addition, we thank the co-readers from whom we have received very valuable feedback from different perspectives. Many thanks to Toni Sfirtsis, Robert Voogt, Pieter de Vries, Raymond Horsting, Wil Snijders, Bernd Steinmann, Kirsten de Wilde, Daniëlle Bergacker, Pamela Greveling, Melissa Greveling, Martijn

Kruijzen and Paul Handgraaf for their great tips and advice! Furthermore, we are very grateful to Business School Netherlands and Management Impact for their trust in us as authors. Finally, we thank you, readers, for reading this book. After all, we have written it for you. We sincerely hope that you will gain a lot of new insights and inspiration from it and wish you lots of reading pleasure!

NORBERT GREVELING and ROLAND BUSHOFF

## *Preface*

Not long after my summer vacation, I received the semi-finished manuscript of this textbook. Still somewhat open-minded just after this recess, I communicated to the authors that I was very impressed and was pleased that it had not become a book for 'wimps', meaning to say that the book contains various innovative concepts which would set you thinking, as a manager, entrepreneur and leader, but also to encourage and enable you to apply these concepts.

In this digital age everyone deals with a massive number of uncertainties and it is said that strategic management is very important for organizations. But who or what helps you realize this? This book does! It clearly shows what the core tasks of leaders are in their quest for the future success of their organizations. It will show you the strategic focus areas which need to be focused on and which tools are needed to apply this. It will also show you which steps you must take, being a secure leader, to complete such a process. This book will describe the journey that you embark on, a journey of discovery that I have not seen described elsewhere.

The book does not only pay attention to Osterwalder's well-known Business Model Canvas, but it will go further by embedding this canvas in a broader picture. Several canvases are being conjured up, which will leave the reader in awe. Would this show the right way to arrive at a "future-proof" organization? It might just do that! I challenge you to read this book, reread it and consider putting into practice what you have learned from it.

It is definitely a textbook in which many aspects are discussed that influence future-proofing. As a reader you hope for syntheses, final conclusions, good introductions, relevant examples, enlightening visualizations and a summarizing overall chart to keep a perspective. I was pleased to see that it was all there. The book is a welcome enrichment in a time of ever-increasing turbulence. Moreover, because of the various exercises, I think it is quite suitable as a workbook for managers, entrepreneurs and leaders.

As dean of Business School Netherlands, I am proud of this result and of the fact that the authors are senior lecturers of Strategic Management at our Business School. With their innovative and refreshing views, they actually support MBA and DBA students and other (future) leaders in tackling challenging strategic management issues.

MARCEL VAN DER HAM, dean of Business School Netherlands

Over the past decades the professional field of strategic management has produced various interesting models and theories. However, many of them do not fit in well with the strategic issues of today's leaders. That is not so much because of the theories and models themselves, but because of the turbulence which constantly continues to build up. Important and basic assumptions, which used to be the foundations of these theories and models, no longer apply in this day and age. Future-proofing of organizations is becoming less and less self-evident due to technological, social and political developments. There is more reason than ever to manage strategically! But how?

In this book we will outline a contemporary paradigm for strategic management with new theories. Such as: how you can look at organizations and think about future successes, about the core leadership tasks and about an approach to the strategic management process itself. We are not trying to improve the professional field itself, but hope to guide and inspire leaders with whom we work every day and who we regularly witness struggling with strategic issues. By starting from the idea, "that there is nothing as practical as a good theory"<sup>1</sup>, we want to provide guidance to leaders by means of this new paradigm, which we worked out in three parts. But first, in this introductory chapter, we will look at the development of the strategic management field in recent decades, the turbulence faced by leaders and the need for a new paradigm.

## 1.1 Historical perspective

As a professional field, strategy development has been quite instrumental over the years, providing proper support to leaders while making strategic choices. New visions and approaches were developed regularly which suited the economic, social and political developments of those times. But do these approaches also provide sufficient support in this era of increasing turbulence? Before we answer this question, we will first look back briefly at the various developments from the early times of the professional field at the end of the fifties of the previous century.

The interest in strategy development and strategic management originated in the middle of the last century. That post-war period was dominated by reconstruction and polarization between Western and Communist countries. In the Western world, there was a strong industrialization of the economy (gas, oil, infrastructure, shipbuilding and ports). In a period of stability and expansion, strategic issues were linked with the increasing complexity of rapidly growing organizations. An important strategic vision was that organizations should decentralize into largely autonomous divisions<sup>2</sup> in order to reduce the complexity. In addition, diversification was recommended in the form of acquisitions of alluring companies in attractive, but quite often totally different sectors. As a result, long-term strategic planning commenced.

<sup>1</sup> Kurt Lewin (1890 - 1947), founder of Action Research.

<sup>2</sup> Koch, R. (2003). *Financial Times Guide to Strategy. How to create, pursue and deliver a winning strategy*. London, UK: Pearson Education Limited.

In the 1970s companies were unable to plan ahead for more than five years, due to two oil crisis situations. Central planning and diversification became less popular. Large companies, such as GE and Siemens, found that their results were declining. The important strategic issues were about finding a balance between market opportunities, threats and between one's own strengths and weaknesses. Strategic actions were based on analyses of the SWOT (*Strengths, Weaknesses, Opportunities and Threats*) and on the balance between the efforts and revenues of various product-market combinations, made visible e.g. with the Boston Consulting Group (BCG) matrix.

The 1980s were characterized by increasing liberalization, privatization and deregulation. With the increased entrepreneurial space, the strategic focus shifted to being able to create a distinctive competitive position, based, among other things, on the work of Michael Porter<sup>3</sup>. Competitive strategy was about being different: opting for a distinctive range of activities, offering a unique value mix. A company could distinguish itself by explicitly choosing a generic strategy of cost leadership, differentiation or focus. Much later these views were captured in the theory about the value disciplines: building a unique market position by excelling in one of three value disciplines<sup>4</sup>: *product leadership*, *operational excellence* and *customer intimacy*. For the two value disciplines that were not chosen, performance had to be at least competitive.

After the publication of the report *Beyond the Limits*<sup>5</sup>, attention in the nineties focused on being able to combine economic growth with more sustainable development. Company-specific core competencies were able to help companies successfully introduce new products and services to the market. Core competencies that were already existing or deemed desirable for the future, were to help achieve a unique competitive position. By designing the business processes in such a way that they would deliver maximum value to customers, the use of existing resources such as business systems, equipment and personnel were optimized (business process redesign).

The financial and subsequent economic crisis caused a period of hyper-competition at the beginning of the 21<sup>st</sup> century. This resulted in rapidly disappearing competitive advantages. It was reinforced by the rise of platform companies, which developed completely new business models on the basis of new internet technologies, therefore removing the pillars from the success of existing business models. The solution was sought in the development of so-called *dynamic capabilities*<sup>6</sup>, which makes it easier for companies to adapt to change, such as the ability to be more innovative, more agile and more strategic in building alliances.

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<sup>3</sup> See: Porter M.E. (1979). How Competitive Forces Shape Strategy. *Harvard Business Review* 57 (2), 137-145.

<sup>4</sup> Treacy, M. & Wiersema, F. (1995). *The Discipline of Market Leaders, Choose Your Customers, Narrow Your Focus, Dominate Your Market*. Boston, MA: Addison-Wesley Publishing Company Inc.

<sup>5</sup> Meadows, D.H., Meadows, D.L. & Randers, J. (1992). *Beyond the limits, Confronting global collapse envisioning a sustainable future*. White River Junction, VT: Chelsea Green Publishing Company.

<sup>6</sup> Teece, D.J., Pisano, G. & Shuen, A. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal* 18 (7), 509-533.

## 1.2 The perfect strategy

The development of strategic management described before, took place during the second industrial revolution, with management theory based on Fredrick Taylor's<sup>7</sup> "Principles of *Scientific management*", which in turn were based on the laws of Isaac Newton, who eventually paved the way for the first industrial revolution<sup>8</sup>. Newtonian and Taylorian management theories assumed that companies were a kind of machine which could function with certainty and predictability. Companies were stable and controllable and could be efficiently managed in such a way that risks and imbalances are avoided.

Leaders in this model work top-down, from hierarchical organizations, play a limited game and are guided by the idea that there is only one best solution, one best answer and one best strategy. The traditional leader focuses on efficiency and he uses analysis as a way to always find that one best solution. Organizations are divided into separate (atomic) constituents, which are connected by rigid laws such as cause and effect and interconnected by influence and power.

Looking back on the developments in the strategic management field, we see that many of the visions and approaches developed for strategy development are in line with this type of management theory. The emphasis in the developed strategy theories and models is on analysis, rationality and stability. External developments and trends are recognized and their impact is analyzed in terms of opportunities and threats. Internal strengths and weaknesses are identified and analysis has to give a definite answer about the possibilities for cashing in on opportunities and avoiding threats. An analysis of the size and the stage in the life cycle of product-market combinations is used to decide on the desired investments. It is only after extensive analysis of the various competitive forces that the decision to enter new markets is made. Strategic decisions are made rationally based on periods of three to five years with a high degree of stability. To verify this, the analyses are checked annually for validity and plans are adjusted slightly if necessary.

### ***Fragmented approach***

The fragmented approach, which is so characteristic of the Newtonian way of thinking, can be seen in the various strategy models and theories that have been developed over the years. Each theory only highlights one facet or theme that is currently in the spotlight. Strategy theories and models can be about:

- ▶ Organization (e.g. McKinsey's 7S model).
- ▶ Investments (e.g. the BCG Growth-Share matrix).
- ▶ Environmental analysis (e.g. the DEPEST model).
- ▶ Processes (including Porter's Value Chain).
- ▶ Process optimization (e.g. BPR, Lean, TQM).

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<sup>7</sup> Taylor, F. (1911). *The Principles of Scientific Management*. New York, NY: Harper & Brothers.

<sup>8</sup> Zohar, D. (2016). *Quantum Leadership. A Revolution in Business Thinking and Practice*. Amherst, NY: Prometheus Books.

- ▶ Competition (e.g. the Competitive Forces model by Porter).
- ▶ Learning organizations (e.g. Senge's Fifth Discipline).
- ▶ Distinctiveness (e.g. Value Disciplines by Treacy & Wiersema).
- ▶ The Why of organizations (e.g. Sinek's Golden Circle).
- ▶ Core competencies (e.g. Core Competencies by Prahalad & Hamel).
- ▶ Performance of organizations (including Kaplan & Norton's Balanced Scorecard).
- ▶ Value creation (e.g. Business Model Canvas by Osterwalder et al.).

These strategic themes have succeeded each other over the past decades. Hypes have often arisen around every issue, causing almost all companies and corporations to address such an issue at the same time, until the next hype came up. As a result, the strategic management field was often regarded as an accumulation of models and hypes, pushed by consultants, in which every couple of years a new issue emerged that matched that era. Now you can find them on various websites<sup>9</sup> and in books with collections of management and strategy models. Each model seems to stand on its own and any connection between them you have to find yourself.

Through the ever-changing strategy models and theories, leaders have been asked to focus on one particular type of strategic issue, such as competition, competence, process optimization, organizational structure, resource utilization, maneuverability, and so on. Leaders had to focus on one theme and converge to mostly the same type of solution. As if there is one strategy that is best for all companies and corporations! Many efforts have been focused on research for that one perfect strategy that always ensures success under different circumstances.

