28 Strategic Conversations

Is your organisation having the right conversation at the right time in the right way?
This article identifies the importance of strategic conversations in organisational success.

Rational analysis only takes organisations so far in the strategic decision making process.

Winning strategies emerge from authentic dialogue that: confronts the reality of the context in which organisations operate, is willing to ask tough questions, explores imaginatively the range of options, and makes commitments to action.

Productive strategic conversations can be difficult, not least if executives look at the issues only through their functional mind set.

28 Strategic Conversations identifies the key dynamics that underpin positive outcomes when different mind sets move towards a shared understanding. And the negative consequences when these mind sets diverge.

If this approach resonates, contact us for more information about our Business Challenges methodology and our programme “How To Have A Strategic Conversation”.

“OK strategic conversations are not OK. They carry an immense price.”

Chris Ertel & Lisa Kay Solomon
Moments of Impact
28 Strategic Conversations

1. Entrepreneurial Innovation or Missed Market Opportunity
2. Sustaining a Turn Around or Expediency That Backfires
3. Customer Excellence Gains Admiration or Unscrupulous Tactics Undermine Reputation
4. Discipline in Organisational Change or an Expensive White Elephant
5. Innovative Culture or Stuck In Siloes
6. Extending Market Position or Over Ambition Alienates Customers
7. Authenticity in Tough Times or Mixed Messages Confuse
8. Business Transformation or Misaligned Change
9. Balancing People and Systems or a Lopsided Operating Model
10. Negotiating Growth with Stakeholders or a Hostile Response
11. Organisational Transformation Rethinks Customer Processes or Infrastructure Fails the Customer
12. Refocusing Business Fundamentals or Hoping For the Impossible
13. Far Thinking Customer Rethink or Customer Decline
14. Systems Integration Facilitates Expansion or Botches Growth
15. Focus on Fundamentals Drives Service or Maintaining Unprofitable Customers
16. Innovation Executed Efficiently or Possibilities Over Analysed
17. Balancing Business Priorities or Short Term Pragmatism Misses Opportunities
18. Aligning Systems Change with People or Confusing Misalignment
19. Financial Governance Reassures or Fragile Systems Worry Stakeholders
20. Juggling Act To Rethink or Resigned to Decline
21. Efficiency Drives Expansion or Systems Undermine Growth
22. Pioneering Reputation or Stuck in the Mud
23. Focusing Priorities For Change or Misalignment With Commercial Imperatives
24. Culture Builds Market Share or Undermines Customer Responsiveness
25. Keeping Stakeholders Engaged Through Transformation or Mismanaging Expectations
26. Employee Pride Builds Market Standing or Cynicism Undermines Reputation
27. Systems Drive Efficient Service or Chasing Unprofitable Customers
28. Growing People Grows the Business or Ambitions Held Back
Strategic decision making depends on a number of sources of information:

- an informed view of the market place, and shifts in customer preferences and expectations, as well as broader changes in the political and economic landscape and identifying the impact of technology
- a shrewd analysis of competitors, the current players as well as the potential threat of new and often unknown entrants
- the evaluation of the organisation’s own capabilities, and the effectiveness with which it integrates its processes, systems and people for delivery

But decision making is not an exercise of Analysis-In-Strategy-Out. If that is how strategy worked, every decision maker would draw the same conclusions, and any strategic advantage would be lost.

More importantly, this type of strategic analysis is invariably flawed. “Data never speaks for itself.” Any strategic review is faced with fuzzy data that is incomplete, confusing and sometimes contradictory. Insight is required to interrogate and weight the data and make judgements. And imagination is needed to challenge assumptions and explore other possibilities.

When insight and imagination are key to strategy, the quality of dialogue within the organisation becomes critical. This is dialogue within the top team, between the top team and its direct reports, with a range of stakeholders internally and externally, and in conversations at all levels within the organisation.

“When you become larger, what’s unsaid also increases in an organization.”

Hayagreeva Rao

Successful strategies emerge from these conversations. There are of course 100s of possible variations of strategic conversations within an organisation. This article summarises 28 conversations using the Business Challenges framework that maps out eight strategic leadership styles.

These conversations focus on the key challenges and dilemmas that are typically played out in a variety of organisational settings, from formal Board presentations and meetings, ad hoc briefings and updates, and informal corridor discussions.

Each conversation has the potential to go well and move the organisation forward. And each conversation also incorporates possible hazards. If the conversation is not well managed, there is scope for the confusion that results in misalignment, overlooked risks and lost strategic opportunities.
Strategy

as conversations

“Fight as if you are right. Listen as if you are wrong.”

Karl Weick

Six key differences stand out in determining the outcome of the 28 conversations.

1. Conversations work well when there is a willingness to understand the other’s perspective and look at the issues through a different mind set. When the leaders in a conversation protect specific functional interests, it is difficult to achieve the meeting of minds that develops a shared understanding of strategic priorities.

2. Open and authentic discussion keeps to the issues and avoids the blame finding and point scoring associated with political games. There are many opportunities for misunderstandings in the review of both business success and failure and the debate about future options. Mature conversations require both humility and courage to create a climate for honest debate.

3. Civility goes a long way in maintaining a positive and productive dialogue. In strategic conversations, there is the potential for intense passion which advances a particular view. This can make for robust challenge that generates new thinking. But without civility this passion can tip into the heat of counter-productive behaviour.

4. Speed of a productive conversation. Strategic debate of course requires time for discussion and reflection. But when meetings are postponed, conversations meander and key issues are parked, it can indicate a lack of shared purpose and commitment that lacks energy and loses momentum. Mature conversations engage with the issues quickly and establish an efficient process for the follow through to keep decision making on track.

5. A conversation that connects strategy and implementation. Mature conversations don’t stop at strategy. Instead they translate strategy into a programme of actionable next steps for implementation. Immature conversations let the discussion “hang” and accountabilities are unclear. This results in what Richard Rumelt describes as the “strategic wheel spinning” of debate without productive outcomes.

6. Strategic conversations are iterative. They don’t stop. A strategic position is never a definitive statement of intent for execution. A brilliant strategy - on paper - fails in the market place and needs a rethink to fine tune before it works. Alternatively, a winning strategy dominates the market only to be outmanoeuvred by disruptive new entrants. Strategic conversations need to continue to face changing realities, rethink assumptions about current capability and shifts in customer expectations and competitor threats.
Key to strategic conversations are the beliefs, assumptions and preconceptions which executives hold about the business world around them. These, built up over a lifetime of experience, influence:

- the information that managers attend to and ignore
- how they interpret that information and draw conclusions
- why executives prefer particular strategies and goals rather than others

In our review of a range of strategic models we highlighted two dominant and consistent themes, which appear to be major differentiators of leadership outlook:

Focus on internal operations vs external business environment

Preference for periods of business change vs business consolidation

Internal Operations vs External Environment

Just as each country has its internal domestic and external foreign policy, companies must attend to external events in the market place as well as their internal systems and processes.

This is a difficult balance to maintain. On the one hand, organisations must ensure sufficient resources are devoted to the development of products and the exploration of new markets. On the other, time and energy must be directed towards improving the efficiency and productivity of the internal operations.

For some companies this balancing act becomes too difficult and they lose their way. In the language of personality dynamics, organisations either become extroverted or introverted. Extroverted by focusing energies exclusively on the external market place, which places a strain on the organisation’s internal systems and processes. Or introverted, by concentrating on internal efficiencies, and losing sight of shifts and trends in the business environment.

