

Strategy and Growth

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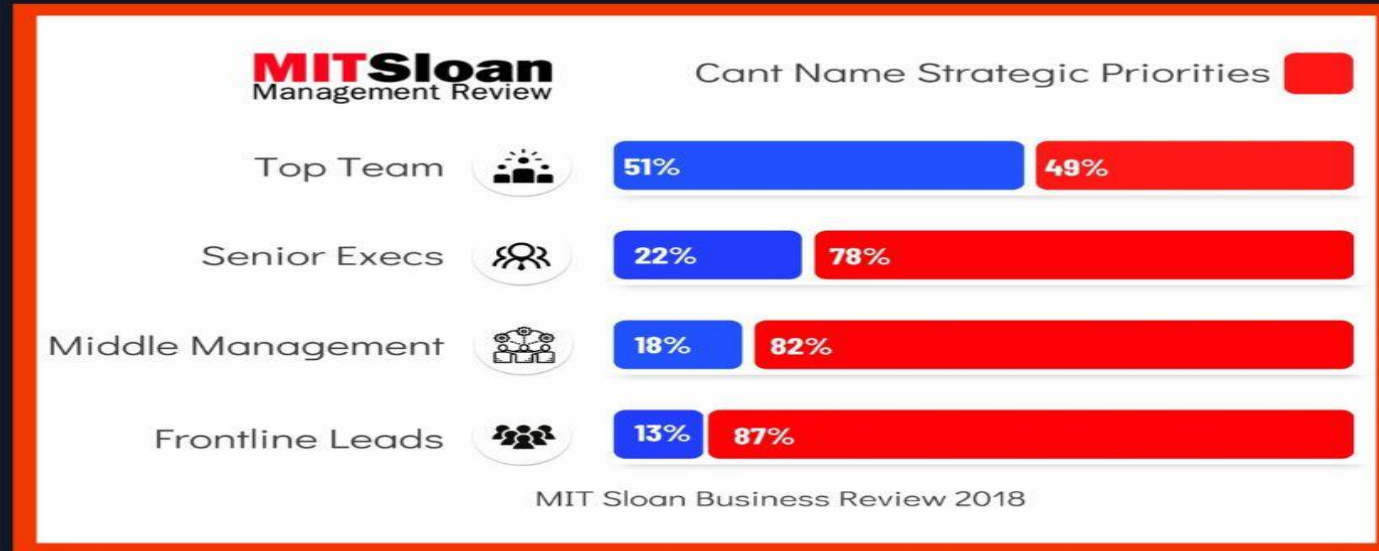
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CEO PERFORMANCE

Strategy is unknown.

Even the C-suite don't know it.



- 1 THE STRATEGY OF A COMPANY IS OFTEN ASSUMED TO BE KNOWN TO MANY LEADERS
- 2 BUT IN REALITY ITS STRATEGY IS NOT KNOWN, EVEN TO NEARLY 50% OF C-SUITE
- 3 AND THIS LACK OF UNDERSTANDING SPIRALS DOWNWARDS
- 4 THE FIRST STEP IS ACKNOWLEDGING THIS IS A PROBLEM
- 5 THE NEXT STEP IS DOING SOMETHING ABOUT IT...

CREDIT 'NO ONE KNOWS YOUR STRATEGY - NOT EVEN YOUR TOP LEADERS' FROM MITSLOAN MANAGEMENT REVIEW. FIND ME AT [LINKEDIN.COM/IN/GEORGE-PARAS](https://www.linkedin.com/in/george-paras).



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Why strategy fails?

One of the biggest, if not the biggest mistakes in strategy is assuming that everyone knows it in your organization, even the C-suite.

Intriguing data from MIT Sloan reveals that nearly 50% of the C-suite can't list the 3 top strategic priorities of their own organization, and this figure rises to 87% by the time you reach leaders on the frontline

The problem? Strategy suffers, execution suffers - trade-offs aren't made, the must-win battles aren't committed to and initiatives are pursued throughout the organization without coherence.



The solution? It is perhaps not another town hall or top-down
comms blast as some professors of MIT and management
thinkers highlight:



1/ Acknowledging the problem

The first step is acknowledging the problem; both in terms of the often false assumption that everyone is aligned and the impact this has.

2/ Agree at the top

Agree on what's best for the business as a whole rather than pursuing various individual agendas.



3/ Bring 'level' two along

As there's a particularly sharp drop in understanding between the C-suite and senior executives, consider bringing the latter on the journey, ensuring they understand the overall strategy, and how their business unit fits into it.

Is this everything? Maybe not, but it's a great place to start. Agree?



MAIN IDEA

What makes a CEO great?

To figure this out, McKinsey & Co. analyzed 20 years of data on 7,800 CEOs from 3,500 of the largest public and private companies across 70 countries and 24 industries. They then factored in tenure, performance results, and corporate conduct to identify the 200 top-performing CEOs of the twenty-first century. Of that number, 65 were interviewed in-person.



The end result of all that analysis was it became clear the best CEOs think differently from average CEOs. Specifically, exceptional CEOs assume personal responsibility for six key responsibilities:

- | | |
|---|---------------------------------------|
| 1 | Set the direction for the company |
| 2 | Align everyone to the same goals |
| 3 | Mobilize the strategy through leaders |
| 4 | Engage the board of directors |
| 5 | Connect with shareholders |
| 6 | Manage their personal effectiveness |

CEOs have the mindset that all six of these responsibilities are theirs, and they need to make them happen. In doing so, the best CEOs pull way ahead of their competition. They keep all six plates spinning at all times, even when market conditions dictate some need to be spun faster or slower than the others. It's the mix that counts.





6 Mindsets of the Best CEOs

- 1 **DIRECTION-SETTING** – Be bold
- 2 **ALIGNMENT** – Treat the soft stuff as hard
- 3 **MOBILIZE** – Solve for the team's psychology
- 4 **ENGAGE** – Help directors help the business
- 5 **CONNECTION** – Start with "Why?"
- 6 **EFFECTIVENESS** – Do what only you can



Mindset #1 – DIRECTION-SETTING – Be bold

Great CEOs embrace uncertainty, and realize fortune favors the bold. They actively try and shape their organization's future by applying boldness to their vision, strategy, and resource allocation.

