



Business Strategy in the Global Age

Professor Costas Markides
London Business School





Let me Start with a Story:

- Walter Dodge and the Mann Gulch fire, Montana, USA, 1949



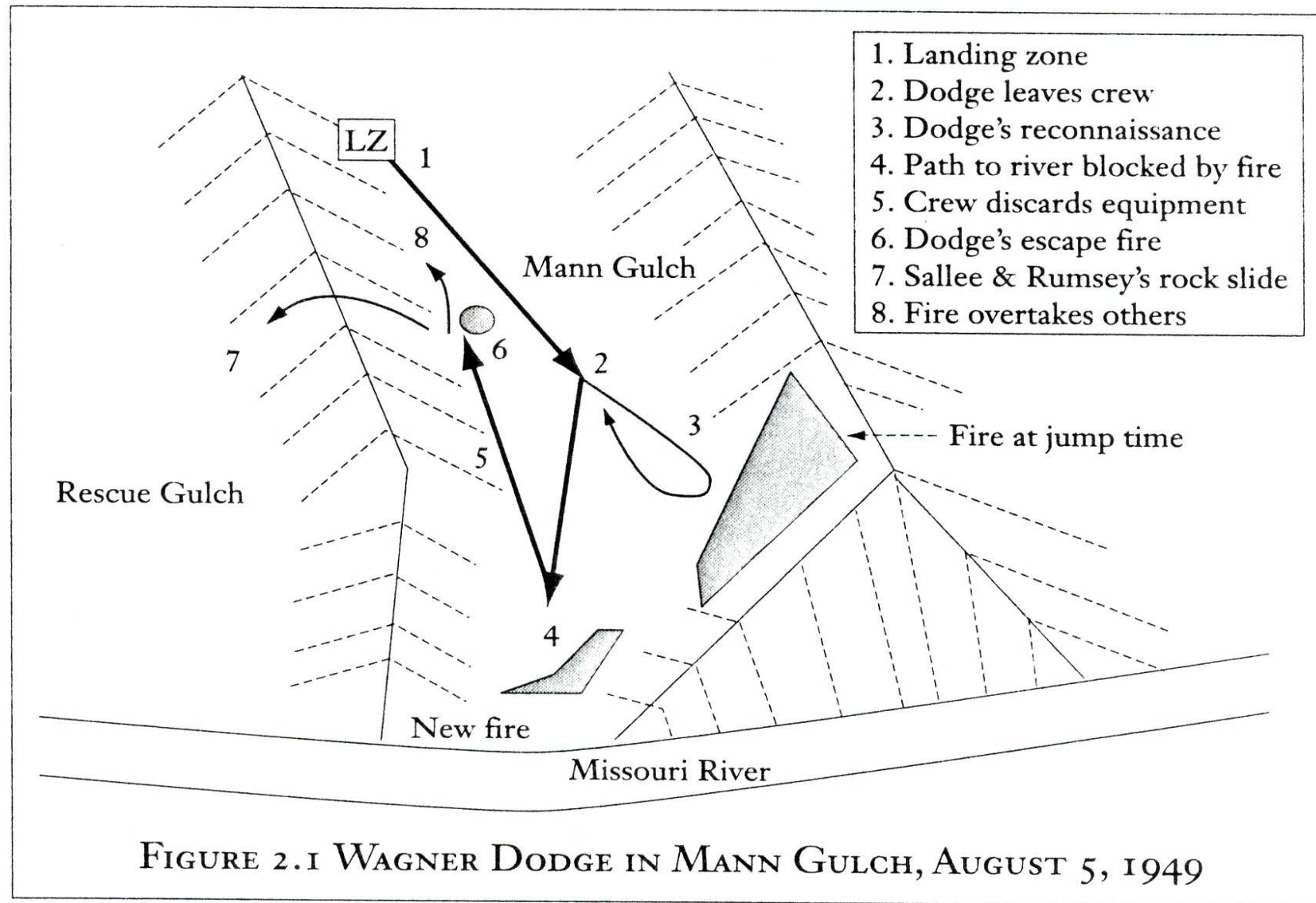
The Scene

Wagner Dodge Retreats in Mann Gulch



Mann Gulch and Missouri River, August 20, 1949

What to do?





What is Strategy?


- Strategy is all about making difficult **choices** and then **motivating** people to follow these choices.






Choices About What?