In a similar way to organisations, individual managers also find difficulty balancing both sets of priorities, and tend to display a stronger orientation in one direction than the other.
Business change vs business consolidation

This theme represents the second major dimension defining business outlook. It is now something of a management cliché - "change is the only constant". However, it does highlight the emergence of a dominant trend. The combination of disruptive technology, competitive pressures, and not least, shifting social, economic and political forces has meant that flexibility and responsiveness are critical requirements in business success.

During periods of crisis and challenge, for example, the formation of a new business or tackling the decline of an existing one, an organisation’s ability to move quickly to exploit change is essential.

While change may be an ongoing theme in organisational life, nevertheless, it must be viewed simultaneously with its mirror image - stability. Change can also result in chaos and confusion. Organisations also need executives who can provide stability and consolidation. When the business has expanded rapidly, and secured its market position, the challenge is to safeguard initial success through longer-term planning and coordination, and the "routinisation" of previously ad hoc policies and processes.

Within this framework of two dominant dimensions, eight discrete patterns of strategic orientation are identified.

“Don't fall in love with ideas. By ideas I mean: systems, marketing approaches, technologies, partnerships, whatever. Because as soon as you as you fall in love with one approach, you lose sight of other possibilities. ...Every right idea eventually becomes the wrong idea.”

Roger von Oech
Business
Challenges: 8 strategic themes

**Architect**
redefining the organisational infrastructure to create new operating methods and practices; exploiting technological capability to create new organisational structure, systems and operating style; conducting a re-appraisal of the organisational infrastructure in the context of improved technological capability.

**Trouble-shooter**
identifying and removing unproductive and inefficient business functions; tackling those business activities which are no longer contributing to corporate performance; divesting unprofitable activities which are failing to support corporate priorities and objectives.

**Regulator**
focusing attention on the efficiency and consistency of all internal processes; monitoring work flow for opportunities to standardise organisational activity; applying financial discipline and administrative control over organisational activity to gain improved levels of efficiency.

**Integrator**
raising the overall skill level of the work-force through focusing resources on training, development, recognition and reward; raising levels of staff capability and motivation to improve organisational loyalty and pride; breaking down functional differences and resolving complex views to unite the efforts of different groups.

**Visionary**
planning next generation products and services to formulate an innovative business strategy; developing new business concepts which redefine the rules of business success; addressing the impact of emerging trends and developments in the market-place for the organisation’s long-term strategic position.

**Explorer**
investigating opportunities to break into key markets in pursuit of a diversification strategy; developing relationships with other key players in the industry to explore scope for alliances and joint ventures; identifying opportunities for the future growth and expansion of the business.

**Builder**
translating business strategy into sales and marketing priorities; reviewing the customer service delivery process for areas of improvement; exploiting the organisation’s customer-base through attention to sales and marketing activity.

**Lobbyist**
representing the organisation’s interests across the wider business community to improve corporate image; planning a programme of corporate communication which gains greater influence and freedom of manoeuvre for the organisation; building relationships with key players throughout the industry to improve the company’s standing in the market-place.

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Strategic Conversations

The 28 conversations that follow are caricatures to simplify the discussions typically played out within corporate life. Organisational reality is more complex.

Nonetheless these scenarios identify key dynamics in the interaction of different leadership mind sets, highlighting the business implications of positive or negative conversations. And they reflect the psychology of the mind sets of eight different strategic styles.

Business Challenges: Overview

“Effective strategic thinking is the process of continually asking questions and thinking through the issues in a creative way.”

Costas Markides
12 months later, and no progress was made following the initial exchange. A competitor - by launching a similar concept - challenged the current players and built a strong market position.

12 months later. The concept was prototyped and piloted quickly and successfully. The organisation went on to launch an innovative product that took it into new markets.
1. Entrepreneurial Innovation or Missed Market Opportunity

“You have to combine both things: invention and innovation focus, plus the company that can commercialize things and get them to people.”

Larry Page, Google

Commentary

The combination of Visionary and Explorer should provide an entrepreneurial drive to translate promising ideas into an agenda for business expansion. But these ideas need time and attention to review the options and work out the best growth strategy.

Visionary leaders focus on the imaginative possibilities of a concept. Explorers are more motivated by the commercial opportunities.

The two mind sets need to converge in a mature conversation that finds the most effective way to take an idea to market.

Without this conversation, ideas either drift and are eventually lost, or the full commercial gains are not realised.
12 months later, and despite the difficulties of the restructure, key metrics from Operations indicated it was moving in a positive direction.

12 months later and the organisation is still dealing with the consequences of a mismanaged restructure. Key people in critical roles have left, and the remaining workforce disillusioned by the experience.

2. Sustaining a Turn Around or Expediency That Backfires

Given our financial performance, there are some hard choices to be made. It looks like we are going to have to restructure Operations and lose some people.

At best:
- There is a bit of a debate about the exact numbers. I'm looking at two options on organisational structure. I would like your input to work through the pros and cons.
- This restructure might also be a good time to implement a few other changes. As part of the last succession management review, we identified some people you might be interested in putting into the mix.
- Agree. I'm keen that we don't just make a head count reduction. We need to bring in some new people that help re-energise Operations and build momentum after what will be a difficult time.
- There are a few other things we can look at to ensure that this re-structure is as painless as these things can ever be.

At worst:
- My estimate is around 15%. And I'm keen that we press on quickly to take the pain and move on.
- Let's think this through. You remember how we shot ourselves in the foot in the last restructure through a lack of planning.
- Not at this end. It was your people who were too slow to put in place a decent process. And my team were left to get on with it.
- No. You are rewriting the history of what happened. My team asked some sensible questions that your guys refused to answer. And we were left to pick up the pieces, including the legal mess that you created.
2. Sustaining a Turn Around or Expediency That Backfires

“We had become the vibrant, profitable and revitalized company that it still is today. What made the difference was a strong turnaround plan, dedicated people and a firm commitment from company leaders.”

Anne M. Mulcahy, Xerox

Commentary

The Trouble Shooter mind set tends to be more preoccupied with the commercial pragmatism of survival. The Integrator focuses more on people, and how to optimise individual and collective talent around a shared purpose.

When the strategic conversation is well managed, short-term tough decisions are made wisely and with an understanding of long-term goals.

When the conversation is badly managed, pragmatism becomes an expediency that has negative long-term consequences.
To recap the situation. The authorities are unhappy with our sales processes. “Exploitative” was the specific word they used. And the media are now picking up the story.

Honesty in these scenarios is a good starting point. We got it wrong.

Agree. But given this mess, honesty is going to prove an expensive strategy.

What is the alternative? Deny that we have a problem and hope the media leave us alone? We’re past corporate spin now. This is a wake up call for us as an organisation. Let’s use this episode to remind ourselves why we exist for our customers.

We need to re-connect with our customers in a way that ensures they feel we’ve got their best interests at heart.

At worst:

Let’s start with a few uncomfortable truths about how the Sales function has been allowed to operate in this organisation.

Hold on. The pricing strategy was agreed by the Board. Let’s not point the finger at Sales.

But no one anticipated the lack of controls within the sales force. Or the way sales incentives were going to be implemented.

We need to make up our mind here. It’s an aggressive market we are in.

12 months later. After an uncomfortable phase reviewing customer records for any instances of mis-selling, the organisation was able to re-establish itself as a trusted player in its market.

12 months later. A major legal claim generated more negative publicity. The organisation was forced to conduct a fundamental review of its customer base that resulted in additional compensation payments.
Commentary

The dynamic within the Builder - Lobbyist conversation is complex.

The Builder wants market share and the associated customer profitability. The Lobbyist wants a positive corporate reputation that commands respect from the organisation’s different stakeholders.