Mindset #2 – ALIGNMENT – Treat the soft stuff as hard.

The best CEOs treat the soft stuff – people and culture – as the hard stuff. They know the soft stuff is hard to get right, and take radically different approaches when dealing with people.

Mindset #3 – MOBILIZE – Solve for the team's psychology

Great CEOs form and lead an effective management team. They focus less on what the team does together and more on how the team works together. They obsess over the psychology of their team.

Mindset #4 – ENGAGE – Help directors help the business

The best CEOs are proactive in helping build a board with the right skills, and then using the board to help run the business. They make it easy for directors to add value to the business.



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Mindset #5 – CONNECTION – Start with "Why?"

Great CEOs connect with all their stakeholders. They do this by asking "Why are we relevant to our stakeholders?" Excellent CEOs dig deep to understand the motivations, hopes and fears of stakeholders.

Mindset #6 – EFFECTIVENESS – Do what only you can

The best CEOs excel at prioritizing, and doing only what they can do. They prioritize the most critical issues, focus on what they need to do, and delegate any remaining tasks.



The authors identified six mindset that any successful CEO must master.

1. Set directions, focusing on vision, strategy, and resource allocation.
2. Align the organization by managing culture, organizational design, and talent.
3. Mobilize through leadership, creating an ecosystem, making the team rather than the individual the star, and getting into the groove.



The authors identified six mindset that any successful CEO must master.

4.Engage the board by fostering relationships, focusing on its capabilities, and looking into the future.

5.Connect with shareholders by addressing the social purpose of the firm, going for two-way interaction, and staying elevated.

6.Manage personal effectiveness, by managing time and energy, living a leadership model, and staying humble



What Sets Top CEOs Apart From The Rest



Worksheet 1 – My CEO mandate

What is the degree of change you aspire to lead?

Set the direction	Vision Strategy Resource allocation	1 — 2 — 3 — 4 — 5 Evolve being careful not to break any glass Lead a massive transformation
Align the organization	Culture Org design Talent	1 — 2 — 3 — 4 — 5 Fine-tune what we have Overhaul virtually all areas
Mobilize through leaders	Composition Teamwork Operating rhythm	1 — 2 — 3 — 4 — 5 Right people are working well together Big changes in people & dynamics
Engage the Board	Relationships Capabilities Meetings	1 — 2 — 3 — 4 — 5 Board is effective, my engagement is strong Board lacks skills & is challenging to work with
Connect with stakeholders	Social purpose Interactions Moments of truth	1 — 2 — 3 — 4 — 5 Relationships with key stakeholders are strong Complete reset required with many stakeholders
Manage personal effectiveness	Time & energy Leadership model Perspective	1 — 2 — 3 — 4 — 5 My current working norms are sufficient I need to adopt a new operating model



1.Set directions, focusing on vision, strategy, and resource allocation.



Table 1: What does winning look like for our company?

CEO	Company	“Win the game” vision	“Reframe the game” vision
Doug Baker	Ecolab	Lead the industry in industrial cleaning and food safety	Lead the world in protecting people and resources
Ajay Banga	Mastercard	Win in payments	Kill cash
Mary Barra	General Motors	Win in the global auto industry	Win by transforming transportation
Sandy Cutler	Eaton	Top-quartile-performing vehicle component manufacturer	Leading energy management company making power safe, reliable, and efficient
Piyush Gupta	DBS Group	Win in financial services by using technology	Be the technology company that makes banking joyful
Herbert Hainer	Adidas	Outgrow our competition	Help athletes perform better than their competition



how the best CEOs get it right—creating a game-changing vision for their organizations. They do so by...

- ... finding and amplifying intersections
- ... making it about more than money
- ... not being afraid to look back to look forward
- ... involving a broad group of leaders in the process”



“Strategy Practice Make Big Moves Early and Often”

The research shows the following five strategic moves matter most:

1. Buy and Sell (M&A,alliance,JV,etc.)
2. Invest
3. Improve Productivity
4. Differentiate
5. Allocate



Invest.

If you want your company's investments to be big enough to move the needle, your capital expenditures to sales ratio needs to exceed 1.7 times the industry median for ten years.

That's a big number, but when capital is spent wisely it can enable a company to expand faster than its industry.

General Motors' Mary Barra exemplified this strategic move when she committed more than half of GM's product development capital (\$27 billion through 2025) to pursue leadership in the global electric vehicle market."



Improve Productivity

“The most successful companies reduce administrative, sales, and labor costs more deeply than others, and in so doing achieve 25 percent more productivity improvement than their industry’s median over a ten-year period”



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Allocate

This move is deemed big when a company shifts more than 60 percent of its capital expenditures among business units over ten years.

Doing so creates 50 percent more value than companies that reallocate more slowly.

Resource reallocation involves more than just capital, however; it also means shifting operating expenditure, talent, and management attention to where it does the most good.



Differentiate

The best CEOs improve their business models and create pricing advantages in ways that are big enough to change a company's trajectory.

As a result, their companies achieve an average gross margin that exceeds the industry's by 30 percent or more over a decade.

