

# Strategy for the Dummies

## *Introduction to Enterprise Strategy*

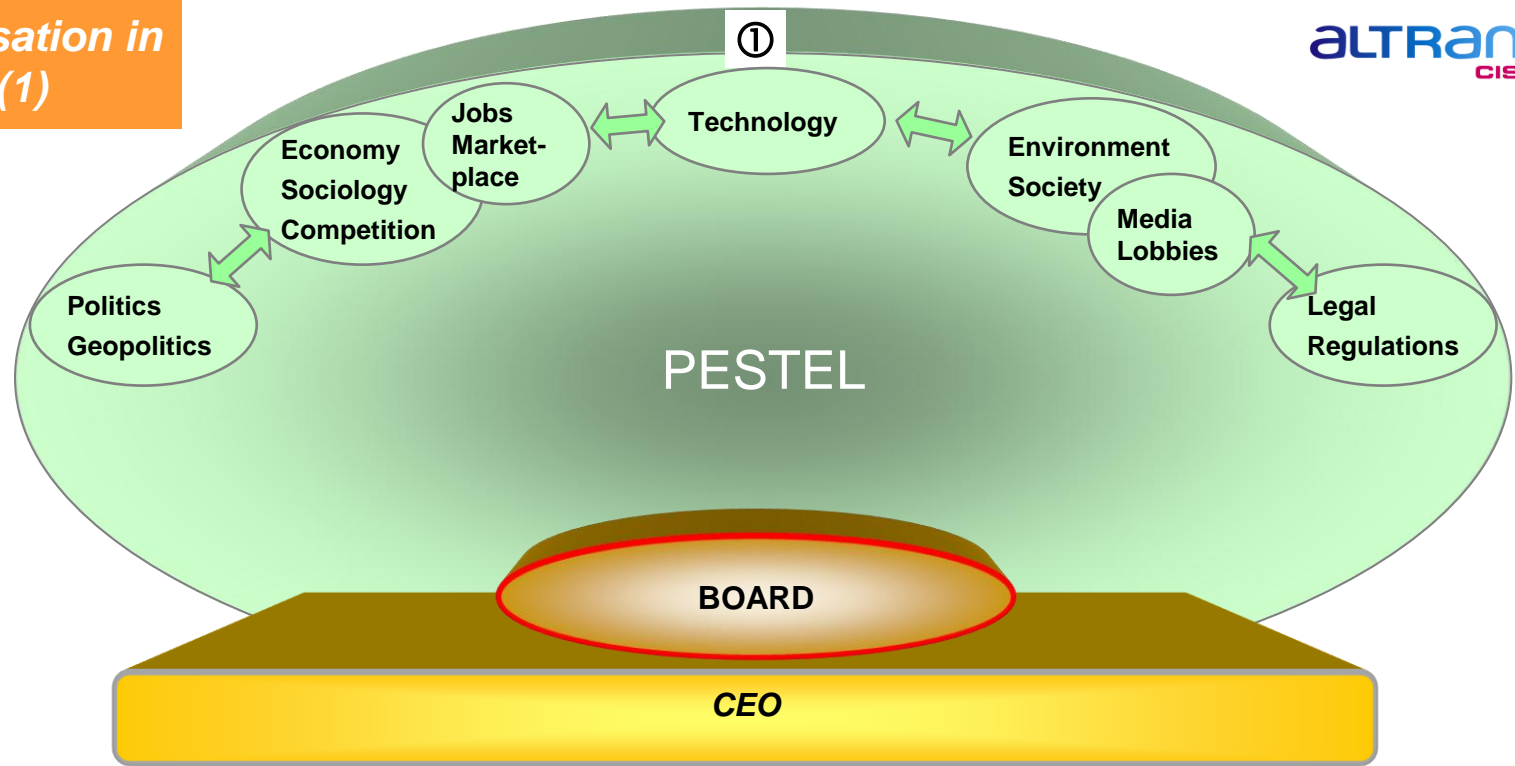
*Jean-Luc STRAUSS*

*1<sup>er</sup> avril 2011*

*Version 2.0*

# The enterprise organisation in its environment (1)

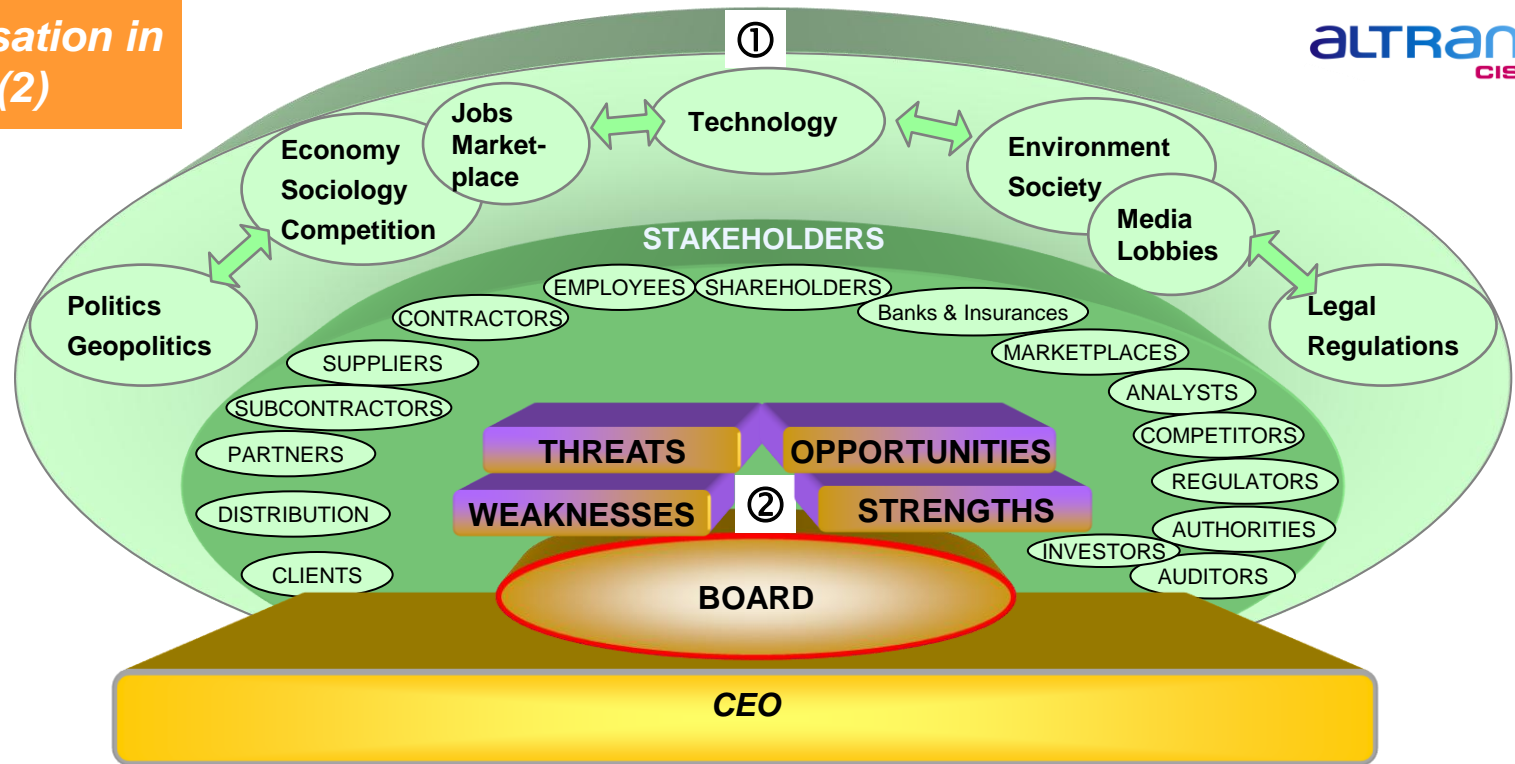
① Understand the environment and the components complex inter-relationships



# The enterprise organisation in its environment (2)

① Understand the environment (PESTEL)

② Appreciate the Stakeholders Demands by Identifying the Threats & Opportunities, combined with appraisal of internal Strengths & Weaknesses



# The enterprise organisation in its environment (3)

① Understand the environment (PESTEL)

② Appreciate the Stakeholders Demands

③ Define Vision, Missions, Values, Strategy and Set Objectives



- Mission:** Why we exist
- Vision:** What we want to be
- Values:** What we believe in
- Strategy:** Our game plan
- Strategic Initiatives:** what we need to do