For *business strategy*, the choices are about three main issues:

- (1) WHO shall we target as customers and who shall we not?
 - (2) WHAT shall we offer these customers and what shall we not?
 - (3) HOW can we do all this effectively? (what activities do we perform and what activities do we not perform?)
- 



One more thing:

- The choices you make for your business strategy must be clever and creative so as to **differentiate** your company from its competitors.
 - A few examples...
- 




Summary: What is Strategy?

- Make choices
- Differentiate yourself
- Motivate people to follow them





The Global Age: Some changes

1. A more interconnected world—
changes in another country or industry
may affect you in your own country;
 2. A world with few (language, political,
cultural) barriers—ideas, people,
practices and goods travel across
borders more quickly.
 3. A global workforce
- 




The question is:

- How have these changes affected business strategy?






Effect #1:

- It's becoming more and more difficult to differentiate yourself!
 - No sooner have you come up with a bright idea, that competitors copy it.
- 




Therefore:

- Creativity and innovation are key ingredients to success in today's world.
 - You need to innovate continuously so as to stay one step ahead of competitors.
- 



Easier said than done

- To see how difficult creativity is, consider the following problem. You have 30 seconds to come up with the answer.
- 

Can you think of a word?

___ ANY





Can you think of a word?

MANY



Can you think of a word?

MANY

__ENY





The **only** solution for strategy:

- Rather than expect individuals to be creative, we need to **institutionalize** a questioning culture.





What does this mean?

- Sally Ride, the first US woman astronaut.
- Think of Newton!






Is this what we have in companies?

- We tell companies that they should let their people question everything;
- In reality, our companies are inhabited by monkeys.






Effect #2:

- An interconnected world means that changes in one part of the system get amplified and transmitted around the world.
 - As a result, changes and disruptions seem to be hitting us from every angle and we keep having to make decisions (and choices) under pressure, with everything around us changing.
- 



A few side effects:

- People under pressure tend to do silly things.
 - Consider the following experiment with Catholic priests, conducted in New Jersey, USA in 1967.
- 