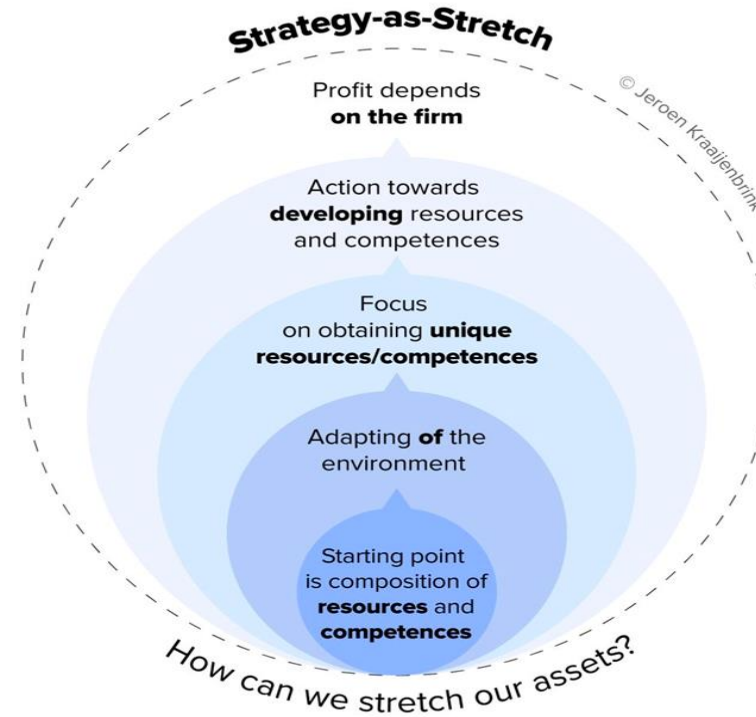
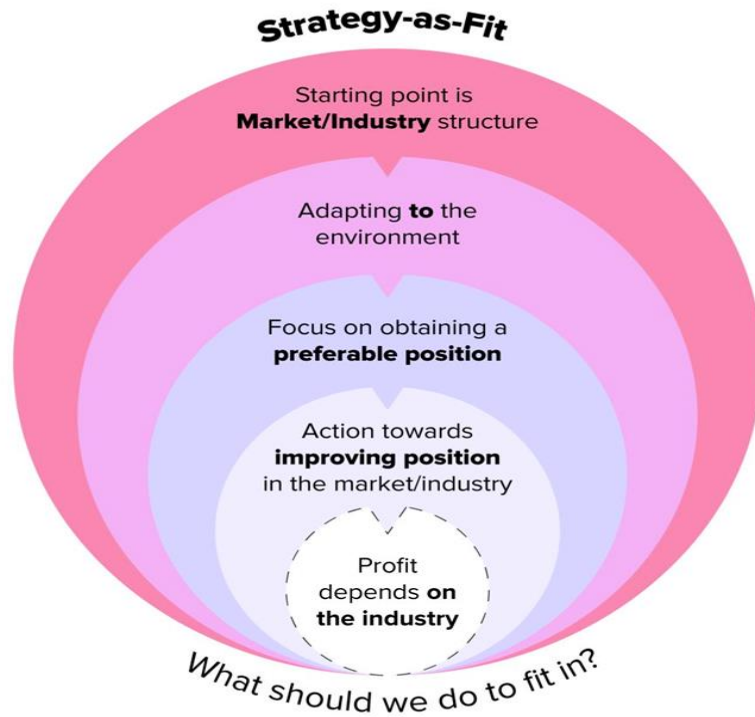
Former LEGO CEO Jørgen Vig Knudstorp used this strategic move well in pursuing what he called, “a strategy of niche differentiation and excellence” that aimed to refresh at least half the company's core products every year.

He created, for example, digital platforms that strengthened communication among LEGO fans, developed products for girls, licensed collections (e.g., Star Wars), and launched the successful LEGO movie franchise.



Outside-In Strategy vs. Inside-Out Strategy

The difference and where to start



Outside-In Perspective - Strategy-as-Fit

- Takes the outside world—the market, industry, world at large—as a given starting point.
- Strategy starts with an extensive analysis of the market, the competitive landscape and ongoing trends and derives implications for what to do given the circumstances.
- The core job of the strategist is to understand what happens around the organization and choose how it can best FIT in.
- The key strategy question to answer from this perspective is: What SHOULD we do in order to fit in?



Context mapping exercise



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Inside-Out Perspective - Strategy-as-Stretch

- Takes the organization itself—with its assets, competencies, people and partnerships—as a malleable starting point.
- Strategy starts with an in-depth understanding of your organization's core resources and competences to identify strengths and weaknesses as the basis for your strategy.
- The core job of the strategist is to understand the organization's strengths and identify how to STRETCH them.
- The key strategy question to answer from this perspective is: How CAN we leverage and stretch our greatest assets?



where to start?

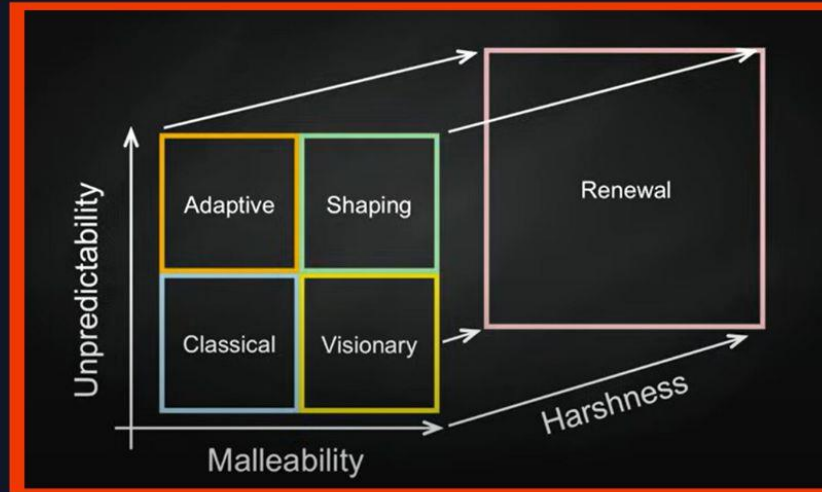
The easy answer would be to combine both ends.

After all, both are important. But, practically speaking, you need to start somewhere.



Strategy needs a strategy.

Because one size doesn't fit all.