The consequence of this fragmentary approach is that leaders have hardly been able to develop a coherent picture of what strategic management is actually about. They have not learned how to identify the crucial strategic issues in their own organization. From different perspectives on certain issues they may have identified a number of fragments, but what is missing is the overview and understanding of how issues are interrelated.

## 1.3 A new era

As indicated before, many strategy models and theories were developed in the previous century in a period of relative stability, a period that coincided with the peak of the second industrial revolution. Relative, because many organizations in the past also had periods of commotion, but still stable, since that commotion cannot be compared with the ever-increasing turbulence in the business environment which almost all organizations currently are facing. We are referring to the digital revolution which is currently

<sup>9</sup> Examples are [www.clearpointstrategy.com/strategic-planning-models](http://www.clearpointstrategy.com/strategic-planning-models) and [www.introduction-to-management.24xls.com/en225](http://www.introduction-to-management.24xls.com/en225)

going on, that started at the end of the previous century with the rise of the Internet and in which we can now distinguish three waves.

### ***Digital revolution***

The first wave covers the period at the end of the previous century, in which many companies developed their first websites to be able to present themselves online. Communication still took place through PCs and slow telephone connections. The term “Content Management” came up for the first time. It was a period in which companies began to think about an internet strategy. Worldwide this wave has certainly not subsided, but at the beginning of this century a second wave followed. Commercial applications were central, such as platforms, and data on websites were enriched by external parties, through blogs and reviews. Communities have emerged (Wikipedia) and users could access millions of apps with their smartphones, with data stored in the cloud and made accessible again by fast broadband connections.

The second wave had not subsided, yet it was followed by a new, third wave, in which the *Internet of Things* (IoT) stands central. In this wave smart products, instruments and equipment (e.g. robots) are connected to each other by special networks. Together they generate a lot of data (*big data*), not only in the shape of text, but also in the form of images and sound and speech. At the same time new algorithms have been developed to link this data together and, to include analyses and predictions for *artificial intelligence* and *deep learning*. In addition, new networks are being developed, such as *blockchains*, which, as a kind of general ledger, guarantee the security between parties that do business with each other online. The network connections that were used in the first and second waves have been proven to be very sensitive to cybercrime.

The third wave started around 2015 and will undoubtedly develop further, but futurologists are already speculating about a fourth wave in the digital revolution. They are thinking of a situation in which people get chips implanted, which means that they contact each other by networks. Whatever comes next, the waves of the digital revolution follow each other, revolve each other and reinforce each other into a true tsunami.

### ***Laws in the digital revolution***

The digital revolution is taking place at such a rapid pace that it requires some explanation. The question arises why the change of pace of this revolution is so much faster than in the preceding industrial revolutions. There are some underlying laws for this phenomenon.

The first law has become known as Moore’s Law. Gordon Moore, co-founder of Intel, predicted as early as in 1965 that the number of transistors in an integrated circuit would double every one to two years due to technological progress. The processing capacity of computers and the required storage space of data could thus double every one to two years at constant costs. Thanks in part to companies such as ASML, the miniaturization

of chips, continues to this date at this rate. Virtually every available smartphone is a better computer than a mainframe of thirty years ago.

The second law has become known as “More than Moore”. This law indicates the increase of functions in chips. In addition to digital functions such as computing power and data storage, the current generation of chips has other analogue functions, such as sensors, actuators, antennas and batteries. A chip has therefore become more versatile, resulting in new applications arising at an accelerated pace for chips and the products in which they are contained.

The third law has become known as “Metcalfe’s Law”. Robert Metcalfe, inventor of the ethernet protocol and founder of 3Com, demonstrated that the value of a network is the square of the number of connected devices. In other words: the more devices that are part of a network, the more value the network has for the users. Think of your smartphone, for example. If you are the only one who is connected to the Internet with a smartphone, you cannot do anything with such a device. There are no people who can receive your messages or see your pictures. Streaming music may be possible, but companies like Tidal, Spotify and Deezer will not provide these services as long as you are the only user connected to the Internet. Almost everyone is connected almost all the time to the Internet with various devices. Therefore, the value of the Internet has grown exponentially over the past 25 years. The high density of connected devices allowed companies such as Spotify, Google, Apple, Alibaba, Didi, Amazon to grow very fast. And with the Internet of Things a whole new network is added. This is precisely the digital network that ensures exponential growth of technologies, applications and companies.

As a result of these laws, sensors are present almost everywhere. The Boston Consulting Group estimated in 2015 that there will be about 140 sensors per inhabitant in 2025<sup>10</sup>. Think of sensors in your car, your home lighting, your toothbrush, your smartphone, your doorbell, your bedroom, and so on. In addition, there is common connectivity. At the end of 2014, there were already more than 7 billion mobile subscriptions worldwide, almost one per person. Approximately 50% of the data produced annually is connected through an IP address and is accessible by mobile communication networks. Finally, the software is becoming more intelligent and smart products can easily be adapted and renewed by remote updates.

All in all, it is primarily the density of the existing internet network, the expansion with other networks (IoT), the miniaturization and the growing versatility of the functions of chips, the explosion of the available data and the development of new algorithms, which make it safe to say that there is a real tsunami or strong acceleration in the digital revolution. All companies and corporations worldwide are affected in one way or another and will increasingly notice the impact. It’s a turbulent world for leaders.

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<sup>10</sup> Evans, P. & Forth, P. (2015). Borges’ Map: Navigating a world of Disruption. *BCG Perspectives*, April 2015.

### ***Digital revolution as a driver of other transformations***

There are, however, more developments that create turbulence and put the future success of organizations under pressure. Social and political issues, such as climate change and pollution, require the attention of leaders worldwide. The current economy has become too dependent on the burning of oil, which causes enormous CO<sub>2</sub> emissions with devastating effects on the climate, such as the degradation of biodiversity and the quality of life worldwide<sup>11</sup>. Changing to sustainable energy sources is necessary to be able to achieve the necessary CO<sub>2</sub> reduction; the digital revolution can act as a driver in this. Jeremy Rifkin describes that households, offices and factories can produce energy themselves and share it with each other through a kind of 'energy internet'. With thanks partly due to increasingly cheaper and better solar panels. Good solutions have yet to be found for the storage of that energy, but the transition to sustainable energy sources is inevitable. This has major consequences for power companies and companies that depend on fossil fuels, but given the agendas of political leaders worldwide, the only question is how fast that transition will take place.

The digital revolution is also a very important guide for the sharing economy and the circular economy. Platforms, such as eBay or Sell.com, are where providers and buyers meet each other online. Used products get a second life and end up less quickly on garbage dumps. Through more advanced applications, it is possible to have access to a bicycle, car or house, and only to pay for that use. Airbnb and Uber are well-known international examples of this application. A next step in circular thinking is the *Product as a Service* concept, in which products are offered as a service. You can buy a washing machine, but you can also sign a contract with a manufacturer, who then places a device in your home for which you pay for per wash. The washing machine remains the manufacturer's property, who therefore has an interest in designing the product in such a way that little maintenance is required. It is also important to the manufacturer that the machine can easily be disassembled at the end of its life cycle and that parts can be reused. By placing sensors in these washing machines and connecting the performance to their own operating systems, the manufacturers know exactly when maintenance is needed, how much the machine has been used, how much detergent must be added, et cetera. In addition, the manufacturer learns a lot from this data about the practical use, so that he can develop even better machines in the future. It is just an example of how internet technology stimulates the circular economy.

### ***A new industrial revolution?***

Over the past 25 years it has become clear that the digital revolution has already brought many and unforeseen changes, such as the breakdown of various central systems and the increase in decentralized solutions. Much centralized power has shifted to decentralized power. Television companies and newspapers no longer determine what people look at and what news they read. Today's young people decide which YouTube clip or Netflix series they want to watch and which app, blog or vlog they want to follow in order to

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<sup>11</sup> Rifkin, J. (2011). *The Third Industrial Revolution: How Lateral Power is Transforming Energy, the Economy, and the World*. London, UK: Palgrave MacMillan Ltd.

keep up with news that is relevant to them. The decentralized power of cooperation has ensured that Wikipedia is the world's most used reference source and it has made encyclopedias redundant. Cooperation in networks takes precedence over hierarchical control mechanisms. And why would you buy another CD and listen to the songs in the order compiled by the record company, if you can create your own playlist yourself at Spotify or Deezer?

The digital revolution does not stand alone. Jeremy Rifkin shows how the digital revolution, in combination with a transition to sustainable energy, can lead to the third industrial revolution. The chairman of the World Economic Forum goes one step further and already speaks about a fourth industrial revolution, with which he mainly refers to a fusion that is going on between the digital, the physical and the biological world<sup>12</sup>. According to him, due to the confluence of different industries, a period of global change will start.

Developments such as robotics, nanotechnology, biotechnology, 3D printing, virtual reality and the Internet of Things will all accelerate everything and fundamentally change the way we produce, consume and interact with each other as people. We are not futurologists, but it is obvious that the second industrial revolution is behind us and that the digital revolution, in combination with other developments, will bring a lot more in the future. This raises the question whether the strategy models and theories that have emerged from that second industrial revolution would still be applicable in the new era.

## 1.4 Unprecedented turbulence

In the new era, leaders are faced with rapid changing business environments. No sector will be skipped. In the retail sector, store chains are witnessing a rapid change in the way customers search and shop. Today's consumers, such as millennials, deal with a totally different loyalty to brands and products and attach less value to ownership. Driven by convenience, consumers are ordering more and more online. If a customer does visit a store, he expects an extra experience based on storytelling, striking demonstrations of new products and expert advice on the purchase of technological devices. With financial corporations, a customer has less and less personal contact. The contact runs through the banking app and questions are answered by chatbots. Through cooperation between traditional banks and new technology-based companies, so-called fintechs, customers can manage their finances across their various accounts. In the health sector, care demand is changing due to aging, urbanization, increasing cultural diversity and changing family structures. More and more people suffer from chronic diseases and treatment preferably takes place at home. People can approach their 'digital general practitioner' 24/7 for medical advice. In the energy sector, customers are increasingly taking matters into their own hands. With smart meters, they keep an

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<sup>12</sup> Schwab, K. (2017). *The Fourth Industrial Revolution*. New York, NY: Random House Inc.

eye on their energy consumption, generate their own energy more and more and opt for sustainable energy sources instead of fossil fuels.

With these kind of turbulent circumstances, leaders are confronted with products that age very quickly. Like music carriers, where the LPs and cassette tapes have been replaced in a relatively short time by CDs, which have in turn been replaced by MP3 players, which are now replaced again by smartphones. Music is no longer being stored on a device, but is streamed directly over the Internet. Several main competencies that have been crucial for many years have now become unnecessary. While car garages were previously known for their technical knowledge of internal combustion engines, it is more important now that they understand software. Known success factors are no longer effective. While in the past, success largely depended on the quality of the product, today's online marketing is often decisive and certainly important in the B2C market by which products are recommended by influential bloggers and vloggers. Customers, business partners and other stakeholders take an altered role, seek more involvement and want to co-create. Surprising competitors appear, often using new technologies and without the ballast/legacy of existing companies.

The continuous stream of news about companies that go bankrupt, are having hard times, are merging or being taken over - despite the current favorable economic climate - indicates that competitive advantages are vanishing, customers are becoming less loyal, market positions are shrinking and the search for innovative power is increasing. This affects store chains, but also, educational corporations, insurance companies, taxi companies and tour operators. The average age of companies in the American S&P 500 list of companies in 1958 was 61 years. In 1980 that had already dropped to 25 years and by now it averages 15 years. The list is dominated by relatively new and in some parts of the world unknown technology companies, which are also called unicorns. These unicorns have accumulated a gigantic market value of over 1 billion dollars in a very short time.