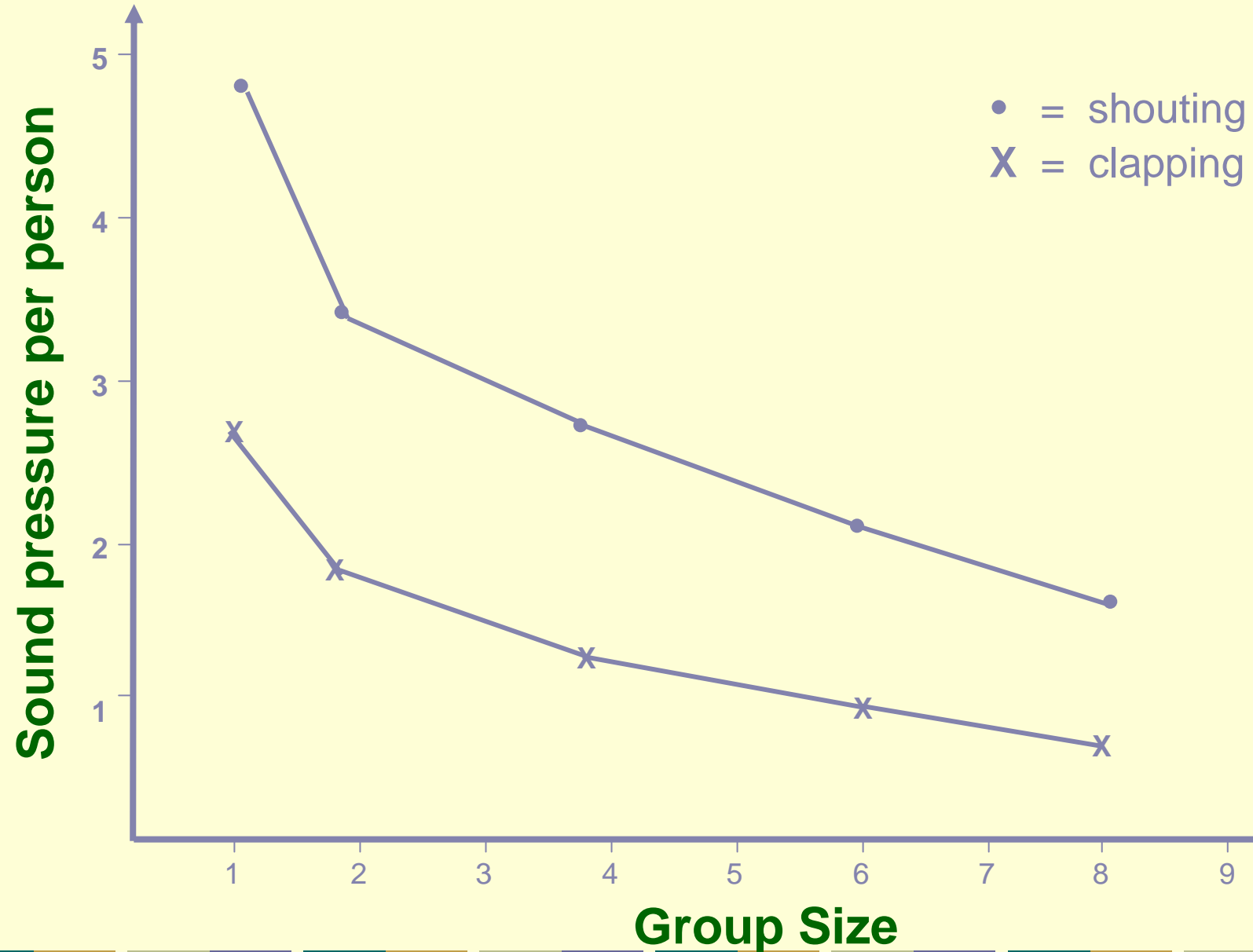


Even worse:

- How do we justify these “silly” actions of ours?




Social Loafing





Even worse:

- How do people make decisions when they are under pressure and things around them are changing all the time?
 - Think of you being on safari...
- 




A simple exercise for you:

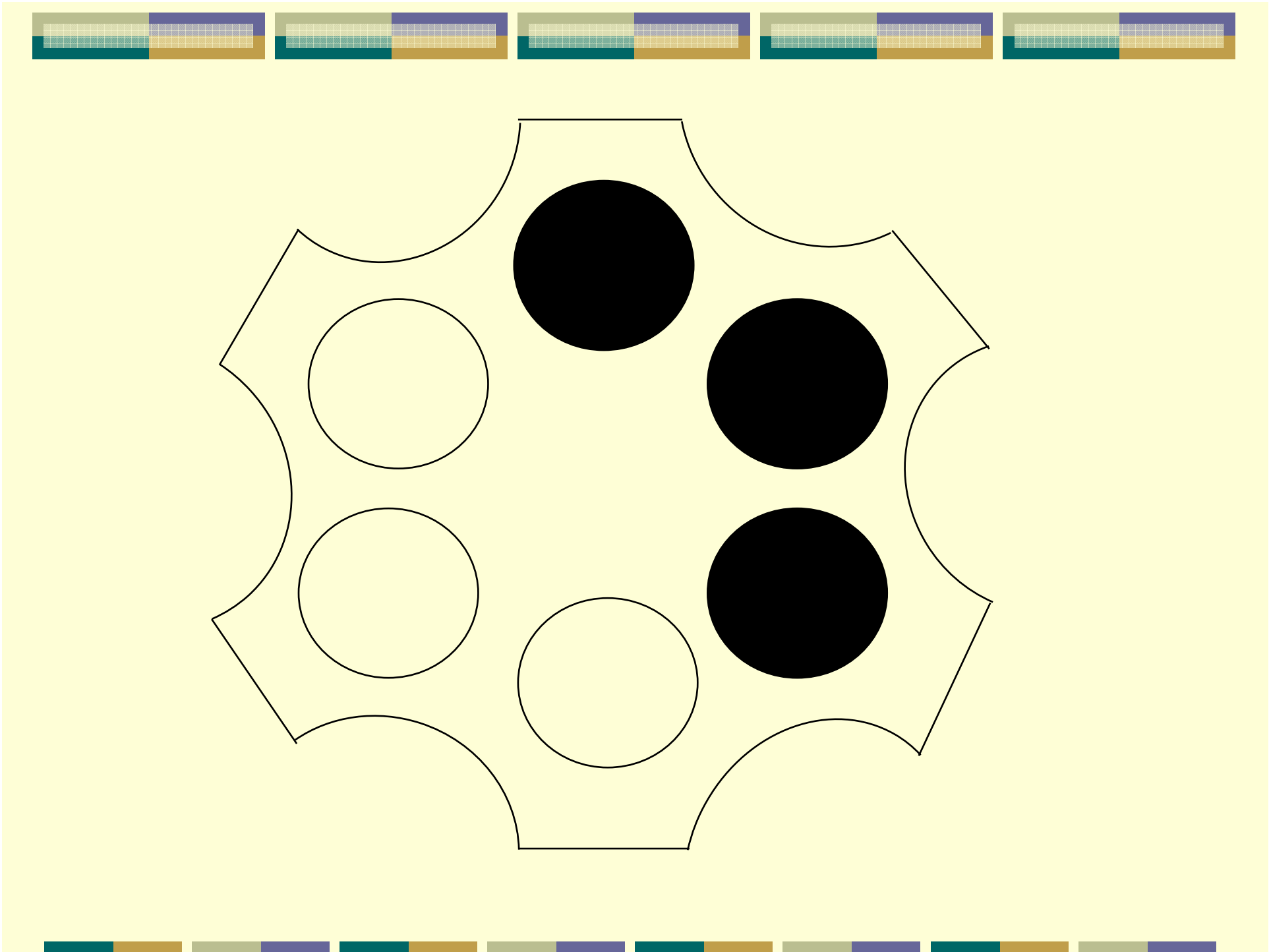
- Let's play a game of Russian roulette
- Your objective in this game is to stay alive!