- 1** ONE CLASSIC AND STABLE STRATEGY IS INCREASINGLY INSUFFICIENT
- 2** THE BUSINESS ENVIRONMENT IS ACCELERATING FASTER THAN EVER
- 3** STRATEGY MUST RISE TO MEET THE PACE OF THIS ACCELERATION
- 4** THE ENVIRONMENT CAN BE UNDERSTOOD ON 3 DIMENSIONS
- 5** THIS DICTATES FIVE POSSIBLE STRATEGY STYLES.

IMAGE CREDIT: MARTIN REEVES: YOUR STRATEGY NEEDS A STRATEGY (YOUTUBE), FIND ME AT [WWW.LINKEDIN.COM/IN/GEORGE-PARAS](https://www.linkedin.com/in/george-paras)



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More than just an eye-catching title, it has a thought-provoking perspective; one stable, continuous strategy is not enough when the rate of change in our business environment continues to accelerate.

One size does not fit all, our strategy must rise to meet the accelerating change in our environment, use multiple styles as necessary, and ultimately evolve depending on the predictability, malleability, and harshness of the business environment.



1/ Classical strategy = Predictable industry and we can't change it. Think 'old school', Porter's Five Forces, FMCG, and companies like MARS.

2/ Adaptative strategy = Unpredictable industry and we can't change it. Think fashion, iteration, and companies like ZARA.

3/ Visionary strategy = Predictable industry and we think we can change it. Think travel and companies like TESLA.

4/ Shaping strategy = Unpredictable industry and we think we can change it. Think ecosystems, orchestrators, and companies like AMAZON.



5/ Renewal strategy = When there is a shock to the environment with a very harsh environment that requires a focus on survival with a pivot to growth.

Think of the many industries and companies over the past few years who have gone through this strategy or are currently going through it.



Vision canvas exercise in class...



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2.Align the organization by managing culture, organizational design, and talent



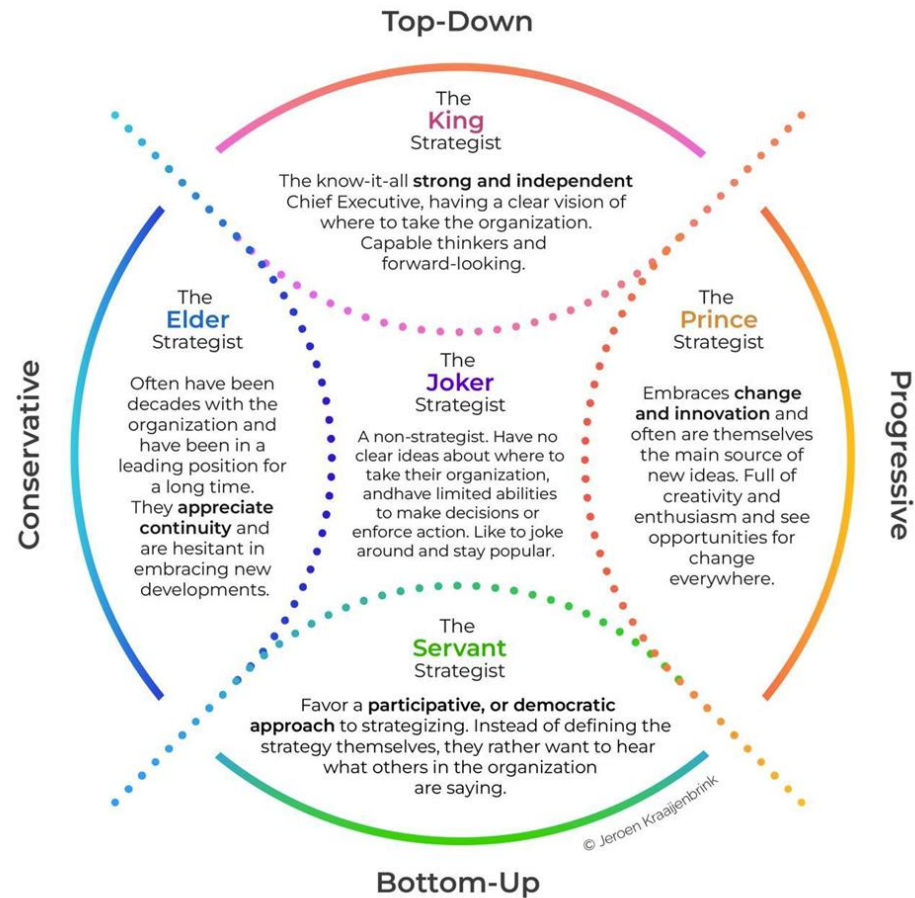
Talent in strategy



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Which Type of **Strategist** Are You?

Five Types of Strategist and Their Pros and Cons



Jeroen Kraaijenbrink, University of Virginia Darden School of Business I



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Type 1: The King Strategist

These assertive and independent leaders possess a clear vision for the organization's future.

Known for their strategic thinking and forward-looking approach.



- Strengths: They have well-founded ideas about the organization's direction and are often correct in their assessments.
- Weaknesses: They may become disconnected from the rest of the organization, setting high expectations that can lead to frustration among team members



Type 2: The Servant Strategist

favoring a participative or democratic approach, these strategists value input from others in the organization rather than solely defining the strategy themselves.



- Strengths: They excel in fostering harmony, engagement, and commitment, creating a shared strategy with a sense of ownership among team members.
- Weaknesses: Reluctance to share their own vision may result in perceptions of weakness or indecisiveness.



Type 3: The Elder Strategist

With extensive tenure within the organization, these strategists value continuity and may hesitate to embrace new developments.



Strengths: They possess a strong sense of history and continuity, focusing on the organization's existing strengths rather than chasing trends.

Weaknesses: They may become defensive and lose touch with internal and external changes due to their emphasis on tradition.



Type 4: The Prince Strategist

Embracing change and innovation, these strategists are a source of creativity and enthusiasm, constantly identifying opportunities for transformation.



Strengths: They excel at identifying new opportunities and motivating others to innovate.

Weaknesses: They may frequently change strategies without fully implementing them, leading to a lack of follow-through.