When these interests coincide the outcome is a business with a positive profile admired for its customer proposition.

When these interests don’t coincide the Builder’s pragmatism can take short cuts with the risk of damage to the firm’s reputation.

Alternatively the Lobbyist attempts to put a positive spin on the unacceptable with the potential to back-fire.
12 months later. After a robust negotiation with the I.T. vendor to revisit costs and the terms of the service level agreement, the organisational transformation progressed to achieve significant productivity gains.

12 months later and the organisation is still in a protracted dispute with the vendor about project delays and costs.
Commentary

The Regulator outlook is one of efficiency around current financial controls and administrative systems. For the Architect the strategic outlook is the possibility of a different operating model in future.

Well managed and the conversation converges to manage a transition that streamlines systems through technology for greater productivity and innovation.

Badly managed and the outcome is ongoing low productivity associated with running two parallel organisational processes and systems.

“The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency.”

Bill Gates, Microsoft
5. Innovative Culture or Stuck In Siloes

I understand we’re planning a major shift in our strategy to put innovation at the heart of our business.

At best:

- This strategy rethink is an opportunity to revitalise this organisation and introduce greater purpose and energy.
- I want to pick your brains on how we might move towards greater collaboration across the business. I know it’s more than a new process or another restructure. We need to have a long look at our culture.
- I’ve been working on a few ideas that might be helpful. The trick seems to be avoiding the “the one thing” solution. But to come at the issues with a range of tactics.
- That’s helpful. I need to spell out the implications of this strategic shift and I’m sure it’s largely about how we get our people working together in a different way.

At worst:

- How can I help?
- The biggest risk factor for me is our culture. As long as we keep within our functional siloes, collaboration of the type that accelerates innovation is going to be tough.
- A couple of years ago we looked at this. The problem is that we ask for collaboration, but we reward “be accountable for your bit of the business”.
- Anything we can do to change this?
- We can revisit the issue. But until the top team stop playing political games I’m not optimistic.

12 months later. A spirit of cooperation had been engendered that accelerated the product development process resulting in a key innovation that transformed the industry.

12 months later and the failure to break down a silo mind set kept the organisation stuck in its existing operating model. The drive towards innovation stalled.
5. Innovative Culture or Stuck In Siloes

“Breaking down silos can spark innovation in unexpected ways.”

Gillian Tett, The Silo Effect

Commentary

Visionary leaders pioneer radical ideas. But they don’t necessarily think through the implications - for culture and the associated expectations and behavioural patterns that translate these ideas into implementation.

Integrators value people and the role they can play in business success. But people issues - especially within large and complex firms - can be troublesome.

This strategic conversation ensures that the aspiration for a business shift to innovation results in a culture that reinforces this innovation.
6. Extending Market Position or Over Ambition Alienates Customers

The economic outlook is improving. We now need to revisit our game plan for the long-term growth of the business.

At best:

- Here is my plan: a combination of organic growth with a few well targeted acquisitions. I've got a list of a few firms who seem to be a good fit with our customer proposition.
- There are some interesting firms on that list. But some I am less convinced about. Let me speak to Marketing and get a more informed view from their feedback.
- It sounds like we need to review the list and rethink some of the acquisition options.
- Let's catch up again and pull a coherent strategy together.

Agree. The feedback from our customers is positive. The mood in the market place is definitely shifting.

At worst:

- I have drawn up a short list of potential candidates for acquisition who can fill in some of the gaps in our customer portfolio.
- Before we get to that, can I check our plans to improve our service to our established customers? We’ve let service lag a bit over the last few years. We are now seeing falling levels of customer satisfaction.
- I’m not sure these customers are a priority going forward. We’re going to achieve more rapid growth through finding new customers in these target markets through my acquisition plan.
- I disagree. There is massive scope to build our position and profitability with our existing customers.

12 months later. The organisation built and extended its customer base through a combination of thoughtful marketing and a shrewd acquisition strategy.

12 months later. After a frantic round of acquisitions which proved difficult to integrate, service levels dropped further, and market share fell.
6. Extending Market Position or Over Ambition Alienates Customers

“Firms need to ensure that their ability to provide effective customer service keeps pace with their growth. If you're marketing your firm to new customers, you better be able to provide them service when they do business with you.”

Arthur Levitt, Former Chairman of the U.S. Securities and Exchange Commission

Commentary

Explorers want growth and are keen to identify a strategy to accelerate expansion. Builders also want growth but look to ensure high levels of service and support through positive customer relationships.

This tension can be played out in two ways.

As a healthy conflict that reviews all the options for growth and thinks through the implications for current and future customers.

Or as a counter-productive dialogue in which the two mind sets are at cross purposes. Here the outcome is customer confusion and a fall in service levels.
12 months later, a refocused and re-energised business was hailed as a turn around success story.

7. Authenticity in Tough Times or Mixed Messages Confuse

Tell me about the restructuring plan.

Lobbyist

No it’s not. Any good news to share?

I know the media will need convincing. But our fundamentals in fact are remarkably strong. We’ve lost sight - given some of the terrible firms we bought over the years - that the core business is and will be highly profitable. Once we get through this restructure, there is a positive story to be told.

I need to think how best to tell the story. Any success stories to share?

You might want to mention that our Midlands factory - thanks to our innovations in robotics - is one of the most productive in the country.

Trouble-Shooter

At best:

• This will not play well in the media. The financial press will read this as another chapter in the book of our business decline.

• This is a consequence of mismanaging investor expectations over the years. Do you remember that awful “This Is A New Dawn” press release, issued a week before we laid off 250 workers.

• I remember it well. I wrote it.

• Did you? I never knew that. Oh.

At worst:

• It’s not pretty. We will wind up with two businesses, out-source 50% of Customer Support, and lose around 1,000 jobs at Head Office.

• This will not play well in the media. We will wind up with two businesses, out-source 50% of Customer Support, and lose around 1,000 jobs at Head Office.

12 months later and the organisation is ranked number 2 in the world’s “most hated company” listing, and the target of a hostile take-over.
7. Authenticity in Tough Times or Mixed Messages Confuse

“Bad companies are destroyed by crisis. Good companies survive them. Great companies are improved by them.”

Andy Grove, Intel

Commentary

The Lobbyist wants a positive story to communicate to the organisation’s different constituents. The Trouble Shooter understands the business pressures that are risks to the organisation’s survival.

If the strategic conversation is well managed, there is an alignment to allow honest communication with stakeholders that is credible in stating business realities and persuasive about the organisation’s future.

Badly managed and there is potential for mixed messages: hype that is overly optimistic given the scale of the challenge, or a bleak narrative that creates its own self-fulfilling prophesy.
In summary, the plan is to implement the new IT system by next quarter, working to the new operating model and work processes.

I’m sure this new platform will help us make the shift towards greater innovation as we get ready for the launch of the new product in October.

At best:

- We need to speak soon. And I need to make my team aware of this product development schedule. I’ve been so caught up in this transformation project, it sounds like I might have dropped the ball on this one.

- It’s OK. We’ve all been busy. But let’s work it through.

- The good news is that the new infrastructure has the flexibility to bring on additional functionality. But let’s look at the detail of what your team is planning, and we can negotiate a solution.

- And my team know that we’re not going from here to there immediately. There will be a transition.

At worst:

- I’m not sure I’m up to speed on events on this one. What are you thinking here?

- It’s been on an agenda for a while now. We had a fundamental rethink about where we need to be in the next 5 years and the October launch is going to be the first in the pipeline of new product development.

- Did any of your people communicate this with the transformation team?