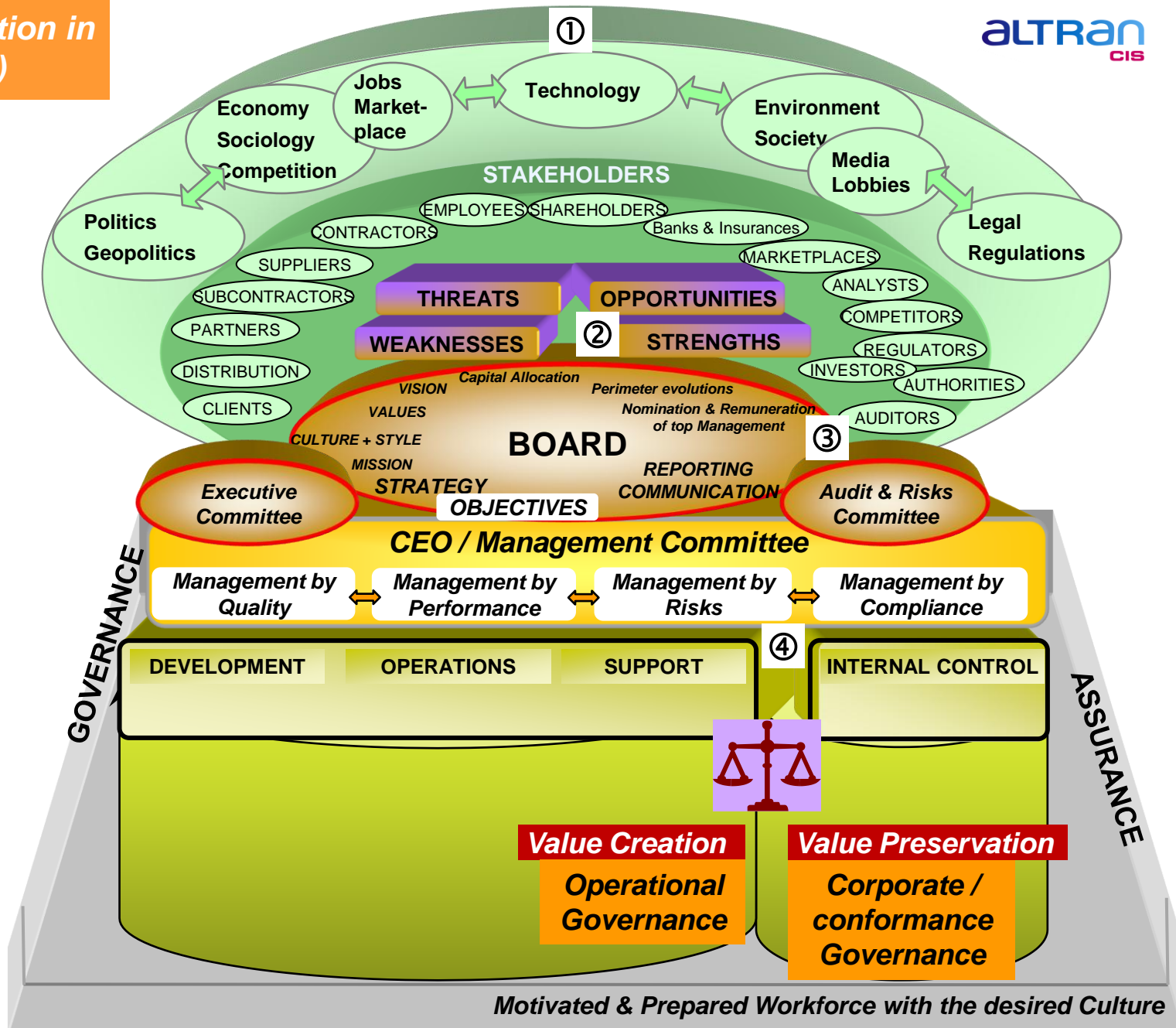
# The enterprise organisation in its environment (4)

① Understand the environment (PESTEL)

② Appreciate the Stakeholders Demands

③ Define Strategy and set Objectives

④ Manage & Control the Enterprise Entities in a Balanced Way (checks & balances)