Type 5: The Joker Strategist

Lacking a clear strategic direction, these individuals struggle to make decisions or take action, often prioritizing humor and popularity.



Strengths: Their shortcomings may inspire others to step up and take on strategic leadership roles.

Weaknesses: Their lack of a clear strategy and ineffective execution can hinder organizational progress.



OCAI exercise in class...



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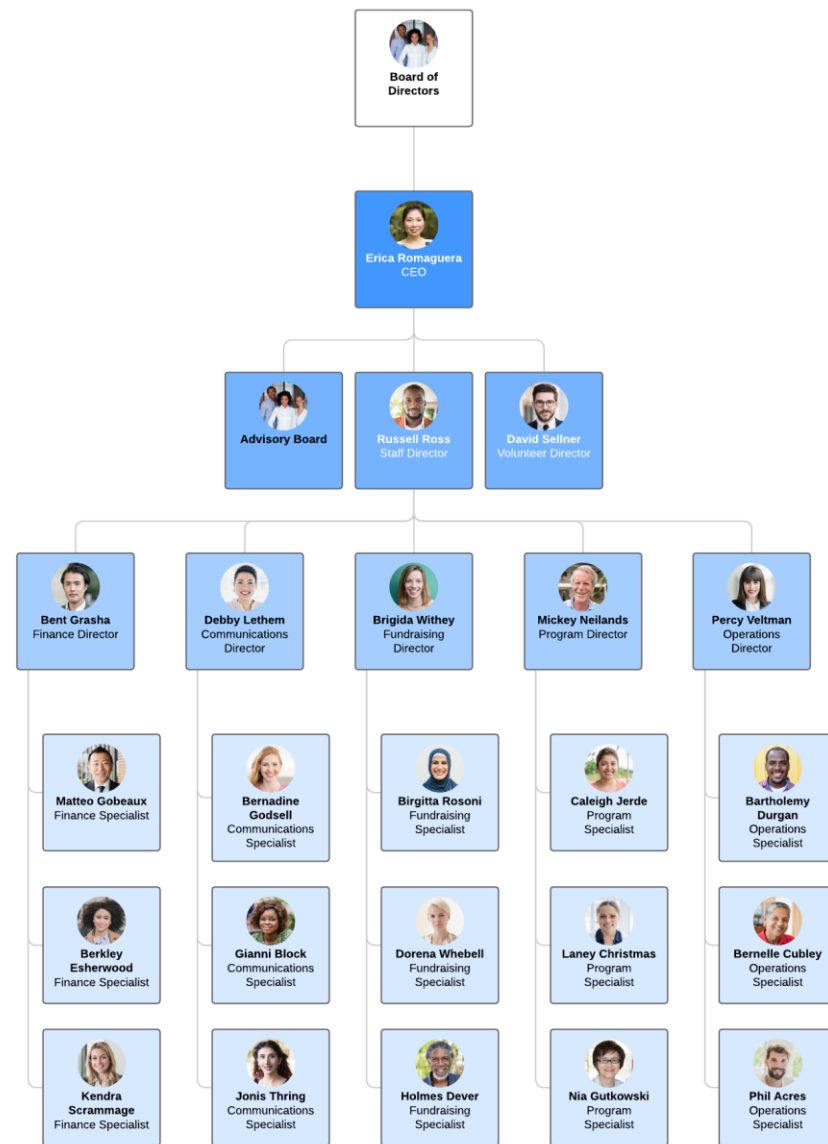
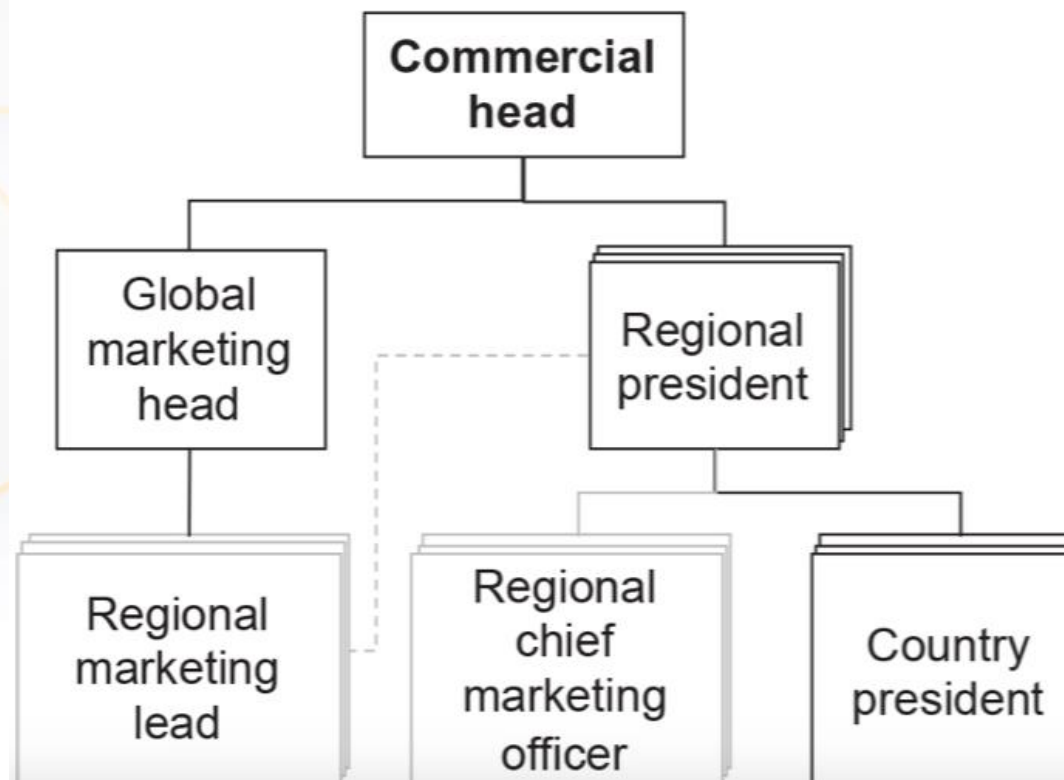
Organization Design