- Sure we did. But it doesn’t sound like the message got through.

12 months later. Although the first product launch was delayed, it was received well in the market place, and the organisation is well placed to support a flow of new products.

12 months later. After much heated debate, the organisation had to find another vendor’s infrastructure to support the new product launch, taking a significant hit to its bottom line.
8. Business Transformation or Misaligned Change

“One of the biggest differences is our ability to remake and overhaul ourselves.”

Zhang Ruimin, Haier Group

Commentary

The Visionary and Architect mind sets both share a commitment to business change and the willingness to build a different future.

But in the complexity of designing and implementing major change, there is scope for confusion and a misalignment of objectives and outcomes that result in delays in achieving the gains of innovation.

Well managed the conversation encourages the free flow of information and flexibility in responding to shifting business priorities. Here there is potential for the kind of business transformation that supports strategic innovation.
9. Balancing People and Systems or a Lopsided Operating Model

You’ve now all seen the new people strategy. I sense that a few of you might be a bit unsure of the proposals.

At best:

What is at the heart of the strategy is the shift towards greater responsiveness and speed. And how we need to update a number of processes and practices to change the way our people work. Right now our bureaucracy is making it difficult for them to perform in the way we need them to in future.

There is a bit of history around our systems, and managing the fear factor associated with a major ethical violation we had a few years ago.

I understand that. And we need to factor that into our thinking. If I was to summarise the approach. Let’s treat our employees as adults not children. Let them use their judgement and apply their initiative.

The spirit of the new people strategy is the right one for our future. Let’s work through to the next level of detail for design and implementation.

At worst:

The starting point is that a key driver for this firm is agility, speed and flexibility of thinking and action. And the reality is that our internal systems are the biggest barrier to that kind of agility.

Agility I get. But there is a good reason for these systems. They deliver consistent efficiency that makes us a highly profitable firm. And minimise risk.

But our customers now want speed and responsiveness. If we want a profitable future we need a shift in our people operate.

I remember your predecessor and the debate about empowerment. Then it was ad hocracy.

So the bureaucracy stays?

12 months later and after a period of falling customer satisfaction, the organisation lost significant market share.

12 months later and the firm had made a successful transition to a new employee model that improved service levels and helped build market share.
9. Balancing People and Systems or a Lopsided Operating Model

“The difference between being mediocre and magical is often the difference between letting people take creative risk and holding them too tightly accountable. Accountability is important, but it’s not the only thing that’s important.”

Ben Horowitz

Commentary

This conversation is critical to the successful growth of an organisation to find the optimal balance between efficient systems for consistency and flexible working practices for responsiveness.

When the mind sets of the Integrator and Regulator converge, a balance is achieved that reflects the organisation’s operating model and customer expectations.

When there is a divergence there is potential for a lopsided approach which either results in inflexible systems or inadequate procedural controls.
10. Negotiating Growth with Stakeholders or a Hostile Response

We are under a bit of fire from the press. The headlines paint a picture of us as a business that operates like a pirate, using exploitative tactics to expand.

I've seen the press. But to be fair, in the last 5 years we have gone from being a tiny player to a firm that now has 15% market share and still growing.

At best:

- The growth is fantastic. My point is that we need to build on this expansion to present a better story to the media and do some reputation building.
- I've got the team reviewing all our acquisitions. They are checking the detail of all their different policies and practices.
- And let's face the facts. If there are “problems” we sort them. And we also need to find some success stories I can work on as the beginnings of repositioning our corporate narrative.
- I'll report back next week.

At worst:

- But we need ease back a bit and give ourselves the chance to consolidate our acquisitions and rebuild our reputation.
- If we take our foot off the gas now, I know what will happen. We will lose momentum as our competitors press on.
- I'm not sure you're listening. The media hate us.
- What do you want? A loveable image? Or a successful firm?

12 months later. A potential problem was identified in the accounting processes of one firm. The top team was fired. The financial press responded favourably and the organisation improved its reputation.

12 months later. A whistle-blower in one of the acquired firms exposed a series of ethical violations. Publicised in a TV documentary, the organisation’s share price slumped.
10. Negotiating Growth with Stakeholders or a Hostile Response

“Reality must take precedence over public relations, for Nature cannot be fooled.”

Richard P. Feynman

Commentary

The drive towards rapid expansion can sometimes involve expedient short-cuts. The Explorer leader is more likely to accept this as the price of growing the business quickly. The Lobbyist is concerned that over-zealous commercial pragmatism can create reputational damage.

When the Lobbyist and Explorer fail to talk there is potential for damage to the firm’s reputation.

But with maturity the two mind sets converge to provide a compelling narrative of growth that is admired by the organisation’s different stakeholder constituencies.
11. Organisational Transformation
Rethinks Customer Processes or Infrastructure Fails the Customer

The update. The last campaign was a massive success. Customers loved it, and even better, it attracted a bunch of new customers.

At best:

• But there is a concern. Do we have the processes and systems to manage this new level of business?

• The quick answer is: yes, at least in the short-term. The more informed response is that we need to rethink the planned upgrade, and change the specification. That’s the technology side and there is a process to manage that. But I’m keen that we go beyond systems technology and rethink the customer experience.

• Can I get some of my team involved in these discussions? We’ve also been looking at the customer interface and there are a few ideas we have to enhance the experience.

• We need these ideas on the table quickly.

At worst:

• Thanks. That’s the good news. The bad news. There is a sense of unease about our infrastructure. We think it might struggle to manage this additional traffic. I don’t just mean the online technology, I mean our entire end to end process for customer fulfilment.

• We are looking at a major upgrade. But when we set up the last project meeting, none of your guys joined in on the call.

• No. Because on a previous planning call there was an army of IT people - your people, contractors, consultants, and the vendor team. None of us understood what was going on and who was accountable for what.

• So you just walked away?!

12 months later, and a major systems change was implemented with an award winning customer interface, and the business saw an uplift in its market share and profitability.

12 months later. After a significant breach of I.T. security which accessed customer details, the organisation received unfavourable publicity and claims for compensation.

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11. Organisational Transformation Rethinks Customer Processes or Infrastructure Fails the Customer

“We built this company from the customer back, not from the company out.”

Lou Gerstner, IBM

Commentary

When a Builder encounters an Architect there is scope for confusion. The Builder values the business pragmatism of customer reach now. The Architect looks to an organisational blueprint that has to accommodate a number of competing business priorities for the future.

When mind sets converge, the customer proposition can be enhanced through innovative technology and responsive processes.

When the mind sets diverge, there is frustration. The Builder worries the promised solution will not meet the customer expectation. The Architect fears that the Builder does not understand the complexity of issues to be addressed.
12 months later, and the organisation’s cost base, relative to its competitors, continues to be a drag on the business.

12 months later it had become clear that one area had been “artistic” in the reporting of its business performance and was divested to improve organisational profitability.

An update on the numbers. Overall revenues are relatively encouraging but we are still struggling with costs.

Regulator

Why do we think this is an issue?

Trouble-Shooter

At best:

- We have to unpick this one. My initial analysis indicates that we have some business units which are not a good strategic fit within our financial model.
- Do we need to rethink the financial model or make some tough decisions about these businesses?
- It is a good challenge. Right now the CEO doesn’t want to commit to a full strategic review. But there is an opportunity for your people to work with my team and look at the detail of what’s going on out there.
- I am not convinced that we are getting the full story on which businesses are making a genuine contribution.