These are also times for leaders to have unprecedented opportunities. By capturing and analyzing data about the online (and offline) purchasing behavior of their customers, companies gain an increasing insight into the needs of their customers. This further increases when they combine this data with the data which others record about (the purchases) of their customers. This is the case with digital platforms such as Amazon and Alibaba. As a result, organizations are better able than ever to apply their products and services and commercial actions to the needs of customers.

## 1.5 Disruptive effects

The turbulence described before is, as indicated in Section 1.3, caused for a great deal by the digital revolution with a large number of new and often blending technologies. The

use of social media is one of the major *game changers* of our time. The worldwide connections between billions of people through the Internet provide opportunities which were previously unheard of. If millions of people around the world play a certain game for free or at a low price, it gives producers the opportunity to realize huge revenues by offering extra features for a small amount. Billions of people are connected through mobile internet, and are also almost 24/7 online. As a result, people also purchase their daily necessities more and more by using their smartphones. By placing applications and data in the cloud, you can access them anytime and anywhere, regardless of the device (computer, laptop, smartphone) with which you try to do this. You do not have to invest largely in the latest software, extended memory or security. The extensive digital recording of data creates new applications and algorithms that enable organizations to carry out complex analyses and make predictions about the behavior of users.

The disruptive effects of these technological developments are further enhanced by emerging technologies such as artificial intelligence (AI), the Internet of Things (IoT), blockchain, augmented and virtual reality (AR & VR), robotics, drones and 3D printing. Due to the increased processing power of chips, we are more and more capable of imitating human intelligence, making it possible, to have self-driving cars. IoT connects things such as refrigerators, TVs, cars, thermostats, locks, lighting and kitchen appliances and allows them to communicate with each other. Blockchain technology bears the promise of being the perfect bookkeeper, with transactions such as purchases and sales being recorded in such a way that none of the parties involved can make fraudulent adjustments. With their added and virtual realities, AR & VR offer enormous possibilities to completely change your interaction with the environment. Robots can do more and more, like keeping the house clean, mowing the lawn, making administrative bookings, nursing patients, giving advice on the mortgage; nothing is too much for them. With drones you can make observations within military environments without any personal danger, and closer to home a drone delivers your shopping neatly on the sidewalk. 3D printing enables production of pieces, which will ultimately not be site-bound and will therefore reduce transportation.

The question remains: What could this mean for organizations? Many companies and corporations are already working to become more agile in order to be better able to respond to the developments mentioned before. But the question also is: What does it mean for the competencies that companies and corporations need? What expertise do you need to have and what do you need to know about the new technologies? Do you have to be able to do everything yourself, or is it better to enter into alliances with parties that have competencies that you do not have? And also not unimportant: How much work will be done in the future by (your own) employees? (Ro)bots can after all perform a lot of work and many of them probably better and faster than people can<sup>13</sup>.

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<sup>13</sup> An example is the YouTube video *Humans Need Not Apply* from 2014 or Jerry Kaplan's book by the same name from 2016.

## 1.6 Future-proofing under pressure

The above illustrates that more than ever there are circumstances that are far from stable, predictable or manageable. Over the years, leaders have always had to deal with changing market conditions, but today's turbulence is fundamentally different! The digital revolution creates *exponential developments* that are characterized by a phase of relatively low growth, followed by a phase of change, followed by a phase of very rapid growth. The consequences are: an unprecedented rate of change, growing uncertainty, increasing complexity of issues and increased ambiguity. A well-known example is the speed at which smartphones have conquered the world. Where television took a few decades to conquer the world, the smartphone succeeded in a few years. Many of the aforementioned examples, such as the use of search engines, social media and mobile payments, also show this exponential development.

Not only does the speed of change increase, the uncertainty does so as well. Social, economic and political developments cause unrest. The effects of President Trump's *America First* policy are becoming increasingly visible and can easily result in intense global trade conflicts. Existing and familiar balances become disrupted. This applies in the political field, but also in the industrial and other sectors. The boundaries which companies used to compete with each other felt familiar for a long time. These limits disappear when, public transport companies, car makers and bicycle manufacturers "all" focus on providing mobility. Competitors can suddenly become allies. The fact that Amazon suddenly took over the supermarket chain Whole Foods in 2017, also illustrates this disruption. Which other sectors will the internet giants enter? Will Google, Apple, Tencent, Microsoft, IBM and others become healthcare providers, banks, educational corporations and/or accountants at any time?

In addition, the complexity of many issues is growing and the digital revolution is also contributing to this. Social humanitarian issues such as pollution, poverty, food scarcity, immigration and so on, require an approach on a global scale and the use of experts and organizations from different disciplines. That is complex. But complexity is also increasing due to the blending of technologies, sectors and developments. The mere application of a new technology such as blockchain is so complex and requires the involvement of so many parties, that no organization is able to get it off the ground independently. As a result, forms of cooperation arise between organizations, often from different disciplines, which again create new complexity. Increasingly, conflicting interests that play a role in these issues must be balanced out against each other.

Finally, the ambiguity of the information that is provided increases. Information and reporting are increasingly vague and ambiguous, which reduces the predictability of actions. Just think about the amount of fake news that is being distributed. With research reports, it is increasingly important to check who financed the research and whether the sources that have been consulted are reliable. It is difficult to determine

to what extent the reporting is objective, as the author/sender of the message often pursues his own goal and more and more media are involved in the dissemination of information. Almost everywhere more and more data is collected, but it is not easy to use that to produce clear and unambiguous reporting.

The combination of these developments is also called VUCA, an acronym for *volatility, uncertainty, complexity, ambiguity*. There are no signs that these phenomena will decrease in strength. In fact, it is the combination of these factors that, with the digital revolution as a driver, will cause an ever-increasing turbulence. It is stating the obvious, but the only constant in an organization is change<sup>14</sup>. The future-proofing of virtually all organizations is coming under increasing pressure.

## 1.7 New paradigm

We have now entered a fundamentally different era due to the digital revolution. The principles and points of departure from the second industrial revolution for strategic management no longer apply. Many of the strategy models developed offered a solution then, but are now no longer applicable. Michael Porter's view in November 2014 stated that the basic principles of traditional strategy approaches and instruments are still the same<sup>15</sup>, is something we do not share. We prefer the views of Mintzberg, Evans and McGrath<sup>16</sup>, who preach "the end of the competitive advantage." The ever-increasing VUCA and turbulence are in absolute contrast to the principles of predictability and stability. The typical approach to strategic management to develop and implement a strategy once every 3 to 5 years, does not suit these dynamics. The market and the environment in which most companies and corporations are operating are developing so fast that it makes little sense to focus on a dot on the horizon that is five years ahead. That horizon will probably have disappeared by then and has already given way to new prospects. It is important in this era to continue to provide the best strategic choices for your organizations in a dynamic way.

Even in times of great turbulence, a long-term vision remains important. It does not make sense to develop a strategy now to reach a situation which will have completely changed by the time you arrive. Converging to one fixed point makes less sense, just like sticking to one particular strategy to reach that point. It is important for leaders to learn how to diverge, explore options and think in terms of scenarios. The future is not a definite and predictable image; it is a vague picture that becomes clearer as you move in that direction. It will also show new perspectives. There is no single way to get there. Different options will present themselves with different horizons.

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<sup>14</sup> Derived from the phrase *panta rhei* by Heraclitus (540 B.C. - 480 B.C.): everything flows. In the river new water flows continuously, but yet the river stays the same. This illustrates eternal but constant change.

<sup>15</sup> Porter, M.E. & Heppelmann, J.E. (2014). How Smart, Connected Products are Transforming Competition. *Harvard Business Review* 92 (11), 64-88.

<sup>16</sup> E.g. see Gunther McGrath, R. (2013). *The End of Competitive Advantage, How to Keep Your Strategy Moving as Fast as Your Business*. Brighton, MA: Harvard Business Review Press.

The current digital era sets different requirements for leadership and therefore also for strategic management. Fragmented and one-dimensional approaches no longer help. You no longer have to search for one best answer, one best solution, or one best strategy. You can no longer rely on that ever-growing mountain of increasingly complex analyses to make parts work better. You have to look for the lateral connections between components and coherent choices and syntheses to make the whole function better.

What is especially important now is lateral thinking. Do not converge too quickly, but diverge by exploring options and taking into account different scenarios. Leaders must learn to think and work from a holistic approach to identify opportunities and contribute to the future-proofing of their organization. Fragmentary approaches can be helpful in sub-areas, but will offer insufficient support if you have to make strategic choices. A new paradigm is needed about strategic management in a turbulent world.

## 1.8 Reading guide

This book describes a new paradigm for strategic managing, which is meant for leaders to be able to continue to sail a future-proof course in a turbulent world. Among other things, we offer a holistic way of looking at organizations, as well as a new way of thinking about future-proofing, a new vision for leaders and a dynamic way of working while you are sailing a future-proof course. It is a textbook that teaches you to look differently at your organization, to think differently about future-proofing and to work differently on a future-proof course. With this book we offer a new language with terminology which you may sometimes experience as refreshing, and possibly challenging. If only because these concepts do not necessarily fit in with your current ideas, experiences and insights.

The book has three parts. In Part I we discuss what strategic managing actually is and what can be managed strategically in companies and corporations. In this part you learn to look from different perspectives at the strategic focus areas in your organization and make new observations while doing so. These different perspectives will give you an integral/holistic view of your organization. We suggest that you to study this part first, as we introduce new terminology that is also used in parts II and III.

In Part II we zoom in on each strategic focus area separately. We will show the building blocks that shape each strategic focus area. These building blocks are crucial for leaders, since they are what leaders make strategic choices about, to ensure future success. We emphasize the importance of aligned strategic choices about those building blocks and introduce canvases to visualize each area.

Part III describes the strategic managing process. After you have seen in Part II the different types of strategic choices that have to be made, Part III deals with the question of how you can continue to provide a future-proof course in a dynamic way in a turbulent world.

After Part III, two appendices follow. In addition to the new terminology and language in this book, we will also introduce new theories. The conceptual models behind the most important theories are presented schematically in Appendix A. That may certainly prove to be more interesting if you are more visually oriented and can easily study schematic representations. For a good understanding of the terminology and language we have included definitions of terms in Appendix B which we regularly use in this book. As a reading guide, however, we recommend that you continue reading Part I, after which you could study Appendix A. Without that context, the schematic representations are not very meaningful. From Part I you could also use Appendix B when you are looking for definitions of certain terms.

We hope that this book offers you, as a leader, support and new perspectives in the pursuit of future success.

**H**ow do you look at a company or corporation? How do you view or analyze your own organization? What do you pay attention to? Do you look especially at who is in charge, the people who work there, the degree of success or growth, the products or services they provide, the way the administrative systems work, the buildings in which the business activities are carried out, the organizational structure, the machinery or rather the corporate culture? And what could you or should you look at when it comes to future-proofing your organization?

Organizations themselves are abstract. For companies, corporations, institutes, associations and the like are not concrete or tangible units that you can easily hold, look at or study. These are always created by people and present themselves with a name/logo, sometimes produce concrete products and are usually located in physical buildings. But otherwise, organizations are not really tangible.