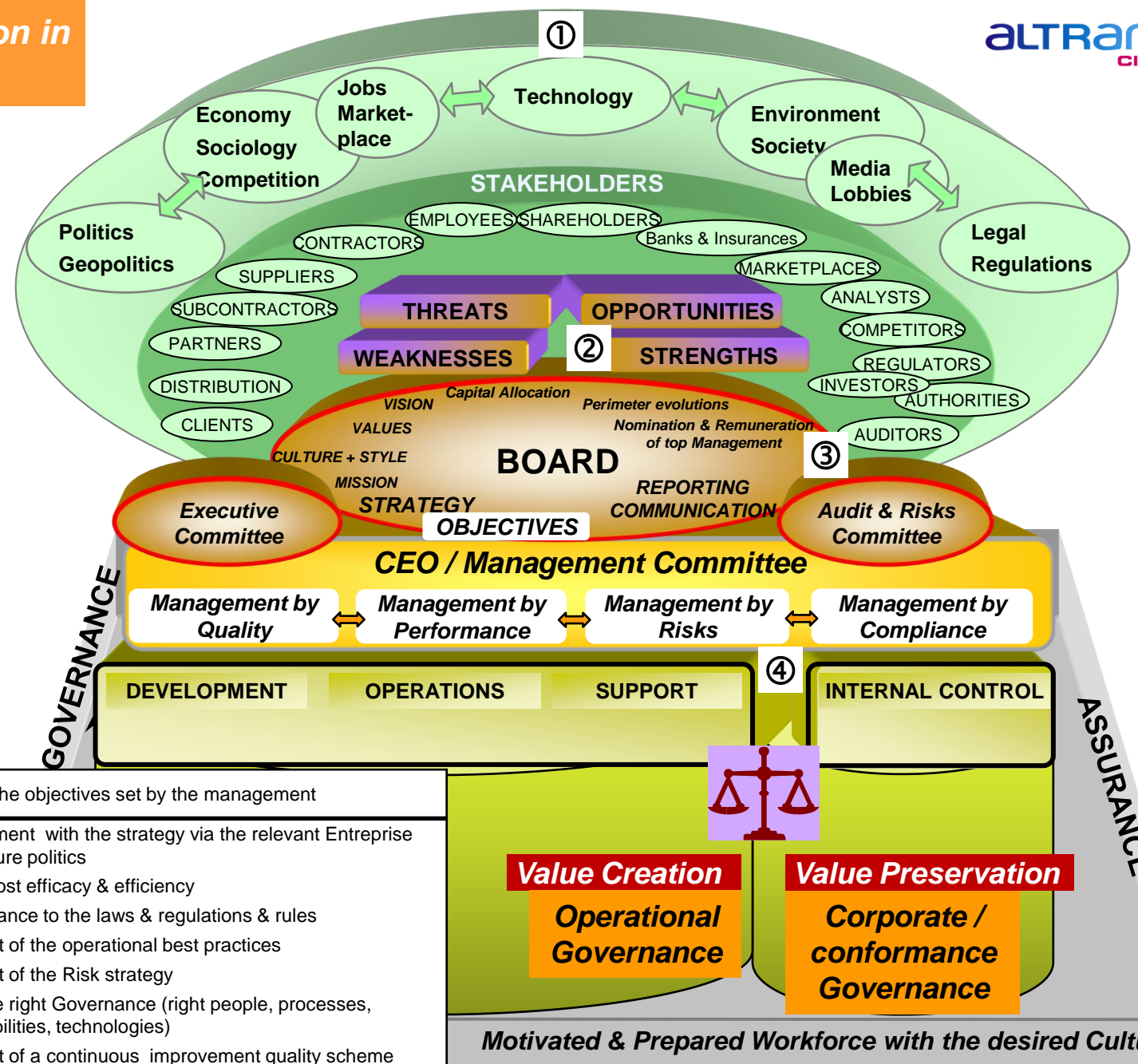
# The enterprise organisation in its environment (5)

① Understand the environment (PESTEL)

② Appreciate the Stakeholders Demands

③ Define Strategy and set Objectives

④ Manage & Control the Enterprise Entities in a Balanced Way (checks & balances)



<b>DO THE RIGHT THINGS</b>	<ul style="list-style-type: none"> <li>➤ Achieve the objectives set by the management</li> </ul>
<b>THE RIGHT WAY</b>	<ul style="list-style-type: none"> <li>➤ In alignment with the strategy via the relevant Enterprise Architecture politics</li> <li>➤ With utmost efficacy &amp; efficiency</li> <li>➤ In compliance to the laws &amp; regulations &amp; rules</li> <li>➤ In respect of the operational best practices</li> <li>➤ In respect of the Risk strategy</li> <li>➤ Under the right Governance (right people, processes, responsibilities, technologies)</li> <li>➤ In respect of a continuous improvement quality scheme</li> </ul>
<i>Provide Reasonable Assurance Regarding the Achievement of Objectives</i>	