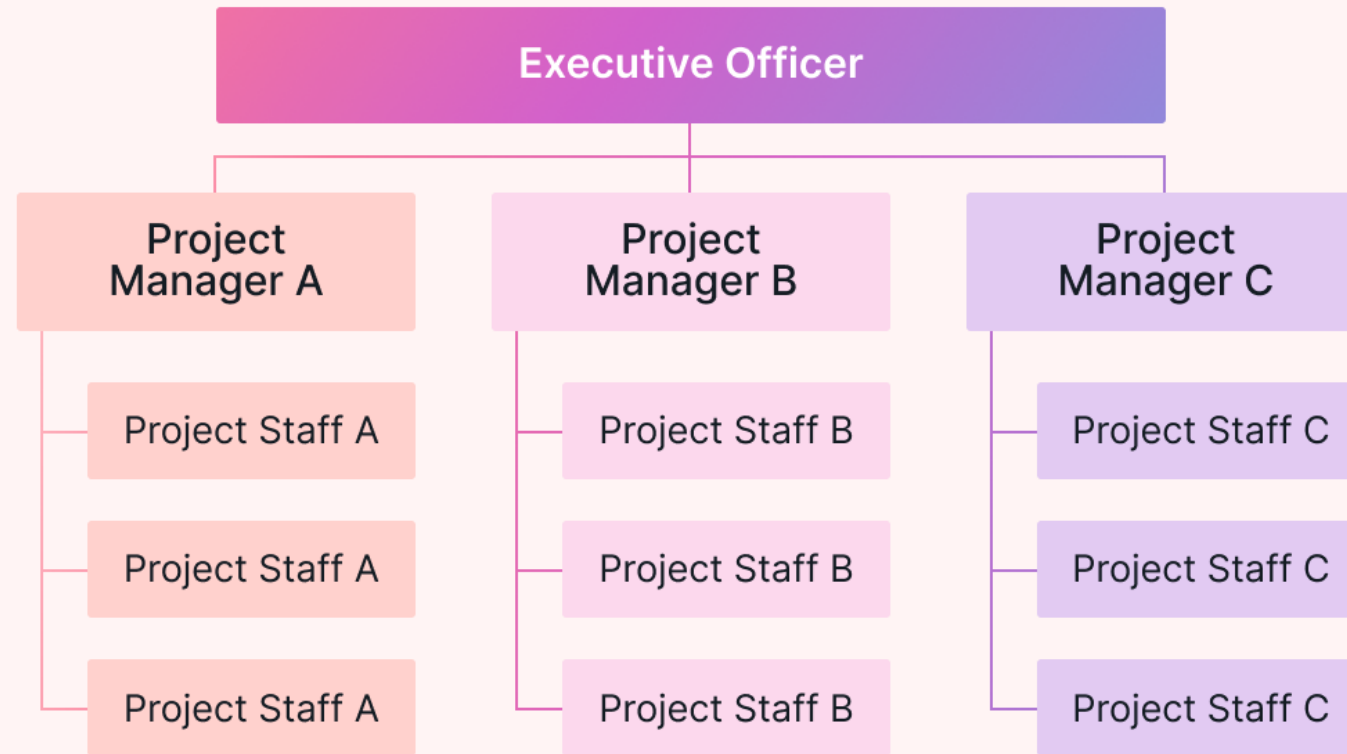
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Matrix organization

-  Key matrix roles
-  Solid-line reporting
-  Dotted-line reporting



Projectized Organizational Structure



Helix organization

- Capabilities management: How work gets done
- Value-creation management: What work gets done



No more dotted lines: The helix provides two clear, equal, and parallel lines of accountability

- **The capabilities manager** has the power to hire or fire, and provides the training, tools, and professional development to keep the employee's career on track
- **The value-creation manager** sets the employee's individual goals and objectives, and oversees their day-to-day work



3-Mobilize through leadership, creating an ecosystem, making the team rather than the individual the star, and getting into the groove.



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Managing the organization ecosystem



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Four Toxic Personalities to Avoid in Strategy Meetings

(And How to Deal With Them If You Have Them Nevertheless)

Zebra

Zero Evidence But Really Arrogant

ZEBRAS think they know it all but rely on their opinion rather than any actual evidence. To stave off the ZEBRAS in your midst, make sure that you've got data to back up your decisions. Come up with quick experiments you can run to test ideas and gather evidence.



Hippo

Highest Paid Person's Opinion

It can be tempting to give in to the HIPPOS (founders or CEOs who want to make all the decisions), but don't let them steer you off course. Bring everything back to your vision and objectives--if the HIPPOS aren't aligned with these, you could be headed for dangerous waters.



Wolf

Works on Latest Fire

The WOLF has a short attention span and a temptation to jump from one problem to the next. This will disrupt your team's focus and effectiveness, making you easy prey for your competitors. Create a process for collecting feedback about problems and only consider these along with all other requests.



Rhino

Really Here In Name Only

The RHINO is just there to collect a paycheck without contributing much to the team. They might not be actively impeding your decision-making, but they're certainly not helping out much, either. Having a clearly defined prioritization process can help ensure all your team members understand how decisions are made and give them the confidence to actively participate.



The Essential Guide to Prioritization by Product Board (2021)

Adapted by Jeroen Kraaijenbrink & Timothy Tiriyaki



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Work groups are characterized by the least amount of interdependence. They are based on organizational or managerial hierarchy. Work groups may meet periodically to hear and share information.

Teams are highly interdependent - they plan work, solve problems, make decisions, and review progress in service of a specific project. Team members need one another to get work done.





- The researchers found that what really mattered was **less about who is on the team, and more about how the team worked together**

1

Psychological Safety

Team members feel safe to take risks and be vulnerable in front of each other.

2

Dependability

Team members get things done on time and meet Google's high bar for excellence.