In management literature and in many management training programs, organizations are primarily viewed from the various organizational functions that have to be fulfilled. Functions such as: marketing, operations, finance, sales, research, purchasing, ICT and so on. Various sub-specialisms have arisen from these functions, among other things by differentiating organizations into sectors. ICT at a bank requires different competencies and skills than ICT at a production company or hospital. Moreover, in the course of time, all kinds of sub-specialisms have been introduced in each functional area in which professionals have become proficient. As a result, many employees and managers have learned to look at their organization from their own discipline.

This functional approach results in fragmentation: everyone knows best from his or her own discipline what should be done to progress. This results in a lot of debates with the aim to improve one's own discipline or functions, which are usually considered more important than other disciplines. Almost no one overviews the larger picture, whereas in times of turbulence that is crucial to be able to make the right choices. How can you set overall priorities if you do not have an overall picture? That is why a fundamentally different way of viewing organizations is needed and that is what we provide in this chapter.

In this chapter we will look at an organization as a whole, taking into account the various interest groups involved which play a role in dealing with strategic issues as well as the different dimensions that can be identified while looking at your organization. For leaders it is necessary that their perspective is broad enough and has sufficient depth. A broad perspective means looking at different interest groups. Looking with sufficient depth means looking at different dimensions.

## 2.1 Interest groups

Organizations are man-made forms of collaboration that can only develop through the involvement of people and the input of information, raw materials, capital and other resources. Four interest groups play a major role in this development:

- ▶ *Customers.* Those who purchase and use the products or services of an organization. Different names are used for customers in different sectors. Hospitals often speak about patients, banks use the term clients, governments talk about citizens.
- ▶ *Business partners.* The parties with whom an organization cooperates intensively in the execution of operational activities to deliver added value to customers. These can be preferred suppliers of raw materials or company resources, but also distributors, media partners, alliance partners or developers of ICT systems. Long-term agreements are often concluded with business partners to confirm the cooperation.
- ▶ *Employees.* Those who perform activities for the organization. As employees, we regard people with a permanent contract, but also seconded staff who have temporary contracts and freelancers who are regularly employed by the organization.
- ▶ *Stakeholders*<sup>17</sup>. Influential parties with a (financial, social, or political) interest in a company or corporation, whether or not based on applicable laws and regulations. Stakeholders are not part of or directly contributing to the results of a company or corporation. Examples are banks, investors or shareholders with a financial interest. In family businesses, family members are often stakeholders with influence either in the foreground or the background. But it is also possible that governments, NGOs, interest groups, trade unions or the Works Council are stakeholders who want the organization to commit to agreements that are important to them. Often, stakeholders have opportunities to support an organization. But they can also make things difficult for organizations if leaders do not adhere to certain policies or agreements. One could think of issuing permits or withdrawing them, raising interest rates or, in fact, lowering them, informing the media in the event of misconduct, et cetera.

It is not always easy to distinguish between these four interest groups. Many people also consider employees as stakeholders. We do not do that here. Of course, employees have influence on what is going on within their organization, but they do that by being part of it and performing activities. This is something that stakeholders do not do. They are outside the organization. That also applies to business partners, but with the products and services they supply, they are actively involved in the operational activities and the added value that is delivered to customers. Moreover, some people regard society and the earth as a stakeholder of companies and corporations. We do not share that view. We see organizations that stand up for the interests of society and the environment, such as NGOs and trade unions, as stakeholders, but society and the earth themselves do not exert any influence on companies and corporations. On the other hand, companies and

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<sup>17</sup> In management literature, customers, business partners and employees are sometimes also seen as stakeholders. In this book we use a narrower definition of stakeholders and we use the term interest groups for the wider definition. We view stakeholders as a separate interest group, besides customers, business partners and stakeholders.

corporations do have an influence on the way in which they deal with the resources they derive from society and nature and the effects of their activities on the environment.

Each of the interest groups mentioned benefits from the continuity of the organization, but has a different interest in it. For customers, it is important to provide high service levels for the products and services, that the prices are reasonable, that the quality is excellent, that there is sufficient freedom of choice, and so on. For business partners it is important, that an organization is reliable, provides continuity, pays on time for products and services delivered, offers long-term prospects, continues to invest. For employees good working conditions and a good working environment are important, as well as good development opportunities, an open culture, and so on. For stakeholders it is important that an organization fulfills its commitments, cooperates in the introduction of rules and guidelines that they consider important, continues to innovate, communicates transparently, et cetera.

### ***Who are the most important interest groups?***

You will undoubtedly recognize these four interest groups in your own organization. When considering companies and corporations, you will always find customers and employees as interest groups. But they are rarely mentioned all when you ask leaders which groups they consider the most important for their organization. Sometimes the customers, sometimes the employees and sometimes the shareholders/investors are mentioned as a specific subgroup of stakeholders. You can also see it in positions taken by gurus. Richard Branson from Virgin views employees as most important for any organization. He believes that if they are happy, they will ensure that you also have satisfied customers as well. Focus on satisfied employees is his motto. This position is widely followed, as evidenced by the rise of chief happiness officers, who have to contribute to the happiness of employees.

Other leaders clearly place the customer in the first place. Many healthcare corporations currently focus on the patient and try to organize their processes in such a way that they do not have to travel long distances in a hospital for a consultation in which more specialists are involved and that the waiting times for patients are kept as limited as possible. This is often a revolutionary approach in hospitals. Until recently those processes were organized in such a way that the specialist could carry out his work as pleasantly and efficiently as possible.

And then there are leaders who put the shareholder first. In those companies, almost everything is aimed at keeping the shareholder happy, which often means that processes are optimized for maximum profit, so that sufficient dividend can be paid out or the share price will rise. Putting shareholders' interests first, as various American and European banks did, contributed significantly to the financial crisis at the beginning of this century. In these organizations, customer satisfaction and employee satisfaction are not unimportant, but especially indicators to determine whether profitability might be at risk.

What is better? Putting employees at the center or clients? Or shareholders? In this age of increasing turbulence the answer is simple. No organization can afford to ignore any of the four interest groups mentioned. Conceptually, all four are equally important. Think of budget airlines which try hard to make the flights for their customers as cheap as possible, which, in view of the numerous conflicts reported in the media, seems to be at the expense of their staff. That is not sustainable in the long term. Not only does the staff alienate themselves from the airline, but ultimately the risk is that customers will do the same.

### ***Not either-or but and-and***

Just focusing on customers or employees or shareholders individually is no longer suitable in this day and age. It is no longer about *either-or*, but about *and-and*. It is important for leaders that their organization remains relevant for all interest groups. As soon as you are no longer relevant for a particular group, you run the risk that other groups will also drop out quickly. If your employees think you are treating them badly, at one point customers will no longer be willing to do business with you. If you squeeze out your business partners dry, you run a similar risk, but also that employees leave or that financiers drop out.

However, at a certain point in time you can determine that you consider one of the groups more important than another, because you have actually ignored that group for too long, or because you get signals from the market that other organizations are coming after a group. But from a holistic perspective, all four interest groups are equally important for leaders in every organization.

Both in the literature and in practice, customers and employees have been given the most attention by leaders in recent decades. The importance of business partners and stakeholders often remained somewhat underexposed, although shareholder interests in various listed companies have received a great deal of attention. Technological and social developments are causing a shift. Not so long ago, leaders were still under the assumption that their organization should be able to do everything by itself. Getting help from others or strategic cooperation was seen as a weakness rather than a strength. Of course they did business with suppliers, but they certainly were not seen as partners. This is different in the current era.

### ***Ecosystems***

Organizations nowadays have become or are becoming part of one or more ecosystems. Parties that consider each other as partners and realize that without the input of others, they can never deliver the added value they strive for. Parties that until recently regarded each other as competitors are currently working together intensively in certain areas. Unexpected alliances have arisen, between traditional competitors like Mercedes and BMW, who decided in the spring of 2018 to offer mobility services together in large cities with Car2Go (Mercedes) and DriveNow (BMW). The two car companies want

to collaborate, innovate and co-create in the field of urban electric mobility. In China, Tencent and Alibaba are working together on the development of new technologies, while in other fields they are still each other's competitors. Examples in the retail are shop-in-shop, where all parties are collectively more attractive to a consumer than when they are individually located in their own branches. By doing so, they can share part of their costs with others.

The platform economy reinforces this development. Companies like Apple, Tencent and Google work with millions of app developers around the world to deliver added value to their customers through their platforms. None of the technology giants could do so alone. In fact, the iPhone and the iPad became only really successful after Apple decided to leave the app development to others and stop doing it by themselves. New opportunities are created through partnerships and alliances, but also dependencies and risks that did not exist previously, which is also an important reason to consider the interests of business partners.

In addition to business partners, stakeholders are becoming increasingly important for organizations. Worldwide there has been a growing awareness and commotion about central themes like ecological sustainability/pollution, equal pay and privacy. Companies and corporations have a crucial role in this, which they cannot ignore. Just think of the influence that all kinds of stakeholders exert through social media. Abuses can be spread quickly via blogs and vlogs and can quickly turn public opinion around. The announcement of the 50% salary increase of the CEO of the Dutch bank ING at the beginning of 2018 is an example of this. Stakeholders such as trade unions, politicians and journalists openly expressed their dissatisfaction with this intention, partly because the average salary increase for ING employees would amount to approximately 2%. Soon it was suggested on social media to cancel your bank account with ING, which actually resulted in the transfer of thousands of ING customers to another bank within a few days. The reputation damage was enormous. The same applies to abuses in livestock farming and agriculture, to suppliers in developing countries, et cetera. When companies and corporations do not take socially important themes into account, they are quickly punished for it, or rewarded if they explicitly do so. Banks, investment companies and pension funds can count on a growing customer group if they openly announce that they will no longer invest in the tobacco or arms industry. The German low-cost supermarket chain Lidl was the first in the Netherlands to announce that it would stop selling cigarettes in all its stores, partly because it does not want to stop the trend towards a smoke-free society. Just like another European supermarket chain, Aldi, has banished the sale of energy drinks to children under the age of fourteen. Supermarkets see a growth in the turnover of foodstuffs grown or cultivated in a sustainable manner.

Furthermore, there is a lot of interest for big data and the Internet of Things. The fast-growing connectivity of all kinds of devices in one network and the data that is generated offers many advantages for companies, corporations and their customers. But it

also causes an increase in anxiety about privacy and cyber security among politicians, civil organizations and the general public. As a result, the EU General Data Protection Regulation (GDPR) has been implemented in Europe. In these themes businesses and corporations also play an important role which they cannot ignore.

Customers and employees have always been regarded as important interest groups for companies and corporations. In this day and age business partners and stakeholders should also be included. Especially for leaders there are more different interests to be included in the consideration when deciding on the future of their business. It requires many leaders to broaden their horizon and skills to continuously make the right choices between the interests of different groups.

## 2.2 Dimensions

Companies and corporations can be viewed at from different layers. It is like looking at a tree. You can look at the leaves and the fruits of a tree to determine whether it is doing well in a particular year. But you still do not know what is happening within that tree that makes it have so many fruits, or what you have to do to get as many fruits next year. With organizations you can only look at the results of a company, but then you do not know how they came about. If you want to improve that, you have to look a bit deeper.