At worst:

- I think we have some businesses that are no longer meeting expectations.
- I get that. But don’t you think we also have an issue with our financial controls? There is lot of expenditure that I would class as extravagant and unnecessary.
- Our financial controls are fine. The team have recently introduced additional controls. We have that covered.
- No. We have some businesses running on a shoestring, starved of investment. And we also have parts of the business that are spending money on half-baked speculative projects that are going nowhere.
- You are missing the big picture.
Commentary

The Regulator and Trouble Shooter mind sets should make for a good fit. And when the conversation is well managed, organisations can anticipate highly efficient processes focused on business priorities that deliver profitability.

Badly managed however and the Regulator may look to impose financial discipline on businesses the Trouble Shooter knows are failing and will never be profitable, and tighter controls only delay (or even accelerate) the inevitable.

Alternatively the Trouble Shooter promises a turn around that can never address fundamental under-performance.

“Should you find yourself in a chronically leaking boat, energy devoted to changing vessels is likely to be more productive than energy devoted to patching leaks.”

Warren Buffett, Berkshire Hathaway
12 months later. The concept was refined following customer feedback, and launched successfully to leap frog the competition and put the company at the leading edge in its industry.

12 months later. No agreement was reached to progress the concept. A political struggle over strategic direction led to a decline in customers and falling profitability.
13. Far Thinking Customer Rethink or Customer Decline

“Most of us understand that innovation is enormously important. It’s the only insurance against irrelevance. It’s the only guarantee of long-term customer loyalty.”

Gary Hamel

Commentary

There is a tension between the organisation “as is” based on today’s business model versus what might be possible in tomorrow’s world.

This conversation highlights an important strategic dynamic. Is the future essentially more of the same based on established products and services to build market position? Or will the future be very different, reaching out to new customers with a different product/service portfolio?

Well managed this conversation maintains continuity between the present and future.

Badly managed, there is a disconnect between product and service development and marketing priorities.
12 months later, integration was a relatively smooth process, and the organisation quickly brought the acquired firm into its I.T. infrastructure.

12 months later, integration proved troublesome. The acquired firm had to maintain its legacy system at significant inefficiency and cost.

14. Systems Integration Facilitates Expansion or Botches Growth

Here is the project update. We move to the new I.T. platform next quarter. You will see the detailed implementation plan.

Quick question. What are the implications for the acquisition next year?

- Good question. It’s one that has been giving the team a few sleepless nights. But we think the integration plan is pretty robust.
- If it helps, I can get one of my team to work with your integration people to provide another perspective.
- It won’t hurt to have another pair of eyes, especially someone familiar with this new firm.
- One of the team has got a lot of experience of these kinds of transition projects. If there are going to be any issues, let’s highlight them now and mitigate the risks.
- As part of the due diligence process we reviewed their systems technology capability. It’s pretty much legacy stuff that will be abandoned.
- Have we thought this one through and how we manage the transition post acquisition?
- It’s on the radar. But the team has yet to construct a detailed plan.
- Let’s not drop the ball on this. I’ve had past experience of systems integration post an acquisition. And it wasn’t a happy experience.
- We do have a lot on at the moment!
14. Systems Integration Facilitates Expansion or Botches Growth

“Growth is a spiral process, doubling back on itself, reassessing and regrouping.”

Julia Margaret Cameron

Commentary

When the mind sets of the Explorer and the Architect converge, the outcome is a robust operating infrastructure of system technology and work design that scales up to facilitate business expansion.

When the mind sets diverge, the conversation is difficult. The result: a misalignment between strategic intentions for growth and a platform and operating model that can deliver on these goals.
15. Focus on Fundamentals Drives Service or Maintaining Unprofitable Customers

These are the facts. We’re losing money with several specific customer groups.

At best:
- A bit of both and we need to run more analysis.
- We have got ourselves in a bit of a tangle. I know that some of my people put Operations under too much pressure.
- The truth is that we have under invested in the business and our operating processes are just not good enough. We can refocus Marketing and Sales, but it won’t address the fundamental issues.
- OK. This is a wake up call. Do you need any input from me when you come to run the additional analysis?

At worst:
- Probably a mix. But the analysis indicates it’s mainly us and our low levels of productivity.
- I knew it. The people in Sales work so hard, and the support they get from Operations is dismal.
- There is an issue in Operations I know. But remember when you point a finger, three fingers point back at you. Your guys in Sales might work hard, but it’s hard work for Ops when you keep over-promising on delivery to customers.
- Why am I getting a sense of déjà vu?

12 months later and a turn-around programme was implemented to overhaul Operations and implement new work processes. Sales grew.

12 months later. The organisation was unable to resolve the problem. Productivity continued to undermine profitability levels and customer retention fell.
15. Focus on Fundamentals Drives Service or Maintaining Unprofitable Customers

“Our strategy was to focus on the strength of the brick and get out of things where we’re not world class.”

Jorgen Vig Knudstorp, Lego

Commentary

Organisations want to extend the customer proposition to locate additional revenue streams. And the Builder typically takes the lead in this. In the absence of a strategic conversation with the Trouble Shooter, this has the potential for overstretch and squeezed profitability.

When the Builder and Trouble Shooter talk, the conversation sets an agenda for improvements in the customer experience based on productive processes.

Without this conversation there is a misalignment between the customer proposition and the organisation’s capacity to deliver it, in a productive and profitable way.
12 months later, stuck in financial analysis, the product concept was abandoned. The organisation - forced to maintain its existing products - found itself reliant on a declining and unprofitable customer base.

12 months later - with an accelerated product development process - the launch was a success. Initial financial analysis indicated a highly profitable addition to the organisation’s portfolio.

16. Innovation Executed Efficiently or Possibilities Over Analysed

I’m delighted to announce that the Research & Development team have come up with what might be a winning product.

I need your perspective as a bit of reality check on our thinking.

Happy to help. The aim at this stage is not to generate detailed projections. In my experience, premature number crunching only ends up with a strategic fairy tale.

Thanks. The reality is we don’t know how this product might take off or how profitable it might be.

However we can agree a process that will establish the credibility of the concept for Board approval. I can help you with that. And we can look at the systems to help accelerate the process.

Let’s get together to take the thinking to the next stage.

And it would be helpful to get a sense of the numbers. How much have we spent? What additional investment are you looking at? And what is your analysis of the risks, short and long-term?

OK. But I’m not sure the team are quite at that point. We’re more at the stage of “let’s see how far we can take the product in principle.”

Take your time, and send on the numbers when you are ready. I know that the Board will be looking for the detail before it gives the green light for your proposals.

That is good news. We’ve had a tough time as a business.
16. Innovation Executed Efficiently or Possibilities Over Analysed

“To design a desk which may cost $1,000 is easy for a furniture designer. But to design a functional and good desk which shall cost $50 can only be done by the very best.”

Ingvar Kamprad, IKEA

Commentary

Visionary leaders generate innovative concepts but without necessarily assessing the financial impact. Conversely Regulator leaders focus on consistency and efficiency, an outlook that may constrain innovation.

Badly managed the conversation between Visionary and Regulator leaders becomes stuck in ongoing and prolonged risk assessment and financial analysis.

Well managed, in a strategic conversation, there is a shrewd understanding of risk and the gains of reward, and innovation is executed efficiently.
17. Balancing Business Priorities or Short Term Pragmatism Misses Opportunities

To summarise the strategic review.
We have a couple of business units that are looking fragile and it’s questionable if they ever will be financially viable.

Trouble-Shooter
I did think those areas have been a drag on our growth plans. It’s good to have the analysis to confirm the issues.

Explorer
12 months later. After an intensive round of business activity the organisation managed to restructure the business whilst managing the acquisition. Profitability improved significantly.