3

Structure & Clarity

Team members have clear roles, plans, and goals.

4

Meaning

Work is personally important to team members.

5

Impact

Team members think their work matters and creates change.



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re:Work



Team Effectiveness Discussion Guide

Below is a sampling of improvement indicators and guiding questions:

Psychological Safety

Signs that your team needs to improve psychological safety:

- Fear of asking for or giving constructive feedback
- Hesitance around expressing divergent ideas and asking “silly” questions

Questions to ask yourself:

- Do all team members feel comfortable brainstorming in front of each other?
- Do all team members feel they can fail openly, or will they feel shunned?

Dependability

Signs that your team needs to improve dependability:

- Team has poor visibility into project priorities or progress
- Diffusion of responsibility and no clear owners for tasks or problems

Questions to ask yourself:

- When team members say they’ll get something done, do they?
- Do team members proactively communicate with each other about delays and assume responsibility?

Structure and Clarity

Signs that your team needs to improve structure and clarity:

- Lack of clarity about who is responsible for what
- Unclear decision-making process, owners, or rationale

Questions to ask yourself:

- Do team members know what the team and project goals are and how to get there?
- Do team members feel like they have autonomy, ownership, and discrete projects?





Meaning

Signs that your team needs to improve meaning:

- Work assignments based solely on ability, expertise, workload; little consideration for individual development needs and interests
- Lack of regular recognition for achievements or milestones

Questions to ask yourself:

- Does the work give team members a sense of personal and professional fulfillment?
- Is work matched to team members based on both skills/ability and interest?

Impact

Signs that your team needs to improve impact:

- Framing work as “treading water”
- Too many goals, limiting ability to make meaningful progress

Questions to ask yourself:

- Do team members see their work as creating change for the better?
- Do team members feel their work matters for a higher-order goal?
- How are current team processes affecting well-being/burnout?

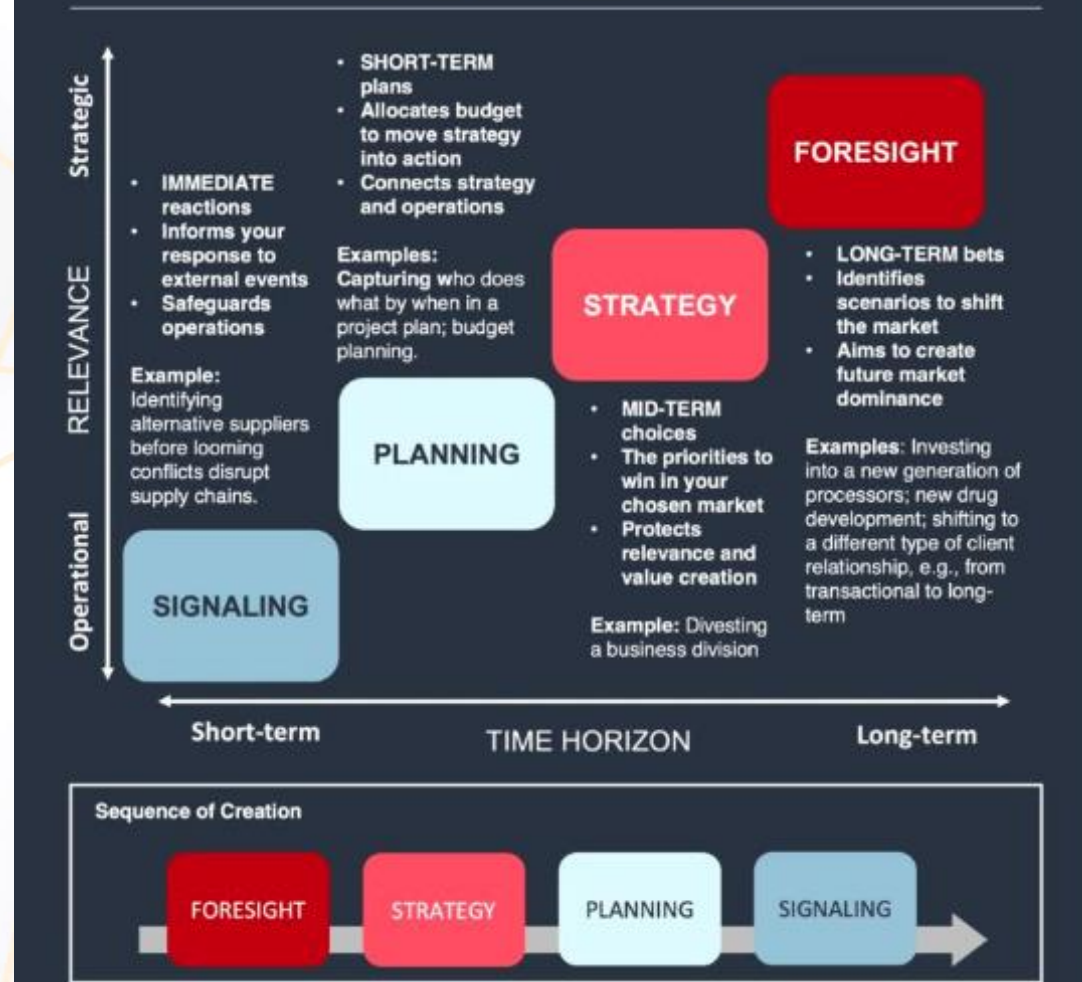


4.Engage the board by fostering relationships, focusing on its capabilities, and looking into the future.



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Strategy vs. Planning and where they sit on the time scale



FORESIGHT

↳ LONG-TERM bets

↳ Identifies scenarios to shift the market

↳ Aims to create future market dominance

Example:

→ Developing a new generation of processors



STRATEGY

↳ MID-TERM choices

↳ The priorities to win in your chosen market

↳ Protects relevance and value creation

Example:

→ Divesting a business division



PLANNING

↳ SHORT-TERM plans

↳ Allocates budget to move strategy into action

↳ Connects strategy and operations

Example:

→ Capturing who does what by when in a project plan; budget planning.