Probability of surviving:

- With option one, the probability of surviving is ($\frac{1}{2} \times \frac{1}{2} \times \frac{1}{2} = \frac{1}{8}$).
 - How about with option two?
- 





Probability of surviving:

- With option one, the probability of surviving is ($\frac{1}{2} \times \frac{1}{2} \times \frac{1}{2} = \frac{1}{8}$).
 - With option two, the probability of surviving is higher! It is $\frac{1}{6}$.
- 




So What?

- What decision mechanism did the majority use to decide?
- And where did this lead you?






Key Message:

- In times of high-pressure and volatility, people tend to dismiss “planning” as unhelpful;
 - They tend to rely more on intuition and gut feeling. This is a trap!
 - It is precisely in times like these that we need to “think strategically”
- 



What have we said:

- In an interconnected, global world, changes arrive from every angle and create a volatile and ever-changing environment for us.
 - As a result, we make decisions by relying too much on intuition;
 - As a result, we end up doing “silly things” and blame others for it.
- 



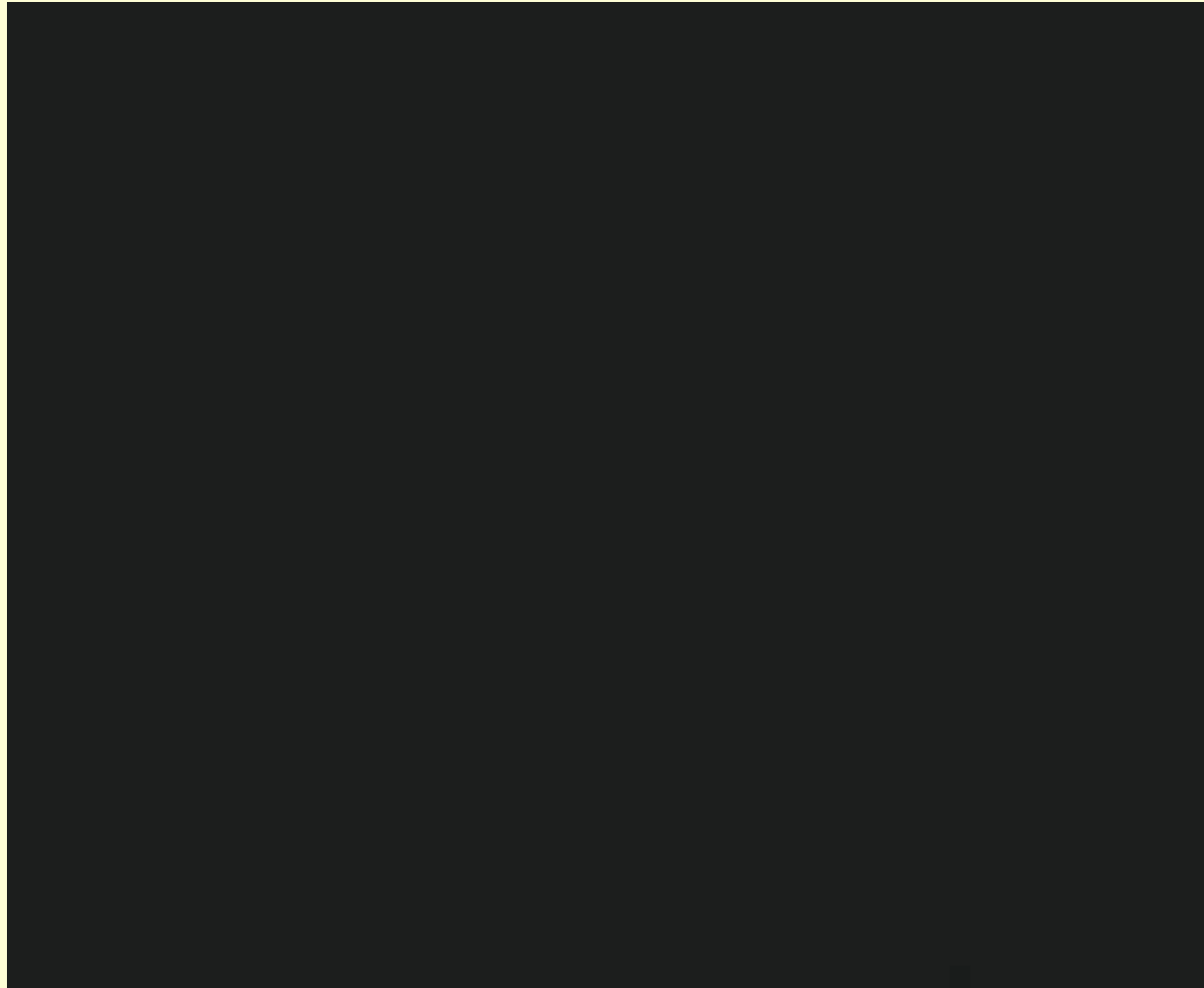
Therefore:

