

CHAPTER 5

Classical strategy

Building a sustainable competitive advantage



INTRODUCTION

What happens if your market conditions change? When new technologies disrupt your business, or when your competition decides to merge and become the new number one in your market? Many companies still react to these matters in a classical manner by having detailed business plans developed by top level management, and by subsequently executing these plans. In the first four articles, we described the BCG Strategy Palette in combination with organizational culture and leadership styles.

This fifth article is the first of a series that will each highlight a strategy approach and accompanying company cultures and leadership styles. We will describe the connections between those three key elements that bring either success or failure to companies. Especially as the world around us changes continuously, it is necessary that we and our companies learn to adapt. What does this mean for your strategizing process, your culture and your leadership style, is that your priority is to stay ahead of the competition.

Building a sustainable competitive advantage

The classical strategy approach has been dominating strategy development for many years with renowned concepts from Ansoff, BCG and Porter that are applied in predictable environments that operate in stable markets. Classical companies have very few opportunities to change the basis of competition in their industry. Markets are relatively predictable, competition is stable, entry barriers are high and changes happen gradually. In these type of markets, the critical success factor is the ability to build a sustainable competitive advantage based on a clear focus, sufficient scale, superior capabilities and/or differentiation. These companies focus on what they can influence: costs and profitability. Therefore 'being big' is important. Lower costs can drive competition out of the market, increase market share and improve results.

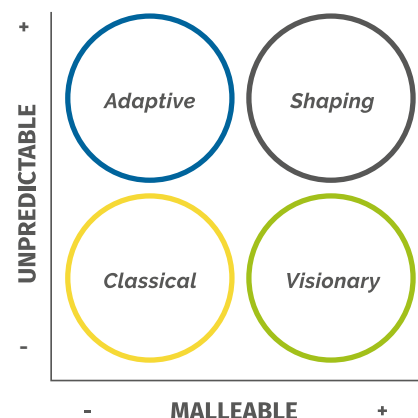


Illustration 1: 4 types of strategy approach

Hierarchy culture focuses on control and efficiency

Organisations with classical strategies are characterised by standardization, specialisation and delegation. Standard operating procedures, a strong top-down culture and attention to detail are leading. The culture that supports a classical strategy, is a culture that contributes the pursuit of excellence. Based on the four types of culture from from Quinn and Cameron (illustration 2) we would

call this a hierarchy culture. The hierarchy culture is characterized by being disciplined, focused and analytically minded. Typically for a highly formalized and structured environment.

Procedures determine what the people do. The leaders are proud of the fact that they are good, efficiency-oriented coordinators and organisers. Maintaining a

smoothly running organisation reaching their KPI's is the most crucial thing. Formal rules and policy documents hold the organisation together. Concern for the long term focuses on stability and results, accompanied by an efficient and smooth execution of tasks. Success is defined in the context of reliable delivery, smooth planning and low costs.

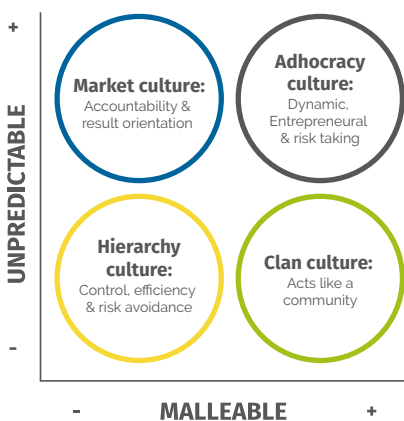


Illustration 2: 4 types of organizational culture

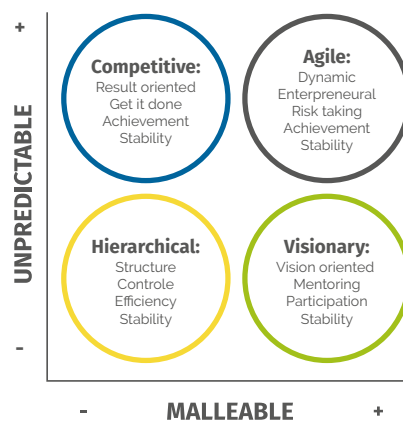


Illustration 3: 4 types of leadership

Hierarchical leadership style

Classical strategy delivers a well-defined and unchanging goal and path, which is the main focus for the leaders in the organisation. The strategy and its goals and definition of how to win comes from the top management and is cascaded further down by the middle- and frontline management. The relentless focus on the plan makes that the leaders must take back a step from time to time to avoid ignorance of

the development of the market. The Leadership style that is most suitable for this kind of environment is the Hierarchical style.