We distinguish five dimensions that are relevant for leaders while trying to understand, analyze, improve their company:

- ▶ *Performance.* With performance we mean all that a company or corporation delivers and realizes as a result of the activities carried out. This can relate to all material and immaterial output of a company or corporation, but also to what has been consumed in terms of company capacities, resources and raw materials to realize that output. To gain insight into this, organizations rarely look at the actual products and services, but at information that is collected about them. In order to gain insight into results and performance, organizations often also set up computerized information systems, in which, among other things, the production is registered. Especially within the larger organizations, it quickly becomes impossible to keep track of that manually. What is exactly recorded in terms of results and performance differs per company/corporation.
- ▶ *Activities.* The activities which a company or corporation must carry out in order to be able to deliver output. In other words: what happens within or outside the walls of a company or corporation that leads to performance? Which activities are carried out, what is the flow of goods, people, resources and information within the organization, how do employees work together, which business processes are carried out, and so on?
- ▶ *Playing field.* The environment in which a company or corporation is active. Every company or corporation is acting in a market and country, where it needs a good breeding ground and a favorable climate to be able to successfully carry out the activities and to develop further. But what is the playing field of a specific company or

corporation, how has that playing field been defined/divided, what dynamics prevail on the playing field (e.g. buying behavior), what developments are taking place (including technology), which laws and regulations apply, which game is played on the playing field, what is the specific playing style of an organization and how do other parties play that game (competitors)?

- ▶ *Foundation.* The basis that a company or corporation needs to create value for and deliver to interest groups and to derive value from it. Every organization needs solid foundations to be able to create a strong position, to be able to deliver value on the playing field, to be able to carry out activities and to achieve good performance and results. Foundations are, company resources, distribution channels, the organizational structure and systems for planning and control. Those foundations are present in every organization, but are usually not clearly visible. Not easy to see, but that does not mean that they are not there.
- ▶ *Purpose.* The motives underlying a company or corporation. They give direction to further development. What was the origin, the essence from which a company or corporation began, what ambitions exist for the future and what core values are crucial to accomplish these ambitions? What drives the people who work in the company?

Do you recognize these dimensions in your own organization? In any case, managers in organizations are used to looking at *performance* and also at the underlying *activities*. With the help of various programs, such as Lean, Six Sigma and teambuilding, attempts are often made to make adjustments in activities, with the intention of achieving a better performance. These activities are generally under considerable pressure, as new technologies are rapidly emerging which can significantly change the activities and tasks to be carried out. More and more organizations are experimenting, with (ro)bots. All applications, such as IBM's Watson, support medical specialists in making diagnoses and iPads have since found their way into education, Amazon introduces checkout-free stores and so on. All these are applications that have a major influence on what happens within organizations and the performance that results from them.

Much less, organizations are looked at from the dimensions of the playing field, foundations and motives, whereas that is so crucial in times of turbulence. Let's start with the playing field. The examples in the previous section often concerned adjustments which take place within the walls of a company or corporation. But the changes in the environment are probably even greater. Traditionally, leaders do look at this, but especially how the competitors position themselves and how they can distinguish themselves there. However, with the digital revolution this is not enough. It is on the very playing field that there are a lot of dynamics, especially because newcomers enter markets with a completely different game and a completely different way of playing. Platforms such as Uber, Bol.com, Google Flights, Booking.com and Airbnb, make it possible to combine supply and demand in a completely different way than was previously the case. Car manufacturers use digital technologies to sell mobility instead of automobiles. Compa-

nies that you never thought would enter your market suddenly do so and often have a huge impact on the sector. This became clear after Amazon entered the supermarket world in the United States. Also think of start-ups that suddenly become global players, such as Netflix and Spotify, with streaming services for image and sound. Their arrival has had a great impact on the music and media sector. Or PayPal, AliPay and Adyen, who have made paying online considerably easier.

It is also crucial for leaders to understand the foundations that have developed over time to provide value. Whether to determine how they may be able to play a different game themselves, or to determine which foundations may need adjustment to be able to respond to all changes and provide new value. Think of the assets that have been generated, the processes that are being carried out and the sales and distribution channels and the revenue models that are used. Today, these foundations are under discussion in many organizations and technologies offer opportunities to make changes. But usually that is not easy. Like the roots of a tree have become sturdy after a number of years, the foundations of organizations have also been settled over time and are not so easy to adjust.

Finally, the purpose of an organization is important to leaders. In this era, millennials are entering the labor market and they, more than before, need personal development, sense and meaning in their work. They want to contribute to a better world. For companies and corporations it is important to have a clear and appealing purpose. Goals such as revenue growth and higher market share are often not very interesting to them. Not only employees, but also customers, business partners and stakeholders like to be inspired by leaders such as Steve Jobs and Elon Musk, who have defined a so-called *massive transformative purpose* for their organization. Recycling waste, banishing fossil fuels or making space trips to Mars possibly appeal to many people and they want to contribute to these within their own role. And also think of The Ocean Cleanup, which Boyan Slat started in 2013 to free oceans and fish from plastic. People want to contribute in one way or another.

## **ANALOGY**

For a better understanding, we will explain the distinction between the five dimensions by means of the way you can look at a tree:

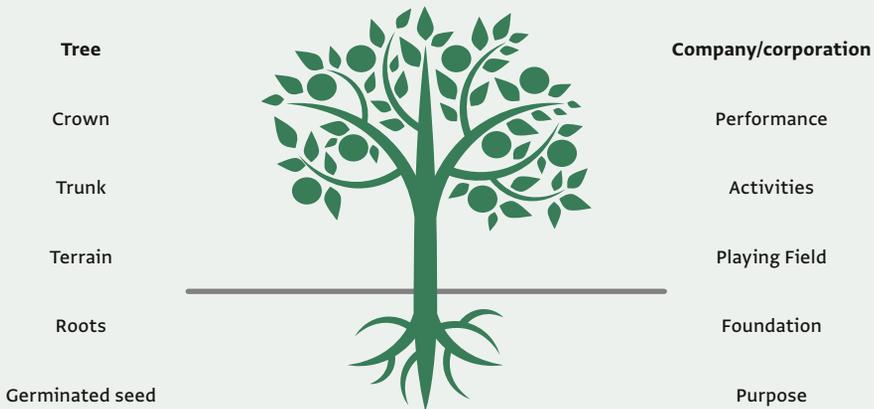
- ▶ What you often notice first when you look at a tree is the crown containing the leaves, flowers and fruits. They are, as it were, the clearly visible results that a tree produces annually. At a fairly large distance you can already get an idea about the health of the tree. The leaves and fruits are clearly visible and even tangible, but a tree also produces many invisible results. Trees convert CO<sub>2</sub> into oxygen, which you cannot easily observe with the naked eye.

- ▶ When you get closer, you can see the trunk of a tree and the branches on which the leaves and fruits grow. The wood of a tree is clearly visible and tangible and gives an indication of the firmness and flexibility of the tree. The biological processes that are going on within the trunk and the branches of a tree are not clearly visible or even invisible. These processes are needed to produce leaves and fruits. The suction effect of leaves, ensures the internal transport of juices, so that the leaves do not dry out. Which activities are carried out precisely and which flows can be distinguished, is difficult to observe from the outside.
- ▶ The tree stands in a field hosting other organisms as well. That living environment gives an indication of the viability of a tree, as it is where the food must come from. The soil may consist of clay soil, sandy soil, loam, gravel or rock. For a tree this is very important, as an oak tree grows poorly on sandy soil. The soil forms the most important living requirement for a tree, together with the climate and the amount of light that can reach the tree. Every tree has to carry out a lot of internal activities in order to flourish and to show good results, but it is the terrain in which the tree stands, which largely determines whether the tree can survive.
- ▶ Below the surface and a little deeper in the ground you find the roots of a tree. The roots form the foundation of the tree and ensure firmness. But they also collect the food that the tree needs to grow and to be able to carry out activities. Because the roots usually develop underground, they are even harder to observe. You know they are there, but what they look like is difficult to establish. Unless you start digging.
- ▶ What is even more difficult to see is the origin of the tree. The origin of the tree is the seed from which it germinated. From a seed, all sorts of characteristics are passed on and eventually an oak tree, a beech tree, a birch tree, a redwood, a spruce and so on grow, with the characteristic leaves and fruits that belong to the particular tree species. If you look at a tree, you can no longer observe the seed from which the tree originated. After all, that has developed into a tree. But on the basis of important characteristics of the tree, you can tell a lot about its origins and purpose.

Figure 2-1 shows the five dimensions that you can use if you consider a company or corporation, or a tree.

Just as with trees, the dimensions of an organization are not always easy to observe. The performance of an organization is sometimes partly visible, but as we descend to the other dimensions, the view from outside becomes increasingly limited. It is often clear which activities are carried out, but how they take place, where, by which means is often not transparent for people outside the organization. The same applies to the environment. The foundation is even harder to observe from the outside, let alone the purpose. The different dimensions are also often difficult to be perceived for employees of an organization. Yet these dimensions are important for the growth and prosperity of an organization and for leaders it is important to understand them.

Figure 2-1 The five dimensions when considering a company/corporation and a tree.



## 2.3 Domains within organizations

The four different interest groups that we introduced at the beginning of this chapter come back in two domains that we recognize among companies and corporations: the business domain and the organizational domain. A domain is a group of strategic focus areas where specific interests stand central. In the business domain, attention is focused on what is required to produce products and services that customers and business partners primarily have a business interest in. It is primarily about what you want to mean to them and what they can bring to your company or corporation. In general this concerns the rational side of a company or corporation, where performance and business take a central position. In the organizational domain, attention is focused on the collective and personal development of the organization and its people, in which employees and stakeholders in particular have a social or social and personal interest. It is primarily about what you want to mean to them and what they can mean to your company or corporation. This generally concerns the softer side, where organizational culture and manners are the main focus.

In the business domain, attention is primarily focused on the business operations and the primary processes and activities that are necessary to add value to customers and business partners, and on systems that support these processes. Within this domain you come across a lot of rational thinking and it is about business and financial interests. This domain is the primary focus area of the field of business administration.

In the organizational domain, employees and stakeholders take a central position. This involves, cooperation within and between teams, guidelines and procedures to be followed, policies to be implemented, development potential, standards and values, et

cetera. Within this domain, emotional and social intelligence play an important role and personal, social interests are addressed. This domain is the primary focus area of the field of organizational science.

We distinguish these domains because for each domain there are very different characteristic issues and different interests play a role. The distinction between both domains cannot only be seen in the aforementioned academic programs and disciplines, but also in the field of consultancy. A distinction is made between business consultants and management consultants. The first group refers to consultants who are concerned with efficiency and effectiveness improvement, operational management, operational processes and systems used. Management consultants are more concerned with the organizational structure, governance, culture and cooperation within organizations.

For issues in the business domain, the interests of customers and business partners play an important role. They are actually part of the primary process. But that does not mean that the interests of employees and stakeholders do not play a role here. Just as customers and business partners can be important in considerations about the organizational domain.