- Do not panic; Take time to think strategically.





Do not panic in the face of disaster!





The **only** solution for strategy:

- Rather than expect individuals to not panic in the face of changes and pressure, we need to put in place an organizational environment that is flexible, adjustable and agile.






What does this mean?

- Which economic system “won” the cold war, capitalism or communism?
- Why?





Why did Capitalism Win?

- (1) Allocation of Resources is decentralized
 - (2) Lots of experimentation (even though only one in a hundred succeed)—why?
 - (3) Allows for Inefficiencies” (e.g. 3M)
 - (4) Multiple and different sources of financing (e.g. Cisco)
 - (5) Ability to challenge authority: When was the last time you threw tomatoes at your CEO? (e.g. Krutchev)
 - (6) “Celebrates” Failure: Good to have on your C.V.
- 



Therefore:

If only we can take these
features of capitalism and
bring them **INSIDE** our
organizations!




Make Work Fun!





Effect #3:

- It's becoming more and more difficult to motivate people to implement the strategy choices
 - Not only have people become cynical and less loyal but they also come from different cultures.
- 



Therefore:

- You need to not only develop your strategy but more importantly “sell” it to your employees so as to win their emotional commitment to it.





HOW DO YOU WIN EMOTIONAL COMMITMENT?

I KNOW





WINNING EMOTIONAL COMMITMENT

I KNOW



I UNDERSTAND



WINNING EMOTIONAL COMMITMENT

I KNOW



I UNDERSTAND



YES, I THINK I CAN



HOW TO WIN EMOTIONAL COMMITMENT

I KNOW



I UNDERSTAND




YES, I THINK I CAN



I WILL



Summary:

- Institutionalize a questioning culture
 - Import some of the features of the capitalist system into your company
 - Sell your strategy to your employees
- 



The Issue is not Knowing

Will you Do Any of this?





Let's try my favourite exercise

You have a cake and a knife. You are allowed to cut the cake four times in straight lines. What is the maximum number of pieces that you could cut the cake into?





Question #1

- How many of you tried to solve this problem individually?