# The enterprise organisation in its environment (6)

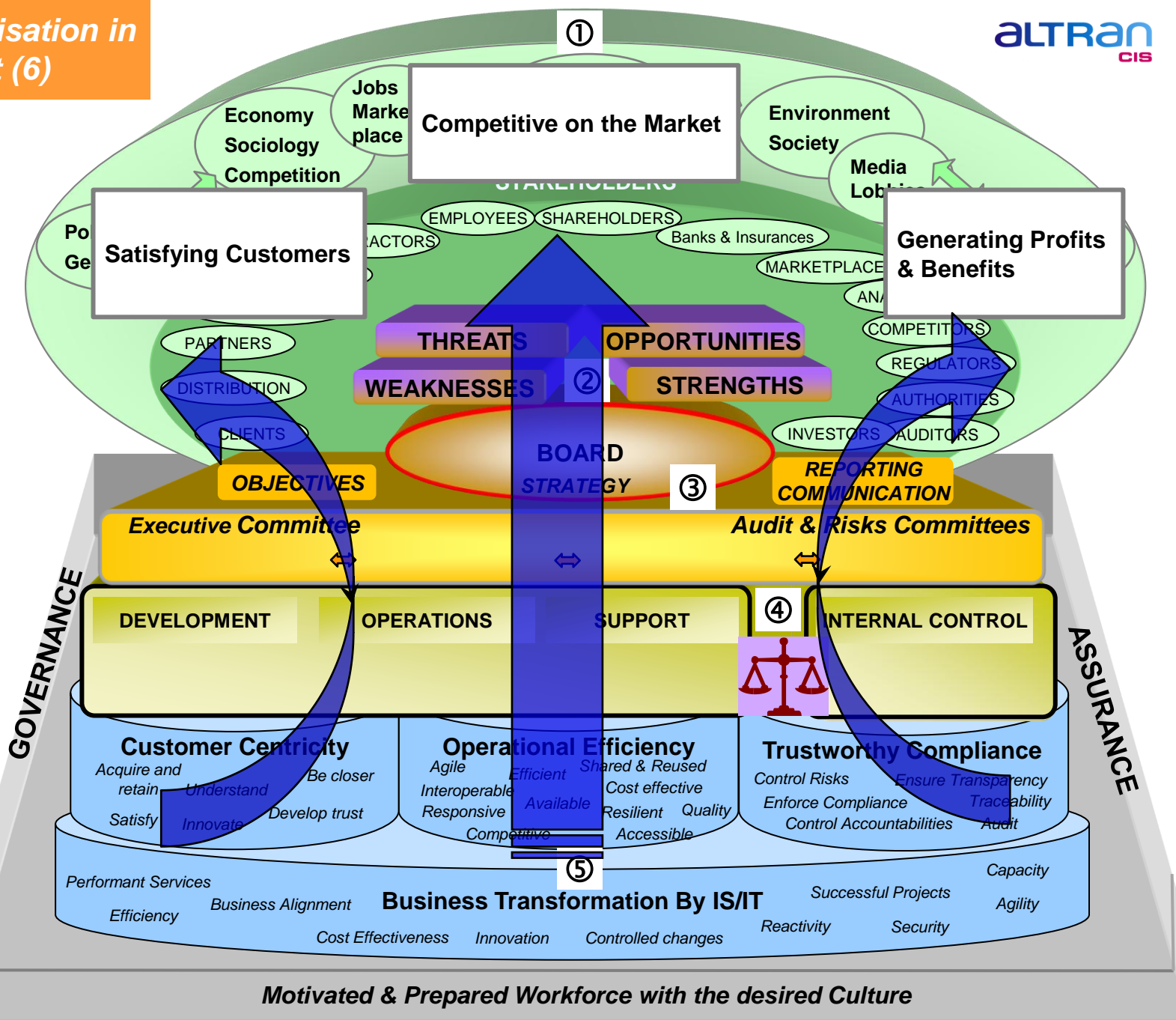
① Understand the environment

② Appreciate the Stakeholders Demands

③ Define Strategy and set Objectives

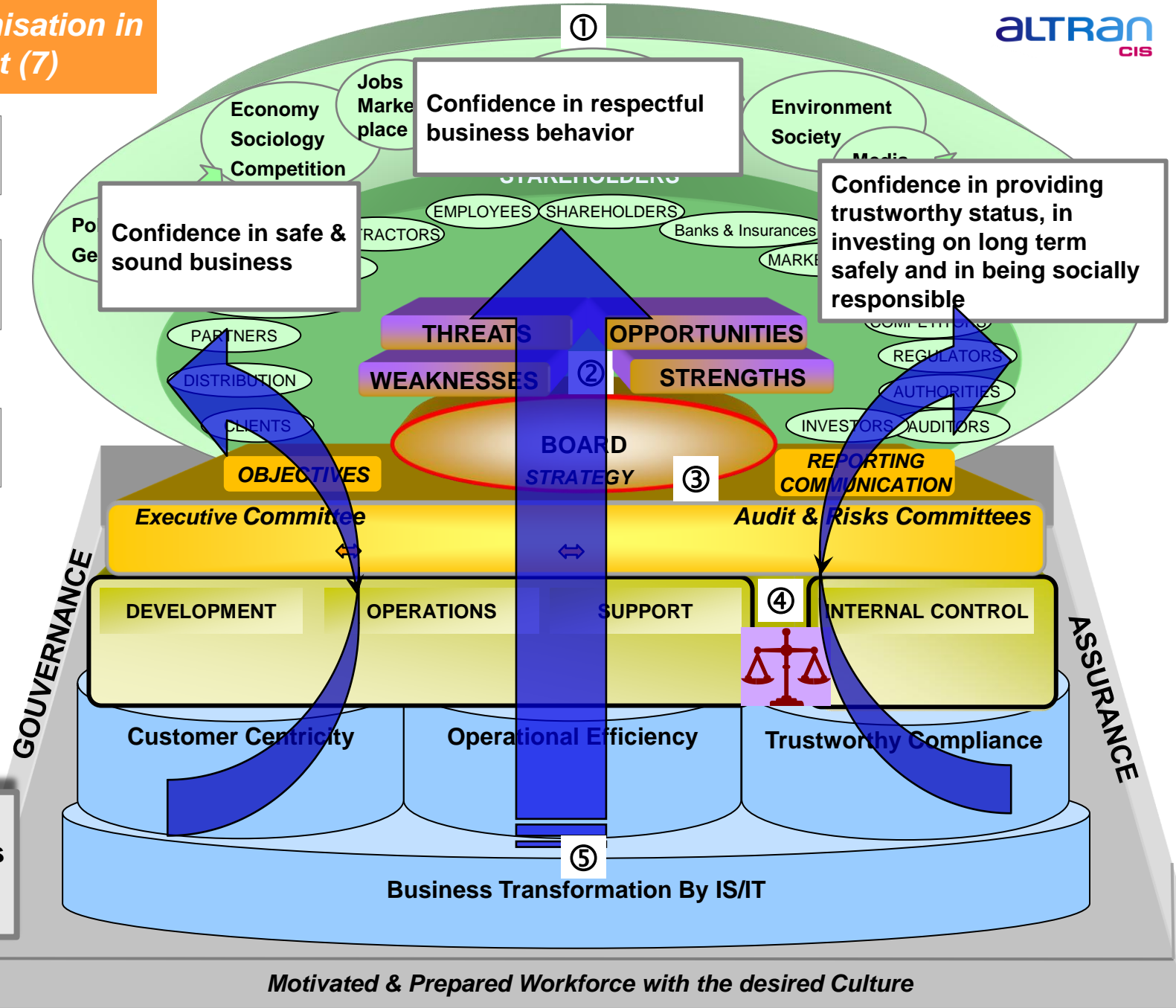
④ Manage & Control

⑤ Build & Deliver the right Responses to the Stakeholders Demands via four Strategic Perspectives



# The enterprise organisation in its environment (7)

- ① Understand the environment
- ② Appreciate the Stakeholders Demands
- ③ Define Strategy and set Objectives
- ④ Manage & Control the Corporate Entities in a Balanced Way
- ⑤ Build & Deliver
- ⑤ Build the right level of Trust for the various Stakeholders



## *Annex 1: PESTEL facts*

1. Global economical & soon political **power is shifting** gradually in favor of the newly developed countries (BRIC) thanks to their pace of economical development.
2. **Propagation of liberal economic views** combined with global free-trade agreements are threatening the existing political and economical powers in a lot of countries.
3. **Essential natural resources** are more and more located in remote and instable countries: *lithium in Equator, oil in the Gulf & Africa, uranium in Niger, etc...*
4. **Half the world is vulnerable to sociable instability and violence** due to extremism ideas, ethnical & religious confrontation, corruption, rising food & energy prices, failing states, falling water tables, climate change, decreasing water-food-energy supply per person, desertification, widespread of disabling diseases, and increasing migrations (mostly South to North) due to political, environmental and economic conditions (*the U.S. identifies 46 countries (2.7 billion people) at high risk of armed conflict, and an additional 56 states (1.2 billion people) at risk of political instability*)