SIGNALING

↳ IMMEDIATE reactions

↳ Informs your response to external events

↳ Safeguards operations

Example:

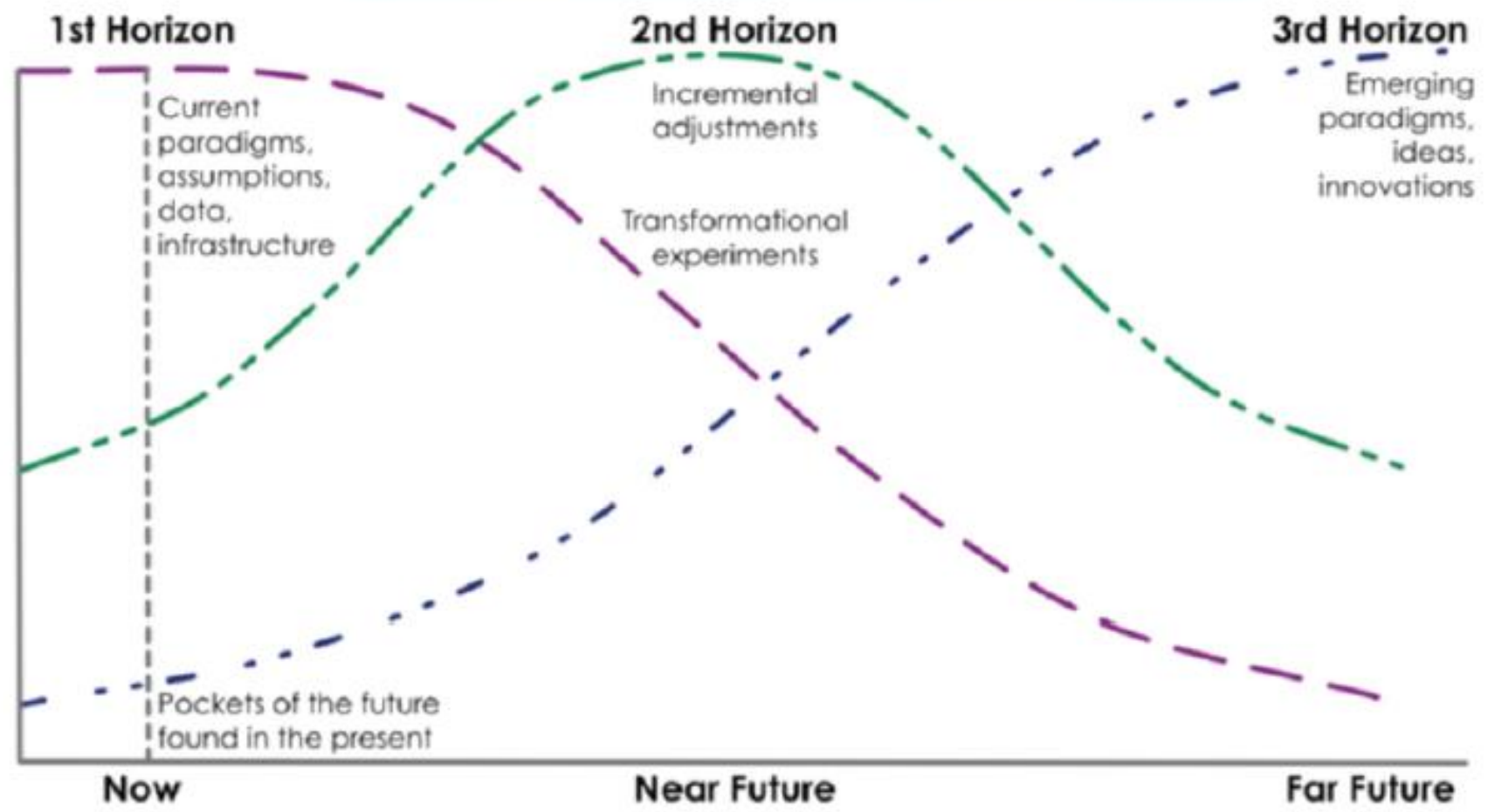
→ Identifying alternative suppliers before looming conflicts disrupt supply chains.



Horizon exercise in class



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5. Connect with shareholders by addressing the social purpose of the firm, going for two-way interaction, and staying elevated



ESG

We believe that our focus on ESG supports a future-proof ING and drives long-term value creation. For example:

A focused approach to the environmental and social transition enables us to capture opportunities and manage risks related to climate change and human rights.

A diverse and engaged workforce makes us more adaptive and inventive, and enables us to better serve our diverse customer base.

A strong governance structure drives the right behaviour, delivers on evolving regulatory requirements and protects our employees, customers and society.



ESG

Impact-based

- Focus on nine of the most carbon-intensive sectors, responsible for the vast majority of GHG emissions:
 - Power generation
 - Oil and gas (upstream, mid- and downstream)
 - Cement
 - Steel
 - Automotive
 - Aviation
 - Shipping
 - Commercial real estate
 - Residential real estate
- Aim to expand the scope to other activities in our loan book.

People are key to realise our strategy

In order to make the difference for our customers and stakeholders, we expect our employees to:

- **Be self-driven**
Eager to expand skills and knowledge, improve our customers' experience and be an invaluable contributor.
- **Make it happen, together**
Willing to speak up in ING's interest and create positive impact by bringing together different perspectives.
- **Stay vital**
Invest in physical, mental and emotional vitality, to sustain long-term performance.
- **Build trust**
Build trust and value for all our stakeholders and keep ING safe and secure.

Our offer to attract the right people



A collaborative and dynamic environment



Jobs with impact on people, planet and society



An inclusive culture where everyone feels a sense of belonging



Experience and opportunity to grow



Competitive benefits with flexibility



An environment conducive to vitality on mental, physical and emotional aspects



6. Manage personal effectiveness, by managing time and energy, living a leadership model, and staying humble



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