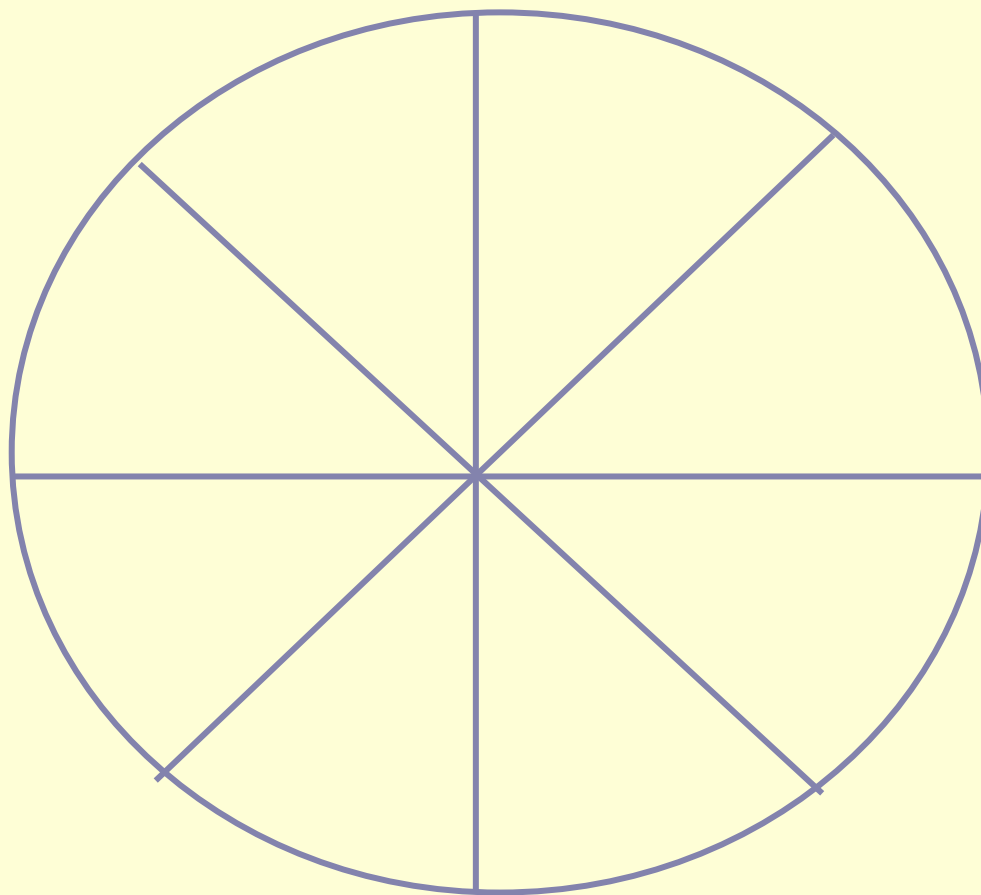


Question #2

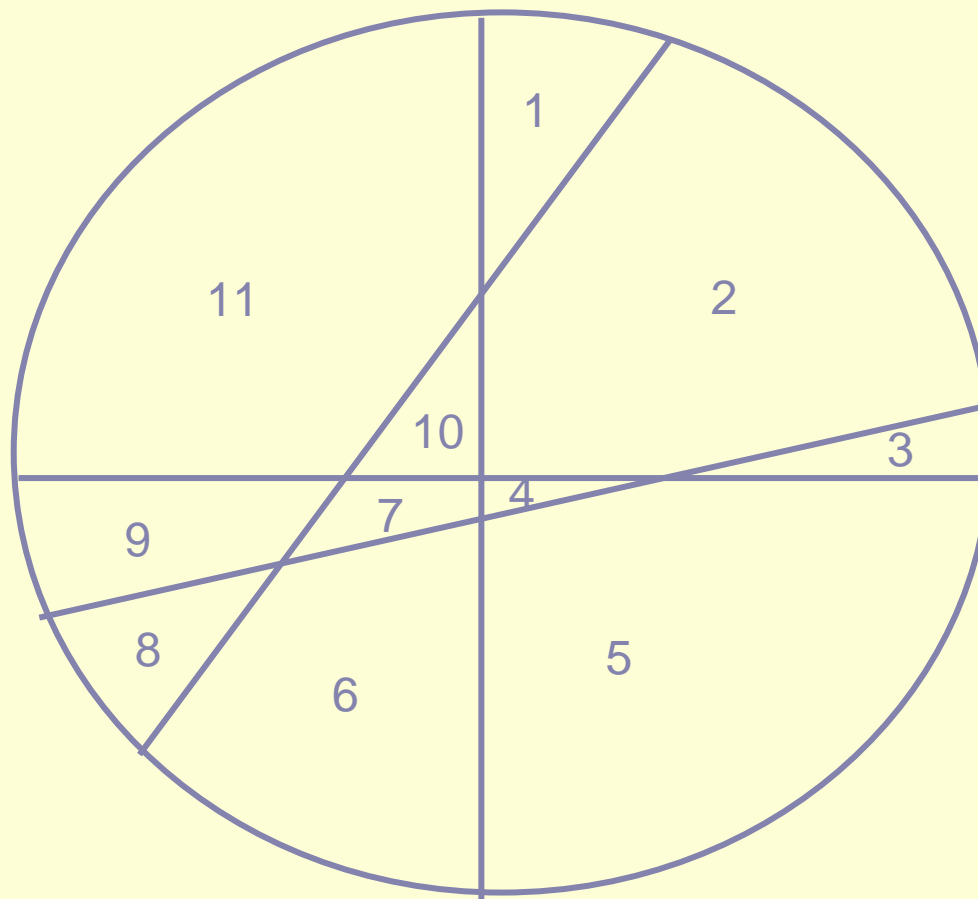
- How many pieces did you get?