5. **Diminishing available & unevenly distributed vital resources** like *water and farming land* in a lot of countries are sources of tensions
6. **Green** is gaining traction and is influencing more and more public affairs politics
7. **Western countries are heavily indebted** following the financial crisis and the rise of health & pensions costs with the increase of ageing population represent heavy burden on these countries
8. **Fundamental economical aspects to be mastered:** poverty level, inflation/deflation, savings rate, interest rates, discrepancies in fiscal policies between countries, unemployment rates mostly with young people, , currencies relative valuations to each others, energy & non-energy commodity prices (mineral, farm) & volatility, availability of new energy sources, improvements in farming and water management, sound financial & insurance tools for hedging risks, even wealth distribution/income inequality between classes within a country or between countries, frauds, ...
9. **New risks are emerging all the time** and are spreading faster than ever with potential global lethal effects: new & chronic diseases (AIDS, MCD, diabetes, ..), waves, GMO, nanotechnology impacts, new chemicals, terrorism, international crime and corruption, climate change & natural catastrophes (tropical storms, earthquakes, floodings, ...), reliance on critical infrastructures (systemic risks), crisis of the welfare and protective state, concentration of population in dense urban & risky areas, ..
10. **Democratisation** is progressing in the world countries with an increase in people literacy should eventually stabilize tensions in the world

**All these factors are generating uncertainties for the future and hence fears that are pushing stressed citizens to request from their governments more protectionism, isolation, constraining regulations, laws to protect environment, public health, business trust, etc..**