At best:
- Let’s work this through. Arguably we need to consolidate around the restructured business before we get back on the agenda for growth.
- Alternatively we have an opportunity now to make a significant acquisition. There is a firm we have been looking at. It’s a well run business with a great strategic fit for us.
- What time scales are you looking at? And is there any flexibility to negotiate around these while we get through a painful quarter?
- Let me talk again to the guys. I’m sure there is a bit of flexibility.

At worst:
- Until we deal with these under-performing businesses we need to postpone the plan for growth.
- That won’t work. We have an acquisition in our sights that has massive potential for this business to expand.
- That one will have to go on hold for a while. There is too much work to do sorting out the current problems.
- But this is an opportunity we can’t turn down. If we don’t acquire this firm, I know who will.

12 months later. The acquisition failed to be approved. A major competitor saw the opportunity and the organisation lost the opportunity to reposition itself in the market.
17. Balancing Business Priorities or Short Term Pragmatism Misses Opportunities

“Scaling requires both addition and subtraction. The problem of more is also a problem of less.”

Bob Sutton

Commentary

The Trouble Shooter’s concern is for short-term survival. This pragmatic approach focuses attention on pressing business realities, but can diverge from the Explorer’s goal of long-term expansion.

Well managed, this strategic conversation is about the timing and sequencing of investment priorities. This guides which activities should be abandoned and which new activities need investment.

Badly managed and there is no agreed outcome and clarity of time scales for investment.
12 months later, implementation went well, and team collaboration was embedded with the new organisational design with gains in knowledge management and innovation.

12 months later, and the organisation is a patchwork of competing technologies that results in inconsistencies across H.R. activity and reporting, that is proving time-consuming and expensive to support.

The big picture.
The new organisational design template is signed off and systems implementation is planned for next quarter.

• It’s not as well advanced as we’d like. In fact, we’re behind the curve. There is a danger of implementing a platform around new work processes without working through the impact on people and culture.

• Do you want any input? The team here have been developing a people strategy that has some interesting ideas. We can work through the implications for your function.

• Top of my agenda is team collaboration within the new work flows and processes.

• Team collaboration is the focus of the people strategy. Let’s work through the thinking now before implementation gets too far ahead of the game.

• It’s all good. We’ve got the beginnings of a matrix that we’re currently finalising to map out competencies by level across the function.

• You do know that we have a new success framework that is now linked to job profiling with a suite of modules to support talent management.

• I had a quick look. But it won’t work for us. We’re looking at something specific for this function.

• Why didn’t you share that view last year? The new people platform was bought to help integrate activity across the organisation. You seem to think the function is a separate business.

At best:

18. Aligning Systems Change with People or Confusing Misalignment

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18. Aligning Systems Change with People or Confusing Misalignment

“How can I build a culture that allows the organization's talent to embrace new risks and opportunities; a culture that works together to see the possibilities arising from change and not as a threat?”

Michel M. Liès, Swiss Re

Commentary

The Integrator and Architect mind sets should be aligned, and when the strategic conversation goes well, organisational transformation is achieved through effective change management to integrate technology and people processes.

However there is scope for tension.

If the conversation is mismanaged, the Architect embarks on large-scale change without an appreciation of the people factor.

Alternatively the Integrator attempts to develop new people processes within cumbersome processes and systems.
19. Financial Governance Reassures or Fragile Systems Worry Stakeholders

I think we can all agree. This is a seriously big mess.

The press are having a field day. The team has gone through the files again, and we seem to be on top of the problem. But the press only want the “we’re in crisis” story to continue.

Anything positive I can say. I have an investor briefing tomorrow and I know they will zero in on this episode.

Here’s the thing. We obviously did mess up. And yes, our administrative checks didn’t pick up the problem. But one of the team noticed that a glitch in the software system made the problem difficult to spot.

A software system that is pretty much standard across this industry.

I’m not suggesting that we blame the software. We have to take the flak for our mistake. But I think there is a way of positioning the episode in a way that indicates it’s not as simple as the media are treating it.

At best:

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- I’m not suggesting that we blame the software. We have to take the flak for our mistake. But I think there is a way of positioning the episode in a way that indicates it’s not as simple as the media are treating it.

At worst:

- We indicated to the authorities that our work processes were nailed down. This was despite my reservations that we still had major challenges on compliance.

- Perhaps you should have raised your voice in expressing those reservations. I thought we had got on top of the compliance issue. I wouldn’t have sent the “problem fixed” update to the authorities if I thought there was still an issue.

- Well. I’m raising my voice now. No. The “problem is not fixed”. And when the authorities went through the files last week it was obvious it wasn’t fixed. They discovered a serious health and safety violation that could have….

12 months later. The issue was a wake up call for the organisation. It improved its administrative systems to build greater resilience as well as implement more responsive processes for crisis management.

12 months later and the organisation continues to be under scrutiny - from the authorities who imposed additional and time consuming audit requirements - as well as from business and social media.
19. Financial Governance Reassures or Fragile Systems Worry Stakeholders

“One of the greatest contributions of risk management - arguably the single greatest - is just carrying a torch around and providing transparency.”

Trevor Levine

Commentary

The Lobbyist and Regular have potentially very different mind sets that lead to a different strategic focus.

Whilst the Lobbyist is looking to present a positive profile to the organisation’s stakeholders, the Regulator is faced with the detail of administrative systems and financial controls.

When aligned, the conversation ensures the organisation’s reputation is built on solid governance foundations and financial stability.

Misaligned, a gap can open between how the organisation projects itself and the reality of its financial systems.
20. Juggling Act To Rethink or Resigned to Decline

I’ve got more bad news. Profits for the last quarter were down again. Projections for next quarter are looking even worse.

At best:

- Good news. At last.
- I think so. But it will require a juggling act to manage today’s business and prepare for the future.
- It was ever thus. But it does focus priorities for investment. Historically we’ve taken on too much. We need to get better as a business about our strategic “yes’s” and “no’s”.
- This concept is a definite “yes”. But I accept we need to rethink priorities.

Trouble-Shooter

At worst:

- Is that good news or bad news? We’re in survival mode right now. We are not in a position to commit to any further product development.
- I think now is exactly the right time. It is what this organisation needs; an opportunity to revitalise itself.
- I live in today’s reality facing a tough set of challenges. You live in a fantasy world of what might be tomorrow.
- OK. Let’s leave it there. You however seem to be planning the decline of a firm that has been in business for over 100 years.

Visionary

I've got more bad news. Profits for the last quarter were down again. Projections for next quarter are looking even worse.

That is bad news. But I do have some better news. We now have a prototype of the new product concept we’ve been working on.

12 months later. On the brink of business disaster - a combination of a strategic rethink and the removal of under-performing activities - restored the organisation’s financial position.

12 months later, and attempts to shore up the business through a restructure had failed. The organisation was acquired inexpensively by a rival.
20. Juggling Act To Rethink or Resigned to Decline

“Although many observers expected Jobs to rev up the development of advanced products or engineer a deal with Sun he did neither. He cut Apple back to a core that could survive. He redesigned the whole business logic around a simplified product line sold through a limited set of outlets.”

Richard Rumelt

Commentary

This conversation is about the management of time horizons.

The Visionary leader looks ahead to the long-term to imagine a better business future. The Trouble Shooter is often caught up in today’s pressing operational problems.

A mature strategic conversation helps balance the past, present and future to make shrewd investment decisions.

Without this conversation between the Visionary and Trouble Shooter, agreement about business priorities is not achieved, promising ideas drift, and decline becomes a distinct possibility.
12 months later. The acquisition proved a difficult experience and growth projections were not realised. The new firm had deep seated problems in its accounting systems that required significant management time to resolve.