In illustration 4 we have identified the importance of each of the four roles that belongs to a hierarchical leader in an organization. Each of the roles is scored from 1 (not important) to 5 (very important).

ROLE OF HIERARCHICAL LEADER

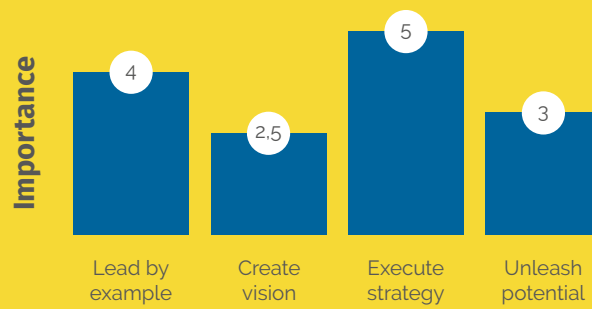


Illustration 4:
Role of a hierarchical Leader

Lead by example: in an organization with a traditional strategy, goals and the definition how to win come top down. Lead by example is a key behaviour expected from a leader that want teams to relentless focus on the plan made for them.

Create a vision: organizations with a traditional strategy will probably have a vision that will be valid for a long period, as in this environment there is need for a long-term stable strategy. At the same time this stability can also be a threat because it can lead to ignorance of changing markets.

Execute strategy: once the strategy has been set and there are concrete plans behind this strategy, leaders turn their focus to detail and execution. They need to ensure execution until and unless new information arises and demands an update. Execute strategy is in our opinion the most important role of a leader in an organization working with a classical strategy.

Unleash potential: unleashing the available potential of the managers and co-workers in an organization is a basic task for all leaders in an organization independent of the type of strategy. Nevertheless, in an organization with a classical strategy the focus on unleashing the existing potential is mainly oriented to the goal to execute the strategy and deliver in line with the plan.

Pitfalls current habits

As we have seen before, the classical strategic approach is used in a relatively stable and predictable market, with an established and stable basis of competition and with a low chance of disruption. Nevertheless, if the environment changes significantly due to a shift in customer demands, availability of new technologies, or entering of new competitors, the organization will have to choose for a different strategic approach. We have observed that most organizations have the ability to change their strategic approach, but do not necessary take or realize the consequences of adjustment of strategizing

process, or how their culture and the leadership is connected to this new strategic approach. This often leads to a weak and delayed implementation of the new strategy. Or even worse, it leads to failure.

The adjustment of a strategy approach, culture and leadership is a long lasting process, which needs to start with a clear and open communication about the different way of working and leadership behaviours, linked to the change of strategic direction. It needs to be accepted that this a slow and difficult process which will demand endurance and strong leadership.

Interested in a further conversation?

When companies find themselves in doubt about the current use of a traditional strategy approach due to changing conditions within their market, we quite often observe a need for support to evaluate the current strategy process. Questions arise such as:

- 'Are current practices still valid or should we start to work with or combine other approaches as the adaptive strategy process?'
- 'Do we need a re-assessment of our current leadership style to give us better insights what we need to lead the organisation into the right direction?'
- 'Is our current leadership team sufficiently equipped to answer up to the new requirements?'
- 'How do we evolve our company culture from a very much hierarchical centred culture into a more competitive culture?'

Strategia Business Consulting and The Amsterdam Leadership Academy have a strong background in supporting companies where these types of questions arise. Interested to share ideas en receive our feedback? We will be happy to join you to have a good discussion about your Strategy & Leadership challenges.

***"Building a resilient company
for the future"***

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