1. **New developed countries** are creating enormous wealth as they possess the mining resources and are the manufacturers of the world: poverty rate in some Far East Asian countries decreased from 80% in 1981 to 18% in 2005 and the government managed (sovereign) funds hold huge amount of assets
2. **A whole new class of rich** western retirees and of wealthy new entrepreneurs are appearing on the market: in 2011, they are over 11 millions people in the world whose fortune is over 1M€ in financial assets alone not counting real estate: they will hold 51,6 T\$ they'd like/require to get the best return from
3. **As global population is still increasing** albeit on a reduced rate (6.9B in 2010), thanks to extended life expectancy and reducing infant mortality, the need to feed and equip the population is pushing agriculture, mining and energy generation capabilities to new heights without guaranteeing the well being for everybody
4. **People live more and more in huge conurbations** (since mid 2000s, more than half of the world population live in cities); the requirements for water supply, waste management, roads, transports, construction, energy in new developing countries is overwhelming and require huge financing
5. **The demand for the renovation of existing infrastructures** in developed countries : electricity grids, new train systems, aviation development, new vehicles and transport systems, etc... is huge
6. **The financialization of the economical world** led to the acceleration of time: every quarter, every company must show positive results which pressures organisations from top to bottom into short-sighted strategies, stringent time-to-market requirements, etc...
7. **People live longer but:**
  - People need more advanced health & senior care longer
  - the remaining active population can hardly support the old people's needs anymore
8. **Economical cycles** are accelerating and financial crisis are potentially more and more destructive
9. **Consumers behavior** is evolving quite rapidly and relentlessly:
  - Thanks to the easy & cheap access to information via Internet
  - Thanks to steady streams of advanced technology, lowering the price of lot of goods
  - Leading to easy price benchmarking
  - Leading to fast propagation of new fashion trends on a worldwide basis,
  - Leading to requirements for new fashionable mass products and services on a global basis and their evolution at fast pace
  - Leading to requirements for completely customisable products and services, more and more on a self-design mode
10. **The family structure is evolving rapidly:** less children per woman, women financial independancy, high rate of divorces, extended/exploded family structures, etc..
11. **Knowledge-intensive services** gain in importance
12. **Global economy stretches the perimeter of corporations** in every aspects: adaptation to local markets, supply chains, delivery channels, competencies, etc...

***This reflects a fundamental shift from a supply-driven, product-centric economy to a globalised customer-centric economy driven by demand which changes dramatically the existing chain of values in numerous industries***

## 1. Information Technology

- Constant price decrease of commoditized items leads to huge consolidation in all hardware, software and services markets
- The growing usage of Cloud Computing technologies, based on ubiquitous network capabilities and virtualization techniques, is facilitating the de-coupling of business process management from the underlying technological infrastructure hence should bring more agility, flexibility, responsiveness to customers demands and lower production costs/higher productivity
- Growing interest in developing the right technology and tools to help master the vast enterprise data/information wealth
- The development of the socialware sphere should facilitate the knowledge sharing and the open innovation initiatives necessary to cope with the evolution of the demands
- Straight through processing, complex event processing, real-time management and real-time decision taking will be the new enterprises' paradigms and will need the use of more process automation and huge data & information processing technologies

2. **Advanced Technologies and Information technologies** are driving productivity to new high levels freeing capital for investments and lowering costs to exercise and sell spot personal expertises or even develop small-scale specialized manufacturing capabilities (*3D printing, ...*)

3. **Social interactions** will benefit from augmented reality, video-based communication, 3D virtual reality, robotics technologies

4. **Security:** requirements for a safer world are growing steadily and will push for more advances in technologies for authentication, privacy protection, anti-intrusion and resiliency in case of major disasters

5. The massive diffusion of trillions of **autonomous, intelligent and communicative small devices/sensors** will transform our daily life experience of life

6. Developments in **biotechnology, nanotechnology, pharmaceuticals, transportation and energy generation** will shutter the social and political world on a unknown and sometimes scary scale

1. **Preservation** of natural resources and species/biodiversity
2. Anticipating and working in fighting consequences of **climate changes** due to pollution: droughts & desertification, seas level increase, air pollution, water pollution, ..
3. **Recycling** of wasted resources
4. **Limitation** of energy and water consumption
5. **Stabilization** & guarantee of revenues for farmers of developing countries
6. Anticipate and **control new technologies** and their associated new kinds of risks: chemicals, electromagnetic waves, nanotech, genetics, etc...
7. **Promotion** of clean and green sources of energy
8. **Protection** of human rights and of privacy
9. Pushing for all bodies (governments, corporations, citizens) to behave with more respect to nature and humans, and to foster more **social responsibility**

## *Annex 2 Elements of SWOT*

## 1. Growing complexity

- Globalisation of businesses, supply chains, delivery channels, customers, ... leads to the multiplication of actors & cultures and thus the extension of the enterprise eco-system
- Inheritance of siloed heterogeneous legacy systems & fractured distribution channels
- Extended enterprise without clear overall governance
- Global enterprise integration issues and right governance, following up M&A, partnerships, extension in new countries, etc..
- Capacity to align strategy & execution and technology & strategy
- Steady pace of information overflow
- Capacity at successfully driving complex transformations
- Capacity at efficiently and high-quality wise controlling end-to-end processes involving customers, suppliers and partners
- Capacity at complying with the accountability, transparency and traceability requests for various auditing and monitoring purposes whilst maintaining highest levels of reputation
- Guaranteeing stringent business continuity and security of data and humans is challenging in the open-ended extended enterprise
- The challenging sheer numbers of new laws & regulations, which vary from country to country whilst maintaining a sound global risks profile
- The growing but fragmented outsourcing of processes, apps developments & production services whilst ensuring an extended line of excellence & security