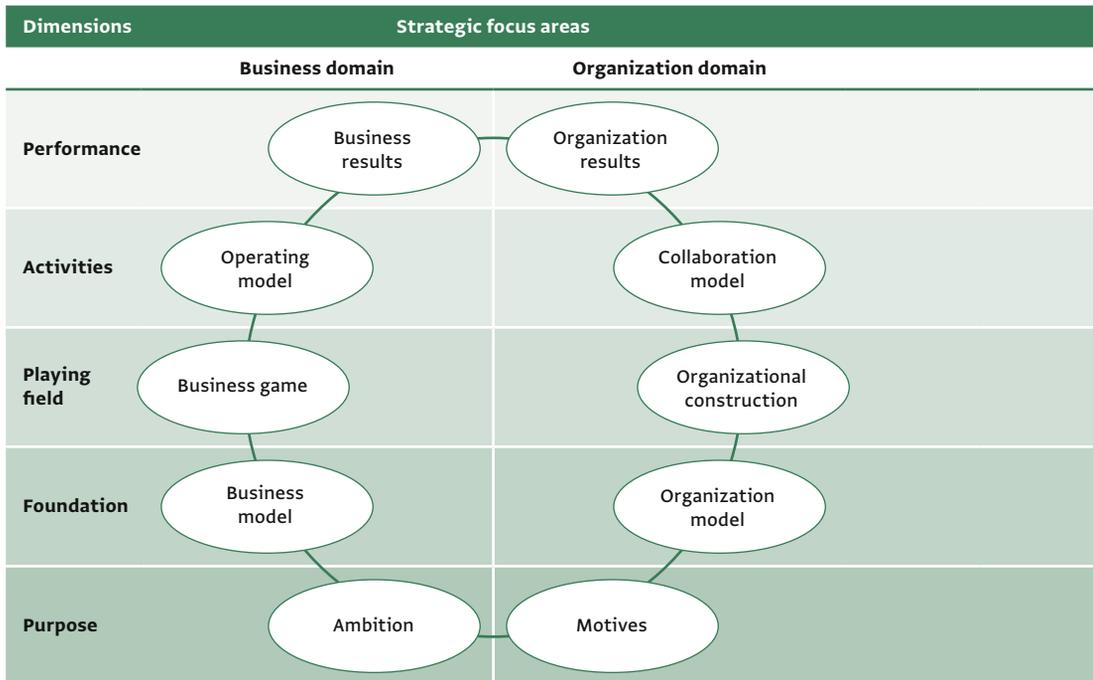
It is possible to distinguish between both domains, but in reality they cannot be separated. It is just like with your right and left parts of the brain, to which different qualities are attributed. However, if you separate the two halves of the brain, both of them immediately lose their qualities. The business and organizational domain together also form an inseparable whole, like yin and yang.

## 2.4 Strategic focus areas

So far, we have distinguished five dimensions in organizations and four interest groups, which are clustered in two domains. If you relate these perspectives to each other, a framework with ten frames is created through which you can look at an organization. By looking through each frame, you look at a strategic focus area and you make very different observations every time. If you look at the operating model of an organization, you make very different observations than when you look at the collaboration model. The strategic focus areas are shown schematically in Figure 2-2, the strategic framework containing ten frames.

In Figure 2-2 the dimensions are shown from top to bottom in the order in which they are explained in this chapter. In the traditional approach, it seems more logical to reverse that order and to place purpose at the top. From this way of thinking, you make choices in that order based on purpose, the foundation, the playing field, the activities and the results follow. However, we have placed purpose at the bottom of the figure because the foundation is based on it. This forms the basis for the choices about the playing field,

Figure 2-2 Strategic framework.



which in turn forms the basis for the activities from which the results originate. For that matter, choosing is not about order, but much more about monitoring cohesion. Choosing is an iterative process. A choice about the business model can influence a choice about the business game, but also the other way around.

You look through a frame at strategic focus areas. In the remainder of this book we will regularly discuss these focus areas. But first we will briefly explain each focus area for each dimension.

### 2.4.1 PERFORMANCE

If you consider the performance of a company or corporation, you mainly look at what has been achieved and built up in the course of time. In the business domain other types of results will emerge than in the organizational domain.

#### ***Business results***

Business results are, production, sales, quality, revenue, use of materials, utilization, and customer satisfaction. If you look at such results, it is, of course, important to under-

stand how the source data is recorded, what the figures mean and how they should be interpreted.

From a strategic perspective, it is important to determine which business results are most important in the short and long term. This often sets KPI's for the future, in terms of revenue, customer satisfaction, quality and profitability. With each of these KPI's, you look for indicators to determine whether you are well on the way towards achieving your goals and you set up measurement systems to be able to evaluate progress.

### ***Organization results***

Organization results are often less measurable. However, it is possible to gain insight into, the size of an organization by the number of FTEs, the workforce (e.g. age structure, diversity, level of education), the nature of employment contracts (fixed or variable), the buildings and facilities available to employees, et cetera. Expertise and experiences gained in the course of time are often very relevant, but not as easy to grasp. Even less insightful is the organization culture, a much-discussed organization result that relates to the behavior of (groups of) employees, the mutual communication and the cooperation with others within or outside the organization.

In strategic considerations it is important to determine which organization results are the most important. Sometimes these are very concrete objectives, such as the size and composition of the workforce, but you can also attach great importance to the organization culture that you aim at. In this way you can try to increase transparency, meaning, greater participation of employees, pleasure at work, personal and collective growth, social contributions, better cooperation, entrepreneurship or, in fact, more discipline, compliance with rules and productivity. Indicators that are regularly used to determine whether you are doing well include absenteeism, staff turnover, incidents, innovations, employee satisfaction and your image as an employer.

## **2.4.2 ACTIVITIES**

A company and corporation performs by carrying out activities. The strategic consideration of activities in the business domain is mainly concerned with the operating model that has been developed over time and which primarily concerns the way in which the efforts are made and the system that is used. When considering the organization domain, attention is paid to the way teams and employees work together to perform.

### ***Operating model***

The strategic issue in the operating model concerns the underlying philosophy and logic, in other words the conceptual model or system that is used in the design of the primary business process. Which output should you be able to supply and which processes are recognized in this respect? Which technology, equipment and people are used? Which

systems are used to plan activities, to guarantee quality and measure performance? What do you really have to do yourself as an organization and what could better be outsourced? How can the activities be carried out differently to keep costs and necessary working capital, such as (intermediate) stocks, as low as possible?

For leaders, it is important that they deal with these type of strategic planning issues about the operating model and that they keep a clear overview. Various organizations appoint operational managers to manage day-to-day operations by managing people, making schedules, carrying out inspections, et cetera. These managers also deal with issues about further optimizing and improving the operating model, to make it more effective and more efficient. But that is not what we mean as a strategic issue with the operating model. This primarily concerns the strategic choices made about the way of thinking and the system used in the design of the primary business process. Does your company or corporation actually have an adequate operating model at all?

Choices made in the past about the operating model are not necessarily the right ones any longer. In every company the playing field is changing rapidly, which creates new opportunities for the design of primary processes. In the retail sector, the store location and stock availability were a central part of the operating model. Customers came to the store, collected their purchases there, paid and took them home. For a retailer it was, therefore, important that there was enough stock in each store, that you had enough change, that you could easily order from suppliers, who had to be able to deliver quickly at different locations, et cetera.

The operating model has changed considerably in recent years as a result of digitization. In retail, location and stock levels have given way to image and presence. Now a retailer should not only be well-equipped so that customers can get their goods, but they also should be able to order them online and have them delivered at home everywhere. Delivery does not have to be available locally from every store. You can organize this regionally, assuming you have more stores. You can outsource the delivery to specialized companies, but if you are big enough, you can do it by yourself. Then, of course, you have to offer customers the possibility to place their orders easily, 24 hours a day, 7 days a week, through online stores or apps, and you need people and means to deliver. Customers must also be able to pay easily.

The operating model of supermarkets and other shops has already changed considerably and will continue to do so in the coming years due to new digital applications that present themselves, such as robots, but also as a result of the changing consumer needs. Something similar applies virtually to all sectors. Hospitals, have traditionally been equipped to make the specialist's work as easy as possible, so that he can be as productive as possible. In hospitals it is also no longer necessary that a patient first has to go through all kinds of departments for different types of diagnostics tests (like blood draws or x-rays) and then wait at an outpatient clinic until all results are in and

the specialist has time to see him. Outpatient clinics or centers are increasingly being designed where diagnostics and consultation are concentrated in one place, so that a patient no longer has to walk down long hospital corridors. In addition, hospitals are increasingly looking for regional cooperation with other health care providers in their operating model. The patient is not left to his fate after he or she returns home after an operation, but receives aftercare from another corporation. Digitization offers many possibilities for remote care, so that in many cases patients no longer have to come to a hospital as a central place for care.

For leaders, it is therefore crucial to understand the operating model of their company or corporation and to know which choices have been made so far. That knowledge is crucial. Not only to be able to make the right strategic choices about the operating model itself, but also to be able to actually make a choice for the other strategic focus areas.

### ***Collaboration model***

The collaboration model is primarily concerned with the question how employees within an organization work together in carrying out activities and how they collaborate with others outside the organization. What is the mind set or logic used in the classification of teams? Which teams are identified? What is the size of these teams? How do employees work together within and between teams and how are teams managed? How autonomously can teams work? Which procedures and work instructions apply? How are work schedules made? What resources and systems are available to employees? How does consultation take place? Which systems are used to monitor activities? How are employees rewarded, trained and coached, et cetera? These are all issues with operational characteristics for which operational managers are often responsible.

In many organizations collaboration models have already changed considerably in recent years. Partly as a result of digitization, working from a home base has become possible and a new way of working has come up, in which for some, job satisfaction has decreased and for others it has increased. Many organizations have started working with flexible layers, with no longer everyone having a permanent employment contract. Communication with customers and suppliers has often been digitized and has therefore become less personal. Looking ahead, the collaboration model is, therefore, an important strategic focus area for leaders. How will the nature and scope of activities change? Which competencies will be needed in the future? How can we make better use of the existing potential of employees? How do we ensure the right teams and the right management?

An important element in answering these kinds of questions is to first thoroughly understand the current collaboration model. Not only to be able to make the right choices about the future collaboration model, but also to be able to make choices in the other strategic focus areas.

### 2.4.3 PLAYING FIELD

In order to carry out activities, a company or corporation needs space. This does not come about automatically, a playing field has to be created and the question is how you define and demarcate that playing field. In the business domain, it concerns such questions as: In which market do you want to be active? Which rules do you have to observe? Which position do you aim for? Which business game are you going to play? How do you find customers? How do you want to provide for their needs? What do you have to offer them and how distinctive are you, and how have you defined the market?

Space is also needed in the organization domain, but then in order to make decisions. This space to maneuver is influenced by administrative, legal, financial and fiscal constructions from the past as well as legislation and regulations. How far does control go and what requires the approval of stakeholders and employees? How is the organization governed? Where is the power located? Which agreements with stakeholders should the organization adhere to, et cetera? The strategic question is always whether those constructions are desirable in the future, or whether other constructions should be sought.

#### ***Business game***

The strategic issue in this focus area concerns the game you want to play on the playing field, what you intend to win by playing the game and how you set and define the playing field. How do you create the best strategic opportunities for your company or corporation? In which geographic regions do you want to be active with what products and services? Which parties do you need to achieve success there? How do these parties know what you could do for them? How can you persuade or tempt them to do business with you? Who else can they go to for similar products or services and how do you distinguish yourself? These are not new commercial or strategic questions, but because of the increasing turbulence, new answers are needed.