12 months later. The organisation - through the introduction of new financial controls in the acquired firm - had grown, improving its market share and profitability.
21. Efficiency Drives Expansion or Systems Undermine Growth

“Really good investment opportunities aren’t going to come along too often and won’t last too long, so you’ve got to be ready to act. Have a prepared mind.”

Charlie Munger, Berkshire Hathaway

Commentary

The Explorer mind set is motivated by expansion. The Regulator mind set, more by efficiency.

Well managed this strategic conversation combines to provide a financially shrewd approach to highly profitable business growth.

Badly managed, the organisation finds its business ambitions are constrained by over zealous financial controls. Or that growth is haphazard and damaging to long-term profitability.
22. Pioneering Reputation or Stuck in the Mud

One of my colleagues mentioned you were working on some new ideas.

Lobbyist: Yes, we’ve had a fundamental rethink of the industry and started to develop a few concepts for the next 5-10 years.

Visionary: At best:
- Can I work through some of the detail to get a better understanding of the thinking.
- I’m not sure we are quite there yet.
- That’s OK. But let’s spend a bit of time looking at where you have got to and the possible options. We can also think about a communications plan to begin the dialogue with some of our key stakeholders. There are a few people I know who can help shape thinking at this phase.
- We need to manage expectations. But we have the potential of a good story.

At worst:
- What worries me is how this will be perceived by the media. Here I am thinking about its reaction to the disaster of last year’s product launch.
- But this idea is different. As a firm we are seen as a bit dull. This rethink gives us an opportunity to reposition ourselves and build a more positive and vibrant presence in the market.
- But dull can be good, particularly when we need to restore our reputation. My nervousness is about timing.
- So you’re suggesting that we park the idea for a while. For how long?

12 months later - following a successful launch and positive media coverage - the organisation reinvented itself as an industry pioneer.

12 months later, and the organisation had been out-manoeuvred by an innovative start up that in turn triggered another round of criticism in the financial press.
22. Pioneering Reputation or Stuck in the Mud

“How to enhance an innovation profile with radically new products while avoiding blurring the reputation of a well-established company? Being a disruptive innovator can indeed be highly regarded, but doing so shouldn’t confuse stakeholders on your vision and purpose.”

Jeremie Guillerme, Black Sun

Commentary

The mind set of the Lobbyist can err on the side of the caution to avoid any reputational risk. The Visionary mind set is more tolerant of ambiguity and uncertainty and accepting of risk.

Negotiating these different mind sets is key to the overall strategic debate.

At best, the conversation builds stakeholder interest and buy-in at an early stage to reinforce a message of business innovation and energy.

At worst, the outcome is a “safety first” outlook that is risk averse and discourages any radical shift in strategy. Or results in the hype of repositioning that raises stakeholder expectations and then disappoints.
23. Focusing Priorities for Change or Misalignment With Commercial Imperatives

How many turnaround programmes can this organisation undertake? If we were a cat, we wouldn’t have many lives left.

**Trouble-Shooter**

- I’ve looked at it in detail. On paper it looks good. But I have a few questions about implementation.
- The issue that we are working through is the optimal sequence of implementation around business priorities.
- Here I can help. There is one business area that is critical and needs to be at the front of the queue. And there is another we can largely forget. It doesn’t really have a long-term future in this organisation.
- Let’s bring our two teams together. We also need to share the changes to the contract the vendor have sent on. I have a few reservations.

**Architect**

- I have. So is this going to be the solution to all our problems is it?
- It’s a serious costed plan for us to rethink our operating model and invest in a sustainable infrastructure for the future.
- Or I.T. hype that promises us a miracle? My view is that we need a fundamental strategic review of what businesses we should or shouldn’t be in before we think about this proposal.
- We keep talking about the “review”. But we never do anything about it. And then we’re back to one crisis after another. My proposal is a way of getting out of this loop.

At best:

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- The issue that we are working through is the optimal sequence of implementation around business priorities.
- Here I can help. There is one business area that is critical and needs to be at the front of the queue. And there is another we can largely forget. It doesn’t really have a long-term future in this organisation.
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- Or I.T. hype that promises us a miracle? My view is that we need a fundamental strategic review of what businesses we should or shouldn’t be in before we think about this proposal.
- We keep talking about the “review”. But we never do anything about it. And then we’re back to one crisis after another. My proposal is a way of getting out of this loop.

12 months later and the business transformation - structured against well-defined priorities - went smoothly, delivering productivity gains.

12 months later and the organisation - after implementing at significant expense new systems technology - had to back track to rethink its business model.
Commentary

The Trouble Shooter can get stuck in a mind set of short-term fire-fighting that neglects the systemic issues for a long-term solution. Conversely, the Architect looks to the future for the perfect solution and loses sight of short-term operational priorities.

Here the conversation goes badly and a solution for organisational change addresses the wrong strategic problem.

When the conversation is well managed the organisation coordinates strategic effort and combines short-term pragmatism with long-term sustainability.

“Enduring companies also have organizational "character" - and exhibit this by not being afraid to face up to adversity and embrace difficult change.”

John Donahoe, EBay
24. Culture Builds Market Share or Undermines Customer Responsiveness

It's going to be a stretch. But the new marketing strategy and sales process give us momentum to push out in the market place.

At best:
- And I want to avoid a piece-meal solution of fire one bunch of people and bring in another bunch. And we simply replay old problems.
- It sounds like we need to get serious about some of the systemic issues - in particular the “macho” culture that has evolved in Sales. We also need to find a way of reconnecting the Sales people with Operations.
- I was thinking of some kind of team build with the senior people across the business.
- I can come back with some ideas on that. But there is a whole range of other issues we need to explore as options to put into the mix.

At worst:
- What I want now from your people is a talent management plan. I see this as a chance to get rid of some of the dead wood, bring in some few faces and generally shake things up a bit to get some energy behind this change.
- OK. But I think we need stand back and see the bigger picture. Replacing a few people here and there is fine. But don’t we need to look at the culture in sales, and also how it interfaces with Operations? The engagement stats from last year were pretty horrible.
- Let’s not complicate things. I know who we need to lose and I’ve got a short list of some people I want to bring in.

12 months later. The marketing and sales strategy - implemented within a culture that emphasised collaboration across the business - was a major success in building the organisation’s market share.

12 months later. Despite implementing several changes in personnel, the new marketing strategy and sales process failed to gain traction in attracting new customers.
24. Culture Builds Market Share or Undermines Customer Responsiveness

“To win in the marketplace you must first win in the workplace.”

Doug Conant, Campbell’s Soup

Commentary

The Builder typically understands the contribution that people can make for effective marketing and sales.

And when the strategic conversation is working well with the Integrator, the agenda looks at imaginative ways to optimise talent across the business for improved coordination of sales and service.

When the conversation breaks down, a series of ad hoc quick fix solutions are implemented that fail to address more systemic structural and cultural issues.
12 months later, the organisation had initiated a fundamental overhaul of its project management capability and rebuilt its processes for client relationship management.

12 months later the unfavourable publicity had escalated, undermining the organisation’s effectiveness to win new projects.

25. Keeping Stakeholders Engaged Through Transformation
Or Mismanaging Expectations

To summarise. The government department is very unhappy about the stall of their transformation project. It looks like they’ve leaked to the press, along the lines of “yet another bungle.”