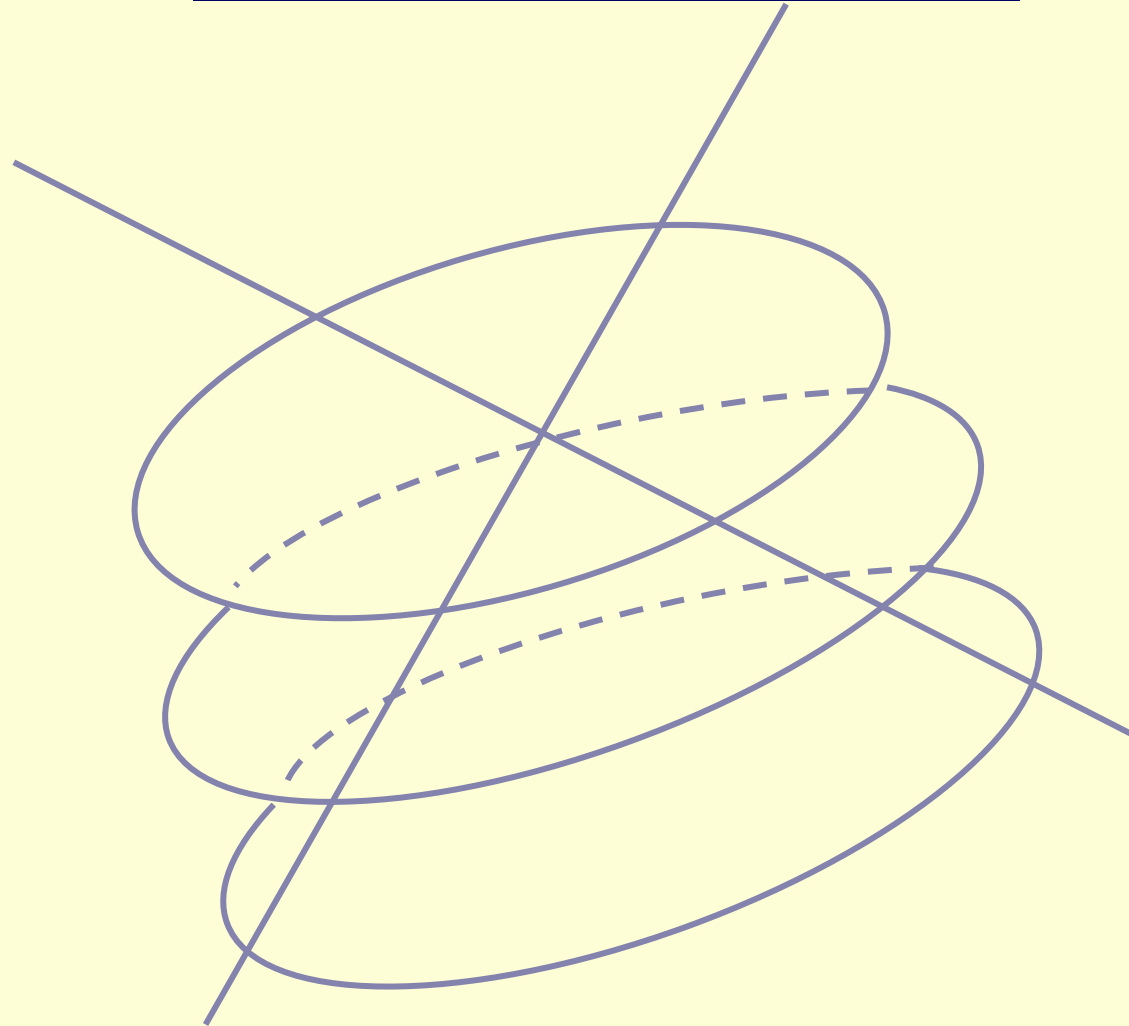
It is not 8 Pieces!