For leaders it is important to understand the essence of the business game of their company or corporation and to understand how the playing field is limited, or what choices were made about it in the past. Those choices were perhaps the right ones at the time, but probably they are no longer now. Old and familiar patterns and laws in a particular market may no longer apply. Taxi companies have recently been confronted with the arrival of companies like Uber, Lyft, DiDi Chuxing and Grab, which offer services that are similar to those of traditional taxi companies, but which play a whole different game with their own platforms and apps in the playing field of the taxi world. Next to taxis, many more digital platforms have emerged in recent years that play games that appeal enormously to a large group of users. Why would you, living in a big city, still buy a car or a bicycle, if they are available everywhere and you can use them any time you need them, and for which you only have to pay when you use them? But what do you do when you are in the bicycle or car business? Which game are you going to play? And in which market?

Traditional thinking in terms of demarcated segments is becoming increasingly difficult, not only as a result of digitization. Insurance is concluded with the purchase of an expensive product or service, such as a trip. You do not have to go to an insurance company for that. Conversely, when you are in the insurance market and wait for a consumer to come to you to insure his car, you are too late. In many cases the game has not been played that way for a long time. Car dealers will offer their customers insurance themselves, whether or not through a power of attorney from an insurance company.

The revenues that companies and corporations go for when they play the business game are also subject to considerable change, as a result of digitization. Traditionally, the revenue from products and services sold is expressed in money, but data is becoming increasingly important as a form of valuable income. With all available devices and sensors that can be linked to each other through the Internet, worldwide much data representing value is generated in almost every sector. Companies like Google provide users worldwide a lot of value with their search engine because you can quickly learn a lot about what you are looking for by means of their algorithms. However, they also generate a lot of data about you, your preferences and interests, which allows them to serve advertisers much more adequately. Facebook does something similar. In a similar way, car manufacturers can learn a lot about their customers' habits, just as publishers of content can learn a lot about the interests of their subscribers. In many places companies and corporations generate data, a lot of data. Big data has thus become an important asset, allowing companies and corporations to offer new services and generate income in the long run through algorithms that are still to be developed. According to some futurologists, in the course of this century, having data will become even more important than the possession of other resources such as land or real estate. *Whoever has the data has the power*, they predict. When playing the business game, it is therefore no longer only about collecting as many financial income as possible, but more and more about the data that can be collected. We address this in more detail in Section 7.2.1.

Being aware of how you, as a company or corporation, play the business game on the playing field that you are active on, of what you intend by playing the business game and of what other parties are doing on your playing field, is crucial to making the right strategic choices and positioning yourself well. The same understanding is also important to be able to make the right choices for the other strategic focus areas. It goes without saying that changes in the game may, also entail changes in the operating model.

### ***Organizational construction***

Earlier we indicated that organizations are man-made constructions resulting from all kinds of agreements that people make with each other. That is what this focus area is about. What agreements and rules have been made about the governance of an organization and what space is there at various places in the organization to be able to make decisions? Here the playing field is mainly determined by the administrative, legal, fiscal and financial frameworks within which the management and employees of an organi-

zation have to work. How is an organization governed, how is it financed, who leads an organization and how is compliance incorporated? In addition, legislation and regulations provide frameworks which any organization is bound to. These are different than the frameworks resulting from agreements with stakeholders such as banks, investors, shareholders, governments, trade unions, and so on. The management of an organization is usually there to make these deals with supervisors in the background.

Organizational constructions affect the range of action and freedom of movement of leaders in organizations. This space is always limited by agreements made by founders, directors, governors and managers with stakeholders such as shareholders, investors, financiers, trade unions and license providers. Such agreements are anchored in formal documents. With the establishment of a new organization, the construction is often considered. You then decide who the shareholders are, which legal form is applied, how the financing of the company is arranged, who the board of governors will consist of, how that is supervised and which fiscal system applies. At that moment you make choices that will influence an organization for a long period of time, but that does not mean that these choices are fixed forever. The strategic question with the organizational construction is, therefore, to what extent the construction will offer sufficient space and possibilities to further develop the organization. When will new agreements be needed?

Companies like Philips and DSM, decided at the beginning of this century to change their organizational construction and split up their concern into separate units, which were stronger independently than as part of a large entity. The other way around it also happens, when companies decide to merge. Banks and insurance companies often set up or invest in new companies, such as fintechs, as innovative ideas within such a new construction would have a better chance of success than within their often slow and inapt parent organization, in which all kinds of rules and procedures apply. Examples are the Dutch bank Knab, a bank of insurer Aegon, and the fintechs Franx, Ockto, Prosperity and New10 of the ABN AMRO bank. These are examples of constructions that are common and where leaders need to think carefully whether they provide sufficient space to further develop their organization.

Leaders often think about other or new legal, fiscal, governance, financing, personnel and fiscal constructions such as alliances, franchise agreements, mergers, split-ups, joint ventures, acquisitions, investments, covenants, collective labor agreements, social plans and general terms and conditions. Such constructions have a great impact on the decision-making space within organizations, so that changes in the construction at large organizations require a lot of lead time. These are complex issues with different implications. Leaders are often supported in these kinds of issues by lawyers, tax specialists, financial advisors and accountants.

Although there may be many substantive arguments for adapting an organizational construction, these discussions also concern influence, power and (joint) control. Some-

times new constructions are suggested to bring about a redistribution of power. Who makes the decisions, what space is there to make decisions at various levels in an organization and to think along? This also involves the positions of the individual leaders, the people who hold these positions, the divisions, business units and departments they manage and the autonomy and delineation of their field. These are themes that many professionals and leaders often avoid because they are not interested, but questions about power and authority also belong to strategic management.

In this focus area the attention of leaders focuses on strategic risks which a construction entails. Risks can arise when agreements do not turn out to be watertight, if agreements are not adhered to, or if agreements have become too oppressive. Risk management, governance and compliance are well-known issues which fall within this strategic focus area. Which responsibilities, authority and power does a leader get? What is their span of control and what rules are they bound to in important decisions? How are leaders appointed and how is supervision arranged for their functioning and, in a broader sense, for the functioning of the teams within an organization as a whole?

#### 2.4.4 FOUNDATION

The foundation of every company and corporation consists of the business model in the business domain, which provides value to customers and suppliers on the playing field. The organization domain is the organization model used to deliver value to employees and stakeholders. Both models are explained briefly.

##### ***Business model***

The strategic issue the business model deals with is the value you create and deliver to customers and business partners and how you can capture value for your company or corporation. Which products and services do you supply and what value does it represent for your customers? To which groups of customers do you deliver that value, who are your target groups and by which channels do you reach them? In which way do you get paid for the value you deliver? This also concerns the assets which are needed to deliver that value, the core activities that you need to perform to that effect, and the business partners you engage in doing so. Here too, it comes down to fundamental choices that you cannot easily revise.

The strong growth of platforms with cloud computing and the use of big data and artificial intelligence are important reasons for revising business models. They provide opportunities to create and deliver new value. In various sectors it has become clear that business models that were once successful have become unnecessary. Customers no longer see any value in a CD or DVD store, now that they have the ability to stream music and videos. What is the value of a physical bank building when you can arrange all your financial affairs online, or of a travel store, when you can book your trip online at your own convenience? Why would you still print and archive documents and images if

all your documents are accessible online through cloud computing or platforms accessible anywhere in the world? Why would you advertise to a broad audience if you know their individual needs based on customer profiles? Not only digitization has had a major impact on business models. Economic developments such as the sharing economy, social developments relating to transparency and ecological developments such as aiming at sustainability, have had a major impact on the business models in virtually all sectors, worldwide. Consumers and business customers continue to look for different values.

Business models also change when you make alliances with business partners. Alliances are necessary for platform companies, but traditional companies are also increasingly entering into strategic alliances to form a platform or ecosystem together and to make use of available technologies. Thinking in terms of traditional industries is becoming less and less relevant as the boundaries between them are fading. For leaders, the question is more relevant whether they want to transform their business model into a platform model, to a pipeline model producing unique products or services, or to an infrastructure model which strengthens the operational facilities and services.

For leaders, it is important to know their current business model well and to understand the choices that were made in the past. This provides a great deal of understanding of the possible adjustments and the possibility of introducing or transforming into new business models, as well as a great deal of understanding of the choices to be made in the other strategic focus areas.

### ***Organization model***

The strategic issue in the organization model relates to the value you create for employees and stakeholders and how you monetize that value for your company or corporation. Employees, value good working conditions, a sense of purpose in their work and development opportunities. What functions or roles do you have to offer employees, which employment conditions and which development options? But also: what are their tasks, responsibilities and authorities, in which hierarchy will they be working and how autonomous? What are the core competencies of your company or corporation? Which policies, rules and regulations must be applied to do the work? What added value does the strategy of a company or corporation have for its stakeholders such as financiers, trade unions, NGOs, interest groups and possibly shareholders? And what does that strategy mean?

It is certainly not only about the question of what you can offer to employees and stakeholders as a company or corporation. The other way around it also applies, similar to what John F. Kennedy said in his inaugural address in 1961: *'Ask not what your country can do for you, but what you can do for your country.'* It is no different for companies and corporations. It is just as important to ask yourself what value employees and stakeholders can add to the development of your company or corporation and to achieving your strategic goals. Are stakeholders, willing to use their networks for the strategy of your

company or corporation? Clear choices about such things as strategy, structure, policy and competences are important conditions to achieve that cooperation.

In many companies the organization model is under pressure. As a result of the digital revolution, organizations need to be able to adapt quickly, but also to accommodate competences to apply new technologies, and they have to prepare for bots and robots which will take over part of the work. They must be agile and adapt easily to changing market conditions. This requirement is often at odds with existing labor agreements and legislation and regulations for personnel. Furthermore, the question arises increasingly how social media can be used for communication with stakeholders. Innovations and changes must be relatively simple and quick to implement.

Here too, it is important for leaders to understand their organization model well and to know the choices about the underlying foundations.

### 2.4.5 PURPOSE

The last dimension concerns the purpose of an organization, its higher goal. Which ideas were behind the creation of a company or corporation at the time and what is driving the current owners? In the business domain, this concerns the *ambition* of the founders, owners and management. In the organization domain it mainly concerns their *motives*.

#### ***Ambition***

The strategic issues for ambition are about the goals which a company or corporation aims to achieve. Are they exclusively financial goals, such as revenue and profit? Are there goals to grow or to strive for a certain quality? Is market share important, or the position in a particular market? Are there specific goals that relate to a change that must have been implemented in one of the other dimensions? Or are there specific targets for the two groups of stakeholders in this domain, customers and business partners? What are the goals of the leaders of the company or corporation?

For leaders, the focus on ambition is important. Not only for themselves, but also for others within and outside the organization. The ambition provides direction and intensity to the choices about the business model, the game and the playing field and the operating model, but also to the choices about the organizational construction and the collaboration model.

#### ***Motives***

The strategic issue for motives concerns the underlying drivers for the existence of your organization. What is the mission of the organization? How does it contribute to a better world? Which basic idea, philosophy or ideals do the leaders have in mind? But this also concerns the way in which you want to achieve goals and the points of departure that you take into account, such as core values and desired behavior between employees and their interaction with external parties.

## 2.5 Intermezzo

In the previous part, you were introduced to ten different frames through which you can look at the strategic focus areas of an organization. These frames can be applied to any company or corporation, regardless of the sector in which it is active and regardless of its size. In fact, you can also apply the frames to parts of an organization. That makes this way of looking powerful, especially when you look at your organization together with colleagues in the same way. It enriches mutual discussions when you use the same view and terminology with each other. When you use these frames, it is important that you identify exactly what you are looking at: the entire organization, a division or a business unit. On different levels, the game will be different and you may have to deal with different rules.