## 2. Rate of changes on the market

- shorter time-to-market and even real-time interactions are becoming key differentiators
- Lower competitive barriers, thanks to technology advances, put constant pressure from new entrants
- Rapidly evolving global markets increases unpredictability
- New value chains positionings, following the introduction of technologies and relaxation of former monopolies, challenge the existing business models at a higher pace

- Competition from new developed countries is harder & harder
- Society and stakeholders watch on transparency, compliance, social responsibility is increasing at a constant rate

## 3. Customers sociology is changing

- Customers are more informed more rapidly and hence tend to be more volatile
- Consumers needs evolve rapidly and on a more global basis
- Request for customized products & services is increasing
- Difficulty in knowing and understanding customers needs
- Difficulty on having an holistic view of each customer data and on sharing among all enterprise's departments to foster innovation & cross-selling in order to increase per customer added value and revenues
- Difficulty in responding to the demands on Total Quality, on time-to-market, on easy accessibility all the time

## 4. Shortage of skilled people

- Adaptable, multi-cultural, risk-oriented, close to the customers, scientific minded, cross functional abilities, ...

## 5. Raise of the Risk factors

- risks of all nature are increasing in numbers & likelihood: Impact of global warning, terrorism, etc..., frauds, piracy, money laundering, ..., complex financial tools, ...
- Difficulty in assessing and managing risks and still driving the business forward
- Enterprise liabilities are increasing through the expectations and pressures of the stakeholders eco-systems as enterprises are deemed to be more stable and financially able to support the relative claims
- Criminalisation of unlawful/unethical management behavior
- Unpredictability in educated work force, capital, cheap credit availability

## 6. New business models, skillsets, organisations and tools are needed to respond to stakeholders' demands in an ever more agile way

- 1. Globalisation** facilitates the development of business on large scale, opening up new markets:
  - Accelerates market consolidations (M&A, global alliances, extended partnerships, ...)
  - Fragments & reshuffles the value chains, giving ways to new market opportunities
  - Yields huge new challenges which, when properly met thanks to mastering new levels of complexities, provide new scale of economies and hence market hedge
- 2. Financing needs are bigger than ever:**
  - New developed countries, new & bigger cities need huge investments in infrastructures, mining, energy generation, water, etc...
  - Fighting the effects of development on global environment will need lot of financing
  - Indebted countries (mostly western countries) need to finance their debts
  - Health care & senior care will need a lot of money
  - Need for protection is growing: P&C, life insurances, retirement plans, etc...
- 3. There is plenty of money ready for investments:** Sources of money, including sovereign funds, new rich entrepreneurs, emerging large middle class people in new developed countries, represent over 16 T\$ in 2011 only
- 4. New technologies (clean transportation, smart devices, genetics, etc...) and new sense for sustainable living** will change the way people live and behave dramatically which in turn will generate new demands and hence new market opportunities

## Some Figures (1)

Items	Date	Figures	Rate
World population	2010	6.9 B (1.2 B in Developed Countries)	1.16 %/y
EU-27 population	2009	500.4 M	
US population	2009	307.4 M	
World population	2020	7.4 – 8.0 B	0.8-1.3 %/y
EU-27 population	2020	513.8 M	
US population	2020	335.8 M	
World +65-year-old population	2008 2020		7.5 % / 15.5% in D.C 9.0-9.8 % / 19 % in D.C
World economy	2008	66 T\$ in PPP	
World GDP	2007	54.6 T\$ PPP 72% developed countries	25.2 k€/capita 36.9 k€/capita
EU-27 GDP	2009	12.6 T€ PPP	
USA GDP	2009	11.3 T€ PPP	
USA GDP	2009	14.1 T\$	
EU-27 credit	2009	21.7 T€	
USA credit	2008	10.8 T€	
EU-27 outstanding debt securities	2009	20.3 T€	
USA outstanding debt securities	2009	21.6 T€	
EU-27 stock market capitalization	2009	6.8 T€	
USA stock market capitalization	2009	11.4 T€	
USA public debt	2009		140% GDP
USA regular banking loans	2009	10 T\$	
USA shadow banking loans	2009	10 T\$	

## Some Figures (2)

Items	Date	Figures	Rate
<b>US Consumer debts</b>	2010	12.5 T\$	74% Mortgage 6% Revolving 6% Auto Loan 6% Credit Card 4% Student Loan 3% other
<b>EU-27 Government gross debt outst.</b>	2009		73.6 % GDP
<b>USA Government gross debt outst.</b>	2009		67.6 % GDP
<b>World illicit trade</b>	2008	> 1 T\$	
<b>World bribes/extortion</b>	2008	> 1 T\$	
<b>EU-27 Export of good &amp; services</b>	2009		13.4 % GDP
<b>USA Export of good &amp; services</b>	2009		11.0 % GDP
<b>EU-27 Import of good &amp; services</b>	2009		13.6 % GDP
<b>USA Import of good &amp; services</b>	2009		13.6 % GDP
<b>Global Foreign exchange Market Turnover</b>	2010	4.0 T\$	Per day