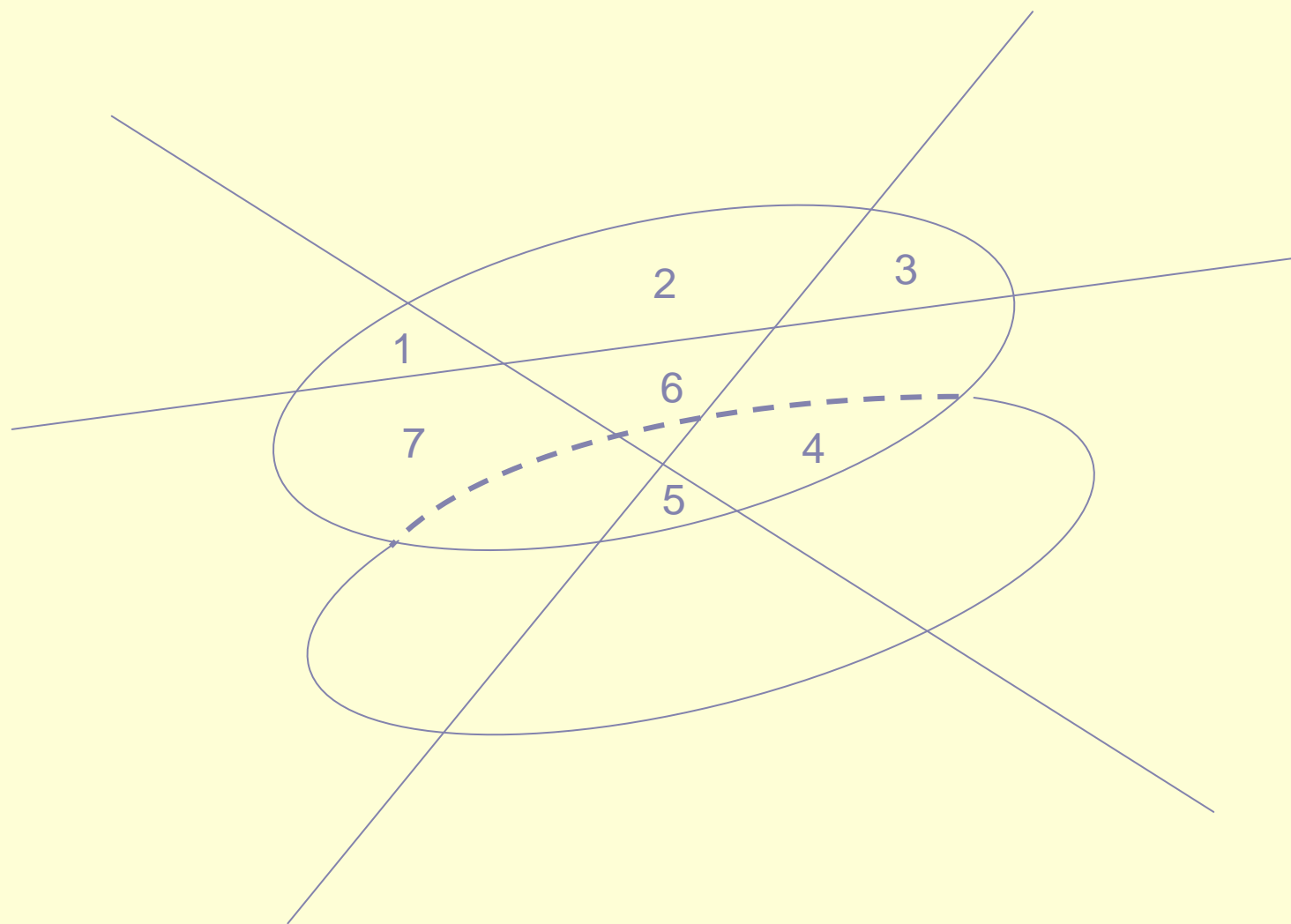
It is Not Eleven Pieces!



It is Not Twelve Pieces!



It's not Fourteen Times!





It is Not Sixteen Pieces!

Cut the cake into two pieces.

Put one piece on top of the other and cut in two again.

Put all pieces on top of each other and cut in two again.


Put all pieces on top of each other and cut in two again.

$$2^4 = 16 \text{ times}$$






So What?

- You made quite a few assumptions in this simple exercise?
 - And what did people tell you to do to your assumptions?
- 



Therefore:

- You **knew** that the best way to solve this exercise was by talking to your neighbour, yet you tried to do it on your own;
 - You **knew** that you should question your assumptions, yet you did not do it.
- 



Implications:

- Just because you know something, doesn't mean that you will do it!





Examples for individuals:

- Smoking is bad for you
- You should go to the doctor for a check up every year





My advice:

- Do **NOT** assume that somebody else will do it!
- If **YOU** don't do it, nobody will.