• Help me understand this complexity and how I can manoeuvre through the situation.
• To simplify. There are two parts to the problem. The first: the management of expectations. The second: implementation to deliver against these expectations. The second is down to us and we’re having an internal review to look at where we need to improve. The first is about you and the mood you establish at the outset of the project.
• I get that. But it would help if your people were more engaged in the communication piece.
• That’s fair. Let’s work through a better process for the long run. In the short-term let’s agree a plan to meet with the government client.

At best:

At worst:

• I’m sure there is. But I am getting a flash back. Win high profile project. Screw up. Blame the client for a change in requirement.
• Your flash back is a reminder of the reality. These are massive change programmes to coordinate work flows, systems technology and embed new processes as part of a culture shift. If the client changes the goal posts. Yes there will be delays.
• You do know we are getting a bad reputation. The running joke is that our competitive advantage is less about us implementing major change and more about how we navigate through a procurement process.
• You think I’m happy with this situation. But that is unfair. Isn’t it your role to manage these relationships and keep the heat off us?

• I understand the situation. But there is a bit of complexity.

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25. Keeping Stakeholders Engaged Through Transformation
Or Mismanaging Expectations

“Stakeholders are much more likely to accept their own responsibilities in facilitating change if they first trust the change agent’s character and the organization’s intentions, have faith in the benefits of the overall long-term process, and understand what constitutes short-term success.”

Major Doug Crandall

Commentary

Badly managed this strategic conversation represents a major organisational risk.

The mind sets of the Architect and Lobbyist are inherently different. The Architect is motivated by tomorrow’s possibilities for radical change. The Lobbyist looks at today’s media coverage and worries about the impact now on the organisation’s reputation.

Well managed this conversation ensures a positive corporate reputation as an organisation moves to a different operating model and culture.

Without a meeting of minds there is the potential for the gap between stakeholder expectations and the speed of change to widen.
26. Employee Pride Builds Market Standing or Cynicism Undermines Reputation

The results are through. We are at the 30th percentile on corporate trust. This, if you remember, is a composite index based on different stakeholder perceptions.

The detailed analysis isn’t great. But one specific issue you might be interested in. Customers don’t rate our employees as “putting their best interests first”.

I remember we looked at this issue last year as part of the strategic away day when we reviewed our company values. We talked a lot. But we didn’t do much about it.

You’re right. We need to get these ideas back on track to ensure employees know what we stand for and represent. And can take genuine pride in what they do. We’re not getting a positive message across to the work force.

We can look at a communications strategy. But I think we also need to rethink a range of our people practices, not least rewards and recognition.

At best:

- It was fairly consistent. And in fact the pattern is not dissimilar to the findings from the employee engagement survey.
- If even our own people don’t trust us, why should we expect anyone else to trust us?
- I think it’s a bit more complicated than that. Maybe our people don’t trust us because of the gap between what they experience as employees and the spin we put out in the media.
- I disagree. We just don’t do a good job at engaging our employees in what we’re trying to achieve as an organisation.
- I’m sure we all can get better at this. But until we do, we need to change the current spin you’re communicating. This survey says you’re fooling no one.

At worst:

- The detailed analysis isn’t great. But one specific issue you might be interested in.
- Customers don’t rate our employees as “putting their best interests first”.
- I remember we looked at this issue last year as part of the strategic away day when we reviewed our company values.
- We talked a lot. But we didn’t do much about it.
- You’re right. We need to get these ideas back on track to ensure employees know what we stand for and represent. And can take genuine pride in what they do. We’re not getting a positive message across to the work force.
- We can look at a communications strategy. But I think we also need to rethink a range of our people practices, not least rewards and recognition.

12 months later. After a rethink of a number of H.R. practices and a series of interventions around training and development, the employee mood shifted, service levels went up and the organisation’s reputation improved.

12 months later. The organisation’s reputation continued to suffer in the market, and it became increasingly difficult to find the talent to fill key roles.
Commentary

The Lobbyist wants to put the best foot forward to shape the organisation’s reputation with key stakeholders. The Integrator recognises work place realities and the problems that can undermine the positive spin of the Lobbyist.

Strategic maturity is achieved when the Lobbyist and the Integrator agree an authentic position. This creates consistency between the “words” of the external narrative and the “deeds” of the work-force and how it interacts with customers.

Alternatively, when the mind sets don’t converge there is scope for organisational cynicism that shapes how employees view the firm as well as how it is perceived by key stakeholders.

“You can’t talk your way out of something you behaved your way into. You have to behave your way out of it.”

Doug Conant, CEO, Campbell Soup
The financial review is now complete. As we suspected, some of our customers are unprofitable. It’s either that they are fundamentally unprofitable, and we’ll never make money. Or the processes we use to support these customers are inefficient.

12 months later and despite tinkering with marketing and the processes for service delivery, the organisation was unable to resolve the strategic debate about its customer focus.

12 months later and the customer refocus and update to delivery systems resulted in a significant gain in profitability for the organisation.
27. Systems Drive Efficient Service or Chasing Unprofitable Customers

“Your best customers are worth far more than your average customers.”

Seth Godin

Commentary

The Regulator prefers a world of consistent efficiency around established products and services that deliver a reliable return. The Builder is motivated by positive customer feedback about the service experience.

When these mind sets converge, the conversation is about how best to refocus customer priorities around efficient processes for improved profitability.

Alternatively the mind sets diverge. Either inflexibility from the Regulator holds the Builder back from customer experimentation and piloting.

Or the Builder’s desire to reach new customers with additional services makes for inefficient operating systems.
The deal went through. With this acquisition we’ve doubled the size of our business with the potential now to make a big impact.

At best:

- We now need an action plan to pull the two businesses together.
- The team have been working on this. It’s fair to say that this new firm, whilst it has some great products, also has a very different - potentially challenging - way of doing business.
- They do. But they have some great people we need to keep engaged.
- Sure. But they also have a fair number of monster sized egos that need to be managed.
- How about before we finalise the structure, we drill into the detail - our people and their people? I would like to get a sense of the breadth and depth of the collective talent and our options before we get bogged down in the detail of structures.

At worst:

- The challenge now. Integrating the new business within our structure and culture.
- I wouldn’t under-estimate the scale of this integration. On every metric I have looked at, this business has a completely different way of operating to us.
- Let’s not over play this. We know our model works. This firm will just have to come around to our way of thinking.
- It works for us now. But not necessarily as a bigger business. Can I add a note of caution? In my experience, the road of this integration will be bumpier than we think.
- You are over thinking this one.

12 months later. The organisation struggled to integrate the new businesses within its culture, and the synergies - promised to shareholders as part of the acquisition - were not achieved.

12 months later. The integration of the two firms was a success. It brought two groups of highly talented people together around a shared ambition of future growth.
28. Growing People Grows the Business or Ambitions Held Back

“No company can grow revenues consistently faster than its ability to get enough of the right people to implement that growth and still become a great company.”

Dave Packard, Hewlett Packard.

**Commentary**

The mind set of the Explorer is to maintain momentum for growth. The Integrator knows that scaling up to be a “bigger” player brings on a new set of challenges with implications for structure and culture.

When the two mind sets connect, organisations grow their people around a shared purpose. Here the dialogue becomes a strategic exchange. Given our plans do we have the talent to achieve them? Given our people - and their talents - what options do we have to accelerate growth?

When the conversation doesn’t work, business ambition runs ahead of people and culture, and the organisation lacks the talent to sustain expansion.
About AM Azure Consulting Ltd

AM Azure Consulting Ltd works with a broad portfolio of clients in the design and implementation of services in assessment, development and career management; leadership tool kits, 360° feedback, performance management; and talent and succession management.

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“Essentially, all models are wrong, but some are useful.”

George Box