You may be able to recall your strategic choices that were made in your own organization in every focus area in the past. It is also good to reflect on recent discussions with colleagues about certain choices. It is not uncommon for leaders to have their own preferences for a strategic focus area when they look at their organization. You may recognize the preferences in yourself and with your colleagues. There must be someone in your company or corporation who almost always focuses on improving the output of the operating model, but who may not pay much attention to what the competition in the market is doing and what that does to the business game. You may have a colleague who is constantly insisting on cultural change as an important organization result, or who always focuses on the governance of the organization, which in turn is an important part of the organizational construct.

It could be that you recognize in yourself and others that you prefer the strategic focus areas in the business domain, where the different dimensions are always about what you want yourself to mean for customers and suppliers and the business results that you can achieve in doing so. You often encounter this focus with organizations that put the customer first. But of course there are also many organizations that place their employees at the center, from the conviction that, if they are satisfied, they will make satisfied customers. Then the focus will be more on issues in the organization domain, such as the organization model, the organizational construction and the mutual cooperation, in order to achieve lucrative organization results.

If we look at the themes and trends in management literature, we also see that diversity there. Many organizations are using Lean and Six Sigma. Both approaches are aimed at optimizing the operating model in the business domain. Other themes are agility, which primarily influences the collaboration model in the organization domain, or entering into strategic alliances, which has an impact on the organizational construction. Different organizations reflect on their reason for existence (the why) and return to the motives of their organization. There is also a lot of attention for innovative applications of technology, which are often disruptive to the business game that organizations are currently playing on their playing field.

Sometimes these kinds of themes turn into hobby horses for managers, who therefore run the risk of optimally organizing one of the fields, whilst disregarding the other strategic focus areas. That is not future-proof. From leaders in this day and age a holistic approach may be expected, in which they are able to have an overall view.

## 2.6 A holistic view

A holistic view means that you look at the interests of different groups of stakeholders with sufficient width and that you look with sufficient depth at all dimensions of an organization. Not only do you look inside, but also how an organization is part of a larger environment (the playing field). Holistic viewing is not an end in itself. It enables leaders to perform the right strategic analyses and make choices in their pursuit of future-proofing. It requires some skill to do so, with the distinction of the ten frames being helpful. To this end we have briefly explained the strategic focus area for each frame separately, so that you can apply it to your own organization. Ultimately, it is not about the separate strategic focus areas and the strategic choices that have to be made per area. What strategic management is all about is that you make those choices in a coherent way and that you consider all the strategic focus areas in their interconnection. By doing so you form, as it were, a holistic view of your company or corporation and that is crucial in strategic management: keeping an eye on the whole.

A company or corporation does not need to have the best operating model. If there are products or services that do not deliver the value that customers need, it will be over quickly with that company or corporation. It does not matter whether you have the best structure or the most elaborated ambition either. For a future-proof course, it is important that the choices in each of the ten strategic focus areas are well coordinated and cover the interests of all stakeholder groups.

Too many companies have long been unilaterally focused on optimizing their operating model and achieving good performance, without them noticing that their intended customers are placing less and less value on this. Companies such as Sears have also gone under. Their customers quickly turned out to attach much more value to online stores and platforms that are always accessible by smartphones. The leaders of these companies had too little regard for what was happening on the playing field and how they would have to adjust their foundations accordingly.

Choosing the right focus, making strategic choices and implementing them, while also monitoring coherence, is not always easy. In 2016 Tesla introduced a new game in the market to sell cars. In the automotive sector, you traditionally buy a new car from a brand dealer. With them you order the car and they also deliver it. With the introduction of the Model 3, Tesla decided to play that game differently. You could not buy a car of the Model 3 model at the time, but you could already reserve it by means of a down-payment of \$ 1,000 and with a waiting period of at least one year. This reservation did not

go through a dealer, but you could arrange it yourself through the Tesla website. The company wanted to raise capital to invest in production lines. That game worked out well and hundreds of thousands of people put in a reservation.

However, you have to be able to live up to the game that you play on the playing field. In view of the major production problems of Tesla in 2017 and 2018, their operating model was far from being fully developed for producing large numbers of cars. The original plan was to make around 80,000 Type-3 cars in 2017, but they made about 3,000. For various reasons, it was a risky strategy. Not only do people lose interest, but the costs are running high all the time while the revenues lag behind. Moreover, as a company you have to stay hopeful that employees and financiers do not lose their enthusiasm and patience. Time will tell how this will ultimately work out for Tesla.

It is important for leaders to monitor the coherence between the strategic focus areas within a domain, but also between the strategic focus areas for each individual dimension. Low-cost companies like Ryanair do everything they can to make flying as cheap as possible for their customers. It is precisely for this group of stakeholders that Ryanair wants to position itself lucrative on the playing field. But in view of the conflicts that the company has been having with its pilots and other personnel in 2018, this is at the expense of the attractiveness for the employees: the employees have clearly stated that they find the workload too high and the salary too low. They feel that they have to sacrifice for the benefit of the customers. To manage the different interests carefully is not easy but crucial. This also applies to all kinds of companies in, the clothing industry, which are able to deliver at extremely low costs. This is almost always at the expense of their suppliers in the chain, where people often perform their work at the poorest wages in abominable working conditions. Only then, these low prices are possible. In the platform economy, there are also often situations that are seen as undesirable from a social point of view. It is not future-proof. Facebook has seen a sharp decline in the number of users and advertisers when it became clear that the company was violating the privacy of its users.

The question is to what extent the ten frames actually yield a holistic image. You might have the impression that you are looking at a particular company or a particular corporation with those frames, without looking at the environment in which it operates (inside-out). But that is not the case. You can indeed primarily see the inside of an organization through eight frames. But two frames are explicitly meant to be looked at outside: the business game and the organizational construction. Do you have the desired connection to the playing field with external parties and are you sufficiently connected with external organizations to jointly deliver added value to customers, business partners, employees and stakeholders? The business game is about identifying the dynamics in the market and defining a view of the game that distinguishes your organization from others. If you

want to make strategic choices, it is crucial to take note of upcoming trends and developments and opportunities for cooperation or the formation of ecosystems with other parties. In an ecosystem, various organizations and individuals interact with each other to deliver value to customers. With the organizational structure, you also look at the broader playing field such as legislation and regulations, new opportunities for financing and social developments that may involve opportunities or risks.

Another question is “what do you consider to be the bigger picture”. From a holistic perspective, a company or corporation is not automatically the larger entity, but the environment of the organization it is part of, such as an ecosystem, a concern or a vision. If you want to set a future-proof course, it is particularly important to clarify which larger entity you have in mind and how you will contribute to it. Elon Musk, has the dream/vision to have people live on Mars and other planets. Realizing that vision through his company SpaceX requires technologies and applications that are unknown to us as yet and that is exactly what his companies are trying to develop. Determining what you consider to be the larger whole and the resulting mission are strategic choices that you make in the strategic focus areas ambition and motives.

## 2.7 In conclusion

In this chapter we have introduced a holistic way of looking at organizations, in which it is important that leaders keep the interests of the four groups of stakeholders in mind. With this view, five dimensions are central in two domains. This results in a framework of ten frames. Through each frame you look at another strategic focus area of your organization and at the strategic choices that can be made in that particular area.

Answer the following questions for your own company or corporation:

- ▶ Who are the most important (groups of) customers, business partners, employees and stakeholders in your company or corporation?
- ▶ What characterizes the strategic focus areas of your company or corporation? For each focus area, identify 3 to 5 characteristics which are typical of your company or corporation.
- ▶ Which frame or frames do you prefer most to view your company or corporation?
- ▶ Which dimensions, domains and strategic focus areas usually receive the most attention from the management of your company or corporation? Is there sufficient attention for all these areas?
- ▶ Do you think that you and the management of your company are already looking at your company or corporation in a holistic way, or is the view still largely fragmented?

Looking at all strategic focus areas in coherence creates a holistic view of your company or corporation. Such an image is needed in these days of increasing turbulence: you have to keep an eye on the whole picture. Moreover, it answers the question what can be managed strategically by organizations, namely the ten strategic focus areas.

In the next chapter we will discuss the question of where to look, if you want to make strategic choices to make your organization future-proof.

## About the authors



**NORBERT GREVELING, PHD**, (1961) is a strategy consultant who advises management boards on strategic issues and provides guidance during the execution of strategic initiatives. Over the years, he has supported over a hundred organizations in the profit sector and health care, both large and small, international and local. In recent years an important focus has been on future-proofing organizations, with major attention being paid to strategic alliances and innovation.

Norbert works as an independent management consultant for Business Fit-ality, a consultancy firm he founded in 2004. Before he established himself as an entrepreneur, he was a senior partner at the Dutch consulting firm Twynstra Gudde for a few years. Before that, he worked for IBM Netherlands, where he was managing principal of the IBM Consulting Group. Since 2013 he has been a lecturer in the field of strategic management at Business School Netherlands, in the DBA program in China and the MiniMBA program in The Netherlands. He studied Industrial Engineering and Management Science at Eindhoven University of Technology. There he also received his PhD on the subject of IT strategy. He has several publications to his name, including a few management books on strategic management.



**ROLAND BUSHOFF, MSC**, (1961) supports organizations in making strategic choices and implementing strategic changes. He has major experience in the financial sector, with the emphasis of his assignments often being on the redesigning of organizations, making business operations more efficient and strengthening the commercial focus. Roland feels very involved with the organizations he advises and combines a pragmatic approach with a strong theoretical foundation. In addition, he believes in combining the design and implementation of changes.

Roland works as a management consultant at Voogt Pijl & Partners and worked for many years as a partner at Twynstra Gudde. He is also an associate professor for strategic management at Business School Netherlands, where he is a lecturer in the MBA program. Moreover, he has now guided hundreds of managers in their graduation stage. Roland studied Industrial Engineering and Management Science at Eindhoven University of Technology. He is (co-)author of various publications in the field of strategic management.

# Strategic Managing in a Turbulent World

Learning how to make your organization future-proof

This book describes a new paradigm for strategic management. Traditional strategy models and theories, as well as approaches for strategy development and implementation are hardly applicable anymore when making strategic choices in this era of ever-increasing turbulence. The focus of this book is not on selecting and implementing the one right strategy every 3 - 5 years, but on almost continuously making and implementing the right strategic choices. That allows leaders to follow a future-proof course in a turbulent world.

The new paradigm described in this book contains a holistic way of looking at organizations, a modern view on the key tasks of leaders and a new approach for future-proofing organizations, suited for this era. The core concept in this book is the Strategic Framework with ten aligned frames to view your organization. The authors of this book, Norbert Greveling and Roland Bushoff, have used their personal experience as strategy consultant, leader and strategic management professor, to develop this new approach which is now being used in many MBA programs for strategic management and applied by many companies to develop a future-proof course.

It is an inspiring textbook in which the authors provide practical tools to leaders who want to make their organizations more future-proof. Innovative business and organizational ideas and views on strategic management are adorned with appealing examples and practical tools and instruments. In addition, the authors put well-known strategy models and theories in a clear context so that you can set off immediately.

With this book, the authors offer a new language with a refreshing and challenging terminology. The book provides guidance to current and future leaders, their advisors, professionals and students who want to further improve their skills in strategic management issues. The book also provides useful ideas for directors, supervisors and Boards of Directors to monitor the future-proofing of their organizations.